

“Aligning Canadian Engagement with the Global Sustainable Development Challenge” By John W McArthur¹

Notes to accompany 19 May 2016 oral presentation to House of Commons’ Standing Committee on Foreign Affairs and International Development

Thank you very much for including me in this important process. It is a privilege to be able to share ideas on four topics: first, the scope of the global sustainable development challenge; second, the logic of targeting efforts for the sustainable development goals (SDGs); third, a brief assessment of Canada’s bilateral programs; and, fourth, some basic recommendations.

1. Scoping the Challenge

- We live in a large, complex, highly interconnected, and rapidly shifting \$85 trillion global economy and society. The frontiers of global poverty, inclusive prosperity and environmental management are all evolving quickly.
- The SDGs are the world’s agreed framework for tackling common economic, social and environmental challenges across all countries by 2030:
 - To play its part, Canada needs to focus on two factors: **specificity** and **scale**.
 - At a **global** level, this means a clear logic for defining and assessing Canada’s responsibilities and contributions in tackling key problems.
 - At a **domestic** level, it means a clear strategy for ensuring that every province, territory and municipality is empowered to innovate and benchmark its way toward national SDG success.
- Meanwhile, it is important to underscore the world’s structural shifts underway. So-called “developing” countries now account for a majority of the annual growth in the global economy (Biggs et al. 2015, p.9). The distinctions between developed versus developing economies are disappearing. Even the World Bank recently announced that it is abandoning the term “developing country” from its annual data reports (Fernholz 2016).
- To illustrate the point: is China a developing country or a developed country? This is not a helpful question. Moreover, is last year’s launch of the Asian Infrastructure Investment Bank a story of economic development, or is it a geopolitical response to the limitations of the old Bretton Woods-era global institutions? Or is it a potential new instrument for promoting low carbon energy systems in the world’s most populous region? The answer, of course, is “all of the above.”

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- We need new terminology to catch up with the new complexities. I myself no longer even like the term “international development,” because it conjures up too many outdated 1970s-type notions of charity for poor countries. It prompts too many people to think “folk fest,” when the issues today take “centre stage.”
- We also need an expanded mindset to thinking about *who* in Canada is responsible for global sustainable development. In the federal government, for example:
 - **Health Canada** has a crucial role to play in preventing global disease outbreaks;
 - **Environment and Climate Change Canada** has a crucial role to play on smart incentives and regulations to guide our transition to a low-carbon economy;
 - **Indigenous and Northern Affairs Canada** has a crucial role in ensuring Canada meets its SDG pledge of “no one left behind,” especially among First Nations; and
 - **Innovation, Science and Economic Development Canada** has a pivotal role in advancing the economic and social innovations necessary to achieve the SDGs while competing in global markets.

2. The Logic of Targeting

- The SDGs require a mindset of problem-solving and also **targeting** efforts. Through our recent Brookings study on *Ending Rural Hunger* (Kharas, McArthur et al. 2015) we found that most SDGs can be benchmarked against three core dimensions: **needs**; **policies**; and **resources**. For example:
 - On SDG 2 for hunger, country-level **needs** can be defined by indicators of undernourishment, malnourishment, smallholder productivity, and food system vulnerability. Or on SDG 3 for health, needs can be defined by indicators like neonatal mortality, under-5 mortality, maternal mortality, and non-communicable disease burden.
 - Then **policies** can be assessed within each sector. On SDG 2, for example, this can include benchmarks specific to food and nutrition policies – in both donor and recipient countries – and each government’s political prioritization of food and nutrition security. Or for SDG 3 it could include analogous benchmarks for health system policies.
 - To identify **resource** gaps, countries can also be assessed by levels of investment per capita, including all forms of domestic resources and all forms of international resources.

- In the best cases, Canada can target its resources towards places with *high* needs, *strong* policies, and *low* resources per capita. The worst case would be to prioritize countries with *low* needs, *weak* policies, and *ample* resources per person. For all the situations in between, Canada can consider objective tradeoffs between a focus on improving policies and on scaling up resources to achieve outcomes.

3. Assessing Canada's Bilateral Programs

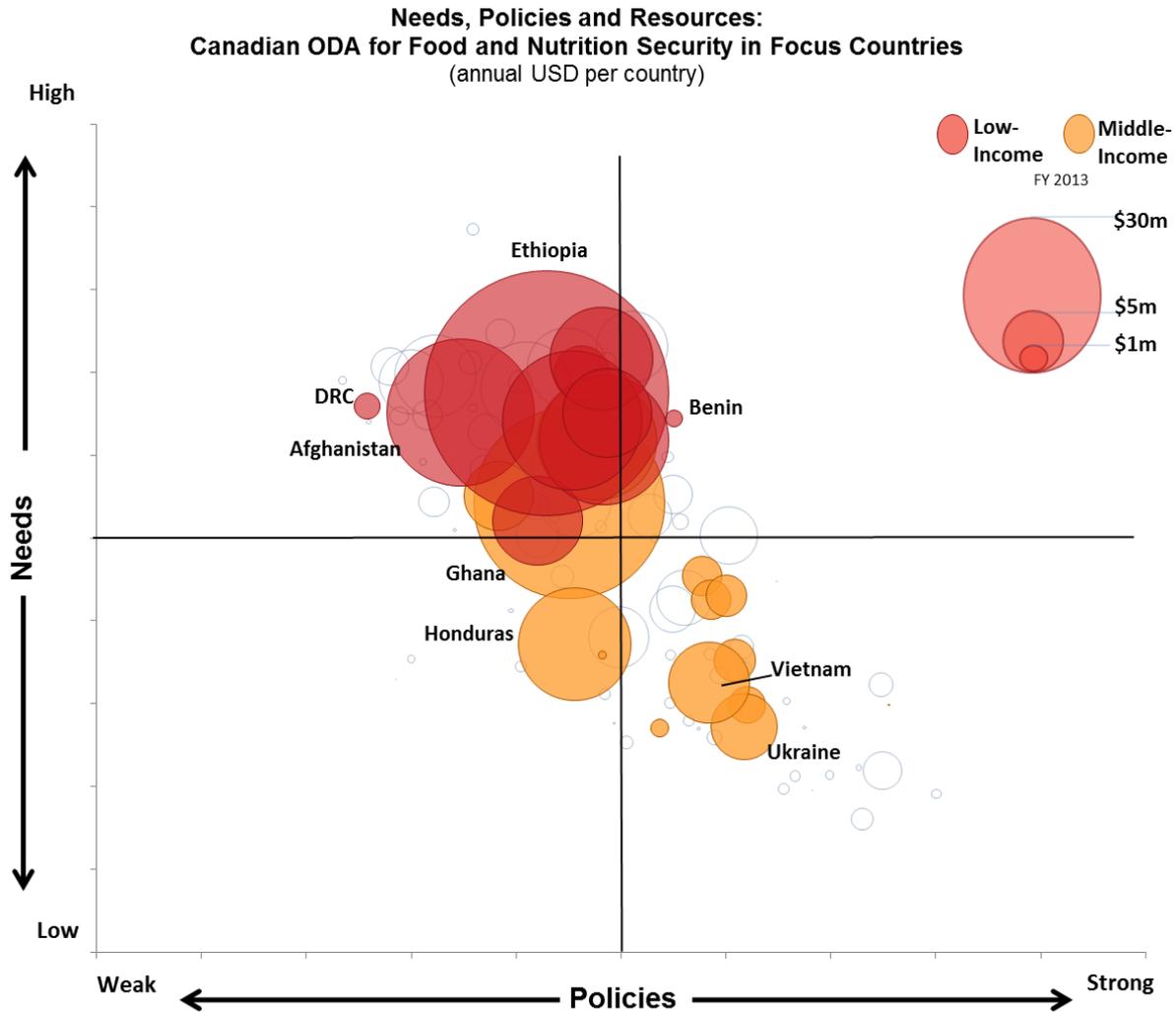
A) Overall

- Brookings and the Center for Global Development have published multiple “QuODA” (Quality of ODA) assessments to benchmark performance across the world’s major donor institutions. The most recent results, published in Birdsall and Kharas (2014), indicate that Canada ranks:
 - Top (1st among 30) on **transparency and learning**, based on the detailed published descriptions of its aid activities;
 - In the middle of the pack on **maximizing efficiency** (11th) and **fostering developing country institutions** (12th); and
 - Towards the bottom (21st) on **reducing burdens**, due to small median project size and lack of coordinated missions to program countries, both of which result in high administrative burdens for recipients.

B) The example of Food and Nutrition Security

- The Ending Rural Hunger project benchmarked bilateral donor activities in the specific realm of food and nutrition security (FNS). The results showed that:
 - In the major category of **domestic market distortions** that impede global FNS progress, Canada ranks poorly (28th out of 29 countries). This is driven mainly by biofuel tariffs and non-tariff barriers for agriculture.
 - In the parallel category of FNS aid assessments:
 - Canada ranks 5th (out of 29) on its FNS aid **implementation quality**;
 - Canada ranks 15th on its FNS **aid targeting**, based on alignment with recipient countries’ needs, policies, and resources; and
 - Among sub-indicators, Canada ranks strongly (1st) for its gender focus in FNS aid and poorly (26th) for a lack of focus on climate change in FNS aid.

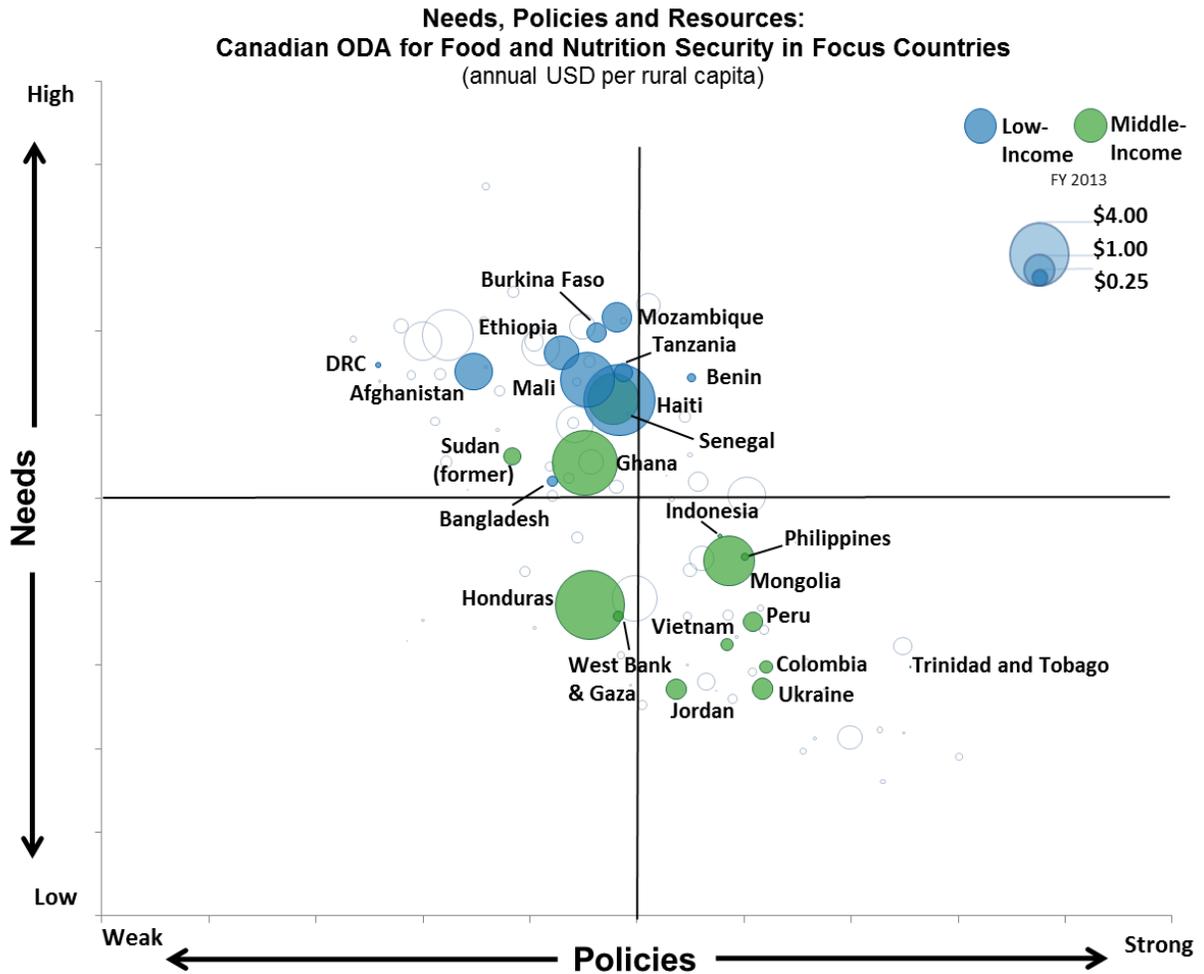
Figure 1



Note: 24 "countries of focus" highlighted. Does not include Burma due to lack of Canadian FNS ODA disbursed during sample period or countries in the "Caribbean Region", except for Trinidad and Tobago. Source: Endingruralhunger.org

Canada's FNS aid can be mapped in terms of how it aligns with each focus country's relevant needs, policies and resources. Figure 1 maps current focus countries by their assessed FNS needs and policies. The size of each bubble represents the average annual amount of Canadian bilateral FNS aid over 2009-2013. The red bubbles indicate low-income countries and the orange bubbles indicate middle-income countries. Ethiopia has by far the biggest Canadian FNS aid circle, representing an average of US\$70 million per year.

Figure 2



Note: 24 "countries of focus" highlighted. Does not include Burma due to lack of Canadian FNS ODA disbursed during sample period or countries in the "Caribbean Region", except for Trinidad and Tobago. Source: Endingruralhunger.org.

Figure 2 then shows the same mapping of focus countries by needs and policies, but with the size of the bubble scaled to represent the amount of Canadian FNS aid per rural capita in recipient countries. Here one sees that, even though Ethiopia is Canada's largest recipient of bilateral FNS aid, this is worth less than US\$1 per rural Ethiopian per year. The largest figure per rural capita in recipient countries is roughly US\$4.20 per year in Haiti.

4. Recommendations and Strategic Considerations

Below are nine recommendations for the committee's consideration.

A) for Focus Countries

- 1. Ensure adequate influence per country:** To be a leading voice within a focus country, Canada needs to be a lead provider (say top 3 or 4) of resources in that country, and ensure that its projects and programs are of adequate scale to minimize administrative burdens for local government officials.
- 2. Promote coherence with other donors:** To promote coherence across countries, Canada needs to ensure its focus choices align with other donor countries' focus choices. For example, if Canada chooses to focus in Country A rather than similar Country B, then it should work to ensure another donor country agrees to focus on Country B rather than Country A.

B) for General Priorities

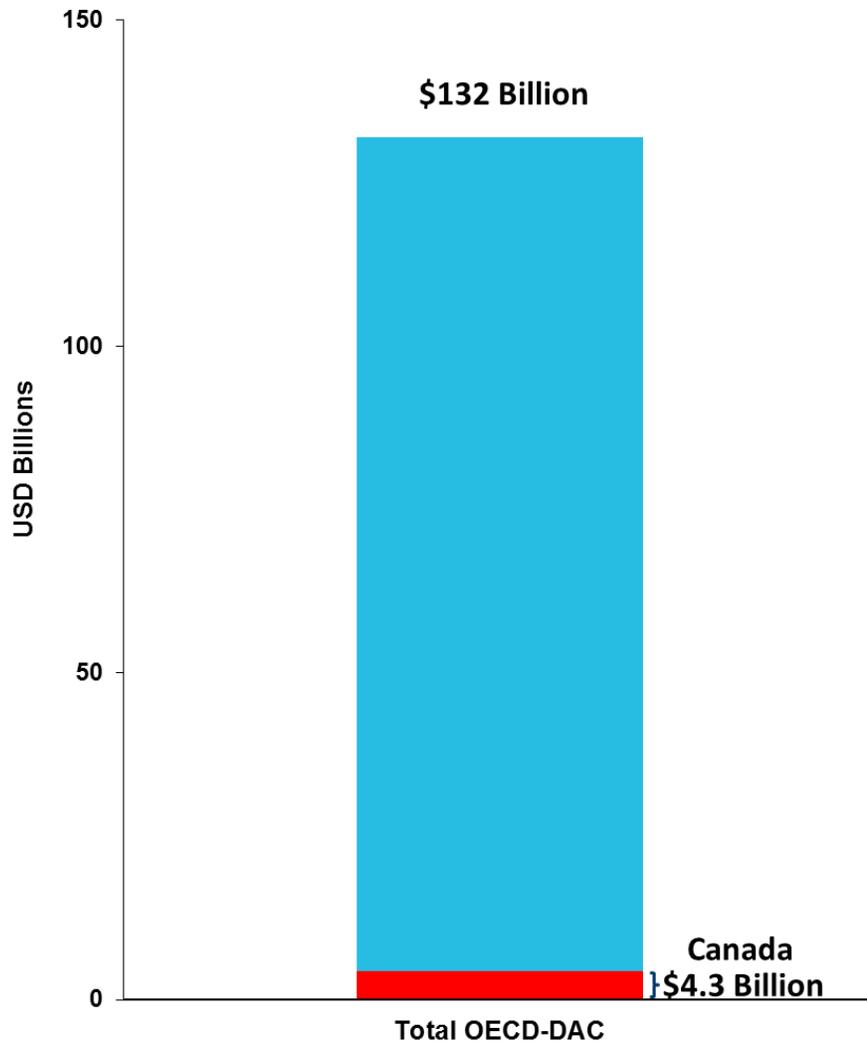
- 3. Prioritize girls' secondary education:** The Government of Canada's stated prioritization of women and girls needs to be backed by major investments in girls' secondary education around the world. Secondary education is of crucial importance for countless reasons, such as its effects in boosting life-long incomes, increasing personal autonomy, and empowering women's decisions linked to child-bearing and child-rearing. UNESCO estimates a global financing gap of \$39 billion for secondary education in low- and lower-middle-income countries. Canada has a special opportunity to be the G-7 leader in scaling up the Global Partnership for Education to fill this gap.
- 4. Link agriculture and FNS to the end of extreme poverty:** Canada's early successes in promoting food and nutrition security need to be scaled up as a centerpiece contribution to helping to end extreme poverty in the poorest countries. This can be both through bilateral efforts in focus countries and through multilateral programs like the Global Agriculture and Food Security Program.
- 5. Support experimentation around evolving technology and basic incomes:** There is a large and growing body of evidence suggesting that unconditional cash transfers linked to mobile money can serve as an important tool in helping to eliminate extreme poverty. These transfers might prove especially important in fragile contexts. Canada should take a leadership role in promoting scaled experimentation of this approach.
- 6. Build Canada's applied policy research capacities:** As my colleagues and I have argued elsewhere (Biggs et al. 2015, McArthur 2016), Canada needs to amplify its domestic applied research capacities focused on global sustainable development in order to ensure a properly rigorous and evidence-based approach to policy making and a robustly informed domestic public debate. This could include: (i) expanded SDG-focused

research capacities within Global Affairs Canada; and (ii) augmented research incentives for Canadian universities and think tanks.

C) for Financing

- 7. Develop a strategic rationale to guide public and private SDG investments:** Canada needs an explicit long-term logic to guide its financing approach for global sustainable development. Currently there is no underlying geostrategic rationale. In the recent report written by a Centre for International Policy Studies working group that I co-chaired with Margaret Biggs, “Towards 2030: Building Canada’s Engagement with Global Sustainable Development,” we recommended a non-partisan, multigenerational group of Canadians with public, business and academic expertise to assess how Canada can best mobilize its public and private resources to meet the SDG challenges. It could present recommendations within 12 months.
- 8. Distinguish between official development assistance and climate mitigation finance:** To its credit, the Canadian government has recently established itself as a global leader in efforts to tackle climate change, including through financing commitments at the Paris COP-21 summit. It is important that financing commitments for climate change mitigation, in particular, do not distract or subtract from official development assistance (ODA). At the same time, it is reasonable for climate adaptation finance to be incorporated within ODA, especially when targeting key development priorities like agricultural resilience.
- 9. Reframe and refresh debates regarding the nature and importance of the international ODA target of 0.7 percent of gross national income.** The 0.7 target is geopolitically salient, even more so since the U.K. has achieved it in recent years. However, Canada’s dialogue on 0.7 tends to be stuck in outdated debates, rather than keeping pace with the evolution of global discussions. Currently Canada is not in a strong position to meet the 0.7 target in the near term, but if the country hopes to be a global leader on the SDGs then it needs to establish a plan, like the U.K. did, for meeting the target over the course of a decade. This requires a reframe and update among policymakers and the Canadian public on what 0.7 represents and how it could be responsibly achieved. The following points and figures might be helpful in this regard:

Figure 3
Canada accounts for 3% of total ODA
(2015 net disbursements, USD)

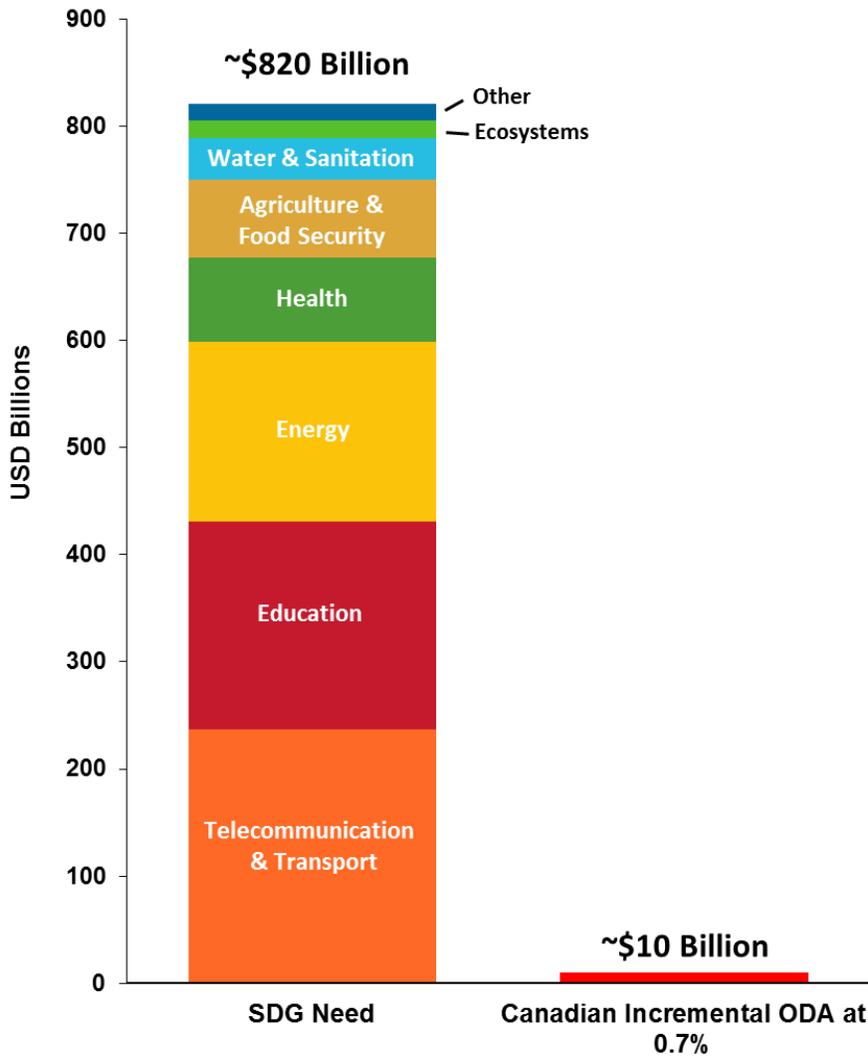


Source: OECD, 2016

- i. **Canada contributes only 3 percent of global ODA (Figure 3), so its influence in global problem-solving comes through the political weight of being a country committed to carrying its fair share of global responsibilities as much as it comes through the direct contributions of Canadian resources themselves.** The world has long ago agreed that “fair share” is defined as 0.7 percent. An exceptionally large economy like the U.S. can occupy a different geopolitical space as “the world’s largest ODA provider” even when providing a much smaller share of its income as ODA. But the world judges mid-sized economies like Canada more singularly against the 0.7 standard.

Figure 4

Incremental annual public investment required for SDGs
(Low- and lower-middle-income countries)

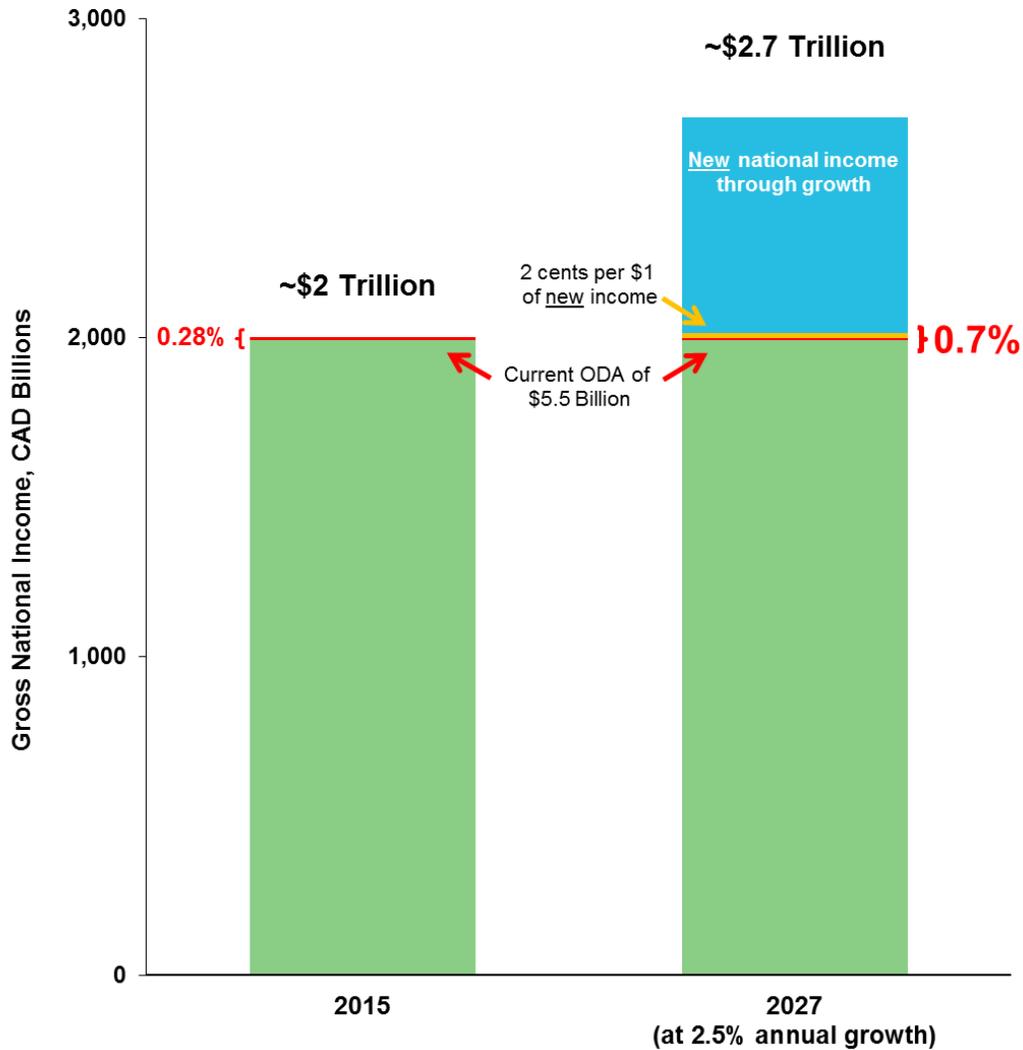


Source: Schmidt-Traub, 2015 and author's calculations

- ii. **The world's SDG investment needs are roughly 80 times greater than our potential 0.7 percent contribution, so Canada needs to ensure its investments are highly targeted and catalytic.** As shown in Figure 4, approximately US\$820 billion of incremental annual public investment is needed to achieve the SDGs across all low- and lower-middle-income countries, according to estimates published by Guido Schmidt-Traub of the Sustainable Development Solutions Network. Even if Canada hit the 0.7 target tomorrow, this would only contribute around 1 percent of the cost, so Canada needs to pick strategic priorities for SDG investment, and focus on using its dollars to greatest effect.

Figure 5

Only a small slice of a growing pie is needed for 0.7



Source: WDI, 2016 and author's calculations

- iii. **Canada can achieve 0.7 within a decade merely by allocating a teeny fraction of anticipated expansions in the national economic pie.** If the Canadian economy grows at a modest 2.5 percent per year for the next decade then it will add roughly \$675 billion to national income by 2027. Canada can therefore adopt a 0.7 strategy that leaves current incomes untouched and hinges on allocating only a small sliver of this new economic growth. *Setting aside only 2 cents out of every dollar of new income for ODA would land Canada at the 0.7 target within a decade, and sooner if the economy grows faster, with a roughly \$13 billion increment in ODA.* If the economy grows slowly in a particular year, or even enters a recession, then ODA increases can be paused accordingly.

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