



## Official Development Assistance – The Measure of Global Social Justice

### *Background*

Extreme poverty can be defined two major ways: either a household can be categorized as living in extreme poverty because its members do not have access to basic services like health and education as well as basic living conditions (access to electricity, sanitation etc.) or its does not have access to the financial resources required to provide access to health, education and basic living conditions (for more information, see our analysis What is Poverty on this site). Often, the various definitions ultimately identify the same households.

The question arises as to whether the government of the country where the household lives could help alleviate poverty within its borders. For a majority of households, the government could indeed step in and improve things: according to World Bank data, 62% of the population living in extreme poverty lives in Lower Middle Income Countries or Upper Middle Income Countries<sup>1</sup>, i.e. countries where per capita incomes are on average above US\$2,220 per year.

This leaves 38% of the world's extreme poor with governments unable to muster the resources to assist them. Many charitable organizations were formed to address this very unjust situation. But charity, while playing a critical role, depends on donations which tend to vary from year to year. This is where Official Development Assistance comes to play, taxpayer-funded assistance from better-off countries aimed at funding global solidarity.

### **How has the developed world been faring in its donor duties?**

Brian Tomlinson, of Aid Watch Canada, reports that Official Development Assistance has evolved as follows<sup>2</sup>:

#### *Global ODA – in billions of constant 2016 US Dollars*

	2012	2013	2014	2015	2016	2017
Global ODA	115.1	121.5	123.5	131.0	145.0	144.2
As % GNI <sup>3</sup>	0.28%	0.30%	0.30%	0.30%	0.32%	0.31%

What can be observed is that the amount transferred to poorer countries has increased over the past six years, in real terms, i.e. over and above inflation. Additionally, based on the percentage of their wealth

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<sup>1</sup> <http://povertydata.worldbank.org/poverty/category/LMC>

<sup>2</sup> <http://aidwatchcanada.ca/wp-content/uploads/2018/10/Dalhousie-Presentation-Oct-2018.pdf>

<sup>3</sup> GNI = Gross National Income, a measure of the wealth of a country or group of countries

allocated to aid, developed nations have become slightly more generous. This is encouraging but we need to remember that the population in poorer countries has increased over the years too!

How can one put these transfers of billions of dollars into perspective?

The first way of looking at the data is to simply note that half a century ago, a Canadian, Lester B. Pearson, recommended that developed nations dedicate 0.7% of their income to international aid. This target was adopted by the international community and by various Canadian governments. Yet, at 0.31% of its income, the international community is not even at the half-way mark after half a century.

The second way of looking at the data is by acknowledging that in 2015, all countries, donors and recipients alike, adopted 17 Sustainable Development Goals: End all forms of poverty, get to zero hunger, universal access to quality education...<sup>4</sup> Donor funding must be assessed in light of the task to accomplish. From this perspective, funding is also largely insufficient.

It is also worth noting that while the number of extreme poor is decreasing, the financial needs are increasing because the more difficult cases of poverty are the ones left to address, especially in conflict-affected and fragile states, where the infrastructure to reach the very poor is non-existent or unreliable.

### **What's in it for donor countries?**

The first objective of aid is to support our less fortunate brothers and sisters. It is at the global level, the same basic human reaction that one would experience seeing an abandoned baby: rescuing it instead of walking away from it.

But this apparently altruistic act has many rewards for the donor countries. First, a substantial portion of official development assistance is used to produce global public goods. For instance, ending the transmission of tuberculosis benefits all countries. Similarly, supporting programs that curb carbon emissions benefits all nations. In a different vein, developing cooperation ties can rapidly lead to commercial ties, once the receiving country becomes a little richer and accustomed to suppliers of a particular donor nation.

### **How can we be sure the funds will reach the poor?**

There are never any guarantees that funds will not be diverted from their intended use. But the international community, over the decades, has learnt to take steps to monitor the use of funds. First, financial transfers are only provided in exceptional circumstances; rather, transfers are used to purchase machinery, drugs, fertilizer, and so on, and the distribution of these commodities can be verified. Other purchases simply have no value on the secondary market: vaccines are only of use to the unvaccinated, and the unvaccinated are the poor who would not be able to purchase them; medical laboratory equipment requires trained personnel to be used which can only be found in government agencies....

More and more aid is transferred by way to results-based financing, i.e. the results have to be independently ascertained by auditors before the funds are disbursed. Finally, a large part of aid is pooled in multilateral institutions, which scrutinize the use of the funds, instead of having each donor deal with oversight.

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<sup>4</sup> For a complete list of Sustainable Development Goals, see <https://sustainabledevelopment.un.org/sdgs>

Does this mean that aid is reaching the poorest people? Unfortunately not unless there is a deliberate effort made. The Global State of the Ultra-Poverty concluded that of all the households who were acutely deprived in health, education and living conditions, 80% lived in 14 countries. Yet those 14 countries received only 20% of global aid. Donors tend to give to less acutely poor countries.

### **Canada: further and further behind the pack**

Canadians like to think of themselves as generous. The reality is somewhat less positive, as shown in the following table:

#### *Canadian Official Development Assistance, Millions of Cdn Dollars and as % of Gross National Income <sup>5</sup>*

	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
ODA	5483	4965	5841	5430	5607	6098
As % GNI	0.316%	0.275%	0.241%	0.280%	0.261%	0.264%

The rows in the table do not cover identical time periods: the first row covers the Canadian government's fiscal year (April to March) whereas the second row, compiled by the OECD, covers calendar years. This explains why there would be a decrease in ODA between 2014-15 and 2015-16, but an increase in ODA as a proportion of Gross National Income.

Overall, the trends are however very consistent. In nominal terms, ODA was roughly static for five years followed by a spike in the last year. Even if the last year is not an anomaly, the total increase over six years is 11%, which barely covers inflation. In real terms, ODA remained stagnant while the Canadian economy was growing.

As a result, as a proportion of GNI, aid is on a downward slope. The richer Canada got, the stingier it became. Not surprisingly, Canada is below the donor average and on its way to the bottom third of donor nations for generosity. Another even less positive way to put it: Canada ranks 16<sup>th</sup> in the list of the 20 most generous nations....

### **Conclusion**

Global ODA is insufficient for the task of attaining the Sustainable Development Goals by 2030. And Canada has been contributing a smaller share of this ODA. This trend must be reversed if Canadians are to be part of the solution and live up to the image they have built of themselves as a generous and caring nation.

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<sup>5</sup> Source: Government of Canada Statistical Reports on International Assistance and OECD Calculations

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***Questions for Self-Directed Learning***

*Why is aid from richer nations important to the developing world?*

*Does aid bring benefits to richer countries?*

*How has Canadian aid fared over the last few years?*

*How does Canadian aid compare internationally?*

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