

Summary

No doubt most of the submissions to this Committee will involve such things as infrastructure, education and training, and tax relief. But I wish to paint a much larger picture, a global one, where modest international investments by the federal government can have dramatic impacts on developing new markets for Canadian goods and services. I'm suggesting the we take an ecosystem approach to economics, to acknowledge the interconnectedness of the world's individual economies and that conditions elsewhere have a profound impact on our own economic well-being.

Canadian businesses are perpetually searching for new markets across the globe and Canada has an untapped opportunity to facilitate this. Studies have shown that with modest investments we could increase certain markets by several hundred percent. It's hard to imagine local investments that could bring such returns, yet it is demonstrable that support of undeveloped economies, those hampered by deep poverty, poor health and undeveloped infrastructure, can realize tremendous opportunities for Canada.

The way to facilitate developing those markets is through ODA, Official Development Assistance. And while there are many moral humanitarian arguments for ODA, the focus of this committee is the Canadian economy, so I intend to demonstrate how modest investments abroad can have dramatic impacts at home.

The nuts and bolts of poverty and economic gains

If past Canadian ODA investment is any indicator, there is a reluctance to invest in the developing world, with many perceiving these regions as an endless sink of capital with few tangible returns. But perception is not truth, and research shows that proper investments following well-defined protocols can have powerful impacts on foreign economies, and eventually our own.

There are many ways to approach this. First is the old adage that an ounce of prevention is worth a pound of cure holds true in international development because the longer we wait to address the world's biggest challenges, the more expensive they become to solve. Emerging markets can be fragile and natural disasters can have a dramatic impact on economies.

The recent Ebola outbreak is a case in point: the World Bank estimated 2.2 billion dollars was lost in the GDP of 3 countries in 2015 alone. Four billion in aid was spent fighting this disease, one that spread so virulently as a consequence of insufficient investments in health care, infrastructure and nutrition.

Aside from the terrible human toll, we will likely never know the full cost to Canadian trade and businesses due to the hit to these economies, but we do know Canada spent over 100 million fighting the outbreak. The total global cost approached ten billion dollars, far more than the amount that would have prevented the outbreak in the first place.

Too often we hear calls of helping our own first, and that the developing world is merely a bottomless sink for aid, with money foolishly squandered by

corrupt regimes and bleeding heart NGOs. But long-term research clearly shows that when we help people in developing countries educate their children, feed their families, and care for their sick, it prevents the next pandemic, builds sustainable markets, and helps diffuse the next armed conflict before it begins.

Some examples:

Health

Given past successes with the Global Fund to Fight AIDS, Tuberculosis, and Malaria, it is estimated that during 2017-2020 a fully replenished fund would provide economic gains of up to \$290 billion (USD) through better health and a more productive society. To put this in perspective, for every \$100 million (USD) Canada pledges to the Global Fund we would save up to 60 000 lives, avert up to 2.3 million new infections, and spur \$2.2 billion (USD) in long-term economic gains.

That 2.2 billion increase means more investment possibilities for Canadian business and more customers for Canadian goods and services, just by supporting one fund.

Nutrition

The 2012 Copenhagen Consensus found that nutrition-specific interventions deliver some of the best returns on investment of all development interventions. They offer a benefit-to-cost ratio of 16 to 1—for every dollar we put in \$16 are gained—and they could reduce stunting globally by one-third and child mortality by one-quarter. Children with access to proper nutrition do better in school, and in adult life they earn 20% more in the labour market and are 10% more likely to own their own businesses.

Healthy children have stronger immune systems and are less likely to be affected by diseases. For example, the oral polio vaccine is four times less effective in malnourished children than in their well-nourished peers.

Malnutrition also causes stunting (low height for age), impaired cognitive function, a weakened immune system, and significant decreases in future earning power – perpetuating the cycle of poverty and low economic performance of malnourished populations.

Again, these investments directly grow the economies of underdeveloped nations. Instead of aid recipients, with proper investments now, they could eventually return the favour and become net investors to Canada.

Education

According to the 2015 OECD report, *Universal Basic Skills: What Countries Stand to Gain*, "...the economic output that is lost because of poor education policies and practices leaves many countries in what amounts to a permanent state of economic recession..." and this example: "Among the countries compared, Ghana has the lowest enrolment rate in secondary schools (46%) and also the lowest achievement levels for those 15-year-olds who are in school...While it is difficult for Ghana to meet the goal of universal basic skills any time soon, if it did, it would see a gain over the lifetime of its children born today that, in present value terms, is 38 times its current GDP. This is equivalent to tripling Ghana's discounted future GDP every four years during the working life of those students with improved skills."

A thirty-eight fold increase in GDP by simply giving citizens a very basic, modest education. In this report the OECD predicts a whopping 627% increase in GDP across the board for lower-middle income countries if all children in those countries were educated to a basic skills level.

What huge markets would open up for Canada with the global economy expanding in these terms? And the issue here as in all these interventions, is not that they are prohibitively expensive, but that there is simply a lack of interest by wealthy nations to implement them.

Globally, there are more than 260 million children and youth who cannot attend school. If current trends continue, the International Commission on Financing Global Education Opportunity estimates that less than one in three children in low-income countries will be learning basic primary skills by 2030.

We are in the midst of a global learning crisis caused by a lack of financing for international education, and girls are most affected by it. But educating girls is one of the best things we can do for society and produce the greatest returns on investment.

The Global Partnership for Education (GPE) is currently the only multilateral partnership and fund dedicated exclusively to education in low- and middle-income countries, and it's now due for replenishment. Canada's fair share of this is \$260 million (CAD).

Many studies and reports have examined the results of ODA in these primary categories, and they are unequivocal in their conclusions: small, appropriate investments give massively disproportionate returns in both human and economic capital. Ongoing ODA spending has played a huge role in the growth and performance of once severely underdeveloped economies such as Brazil and China, the latter transforming from the world's second largest recipient of ODA to the second largest market for Canadian goods and services.

In 1981, 44% of the world lived in extreme poverty, while by 2015 the percentage had declined by a factor of 4 to below 10%, despite a huge increase in the human population. This correlates to a great expansion of the GDP of Asia (5.7%/decade) and Africa (3.8%/decade) since 1961.

Globally, while once there were two solitudes of the haves and have-nots, with a great economic chasm separating the developed and underdeveloped worlds, over the last few decades, entire regions have been playing catch up, generating countless new opportunities for Canadian business and investment.

Canada far behind other nations

Sadly, Canada can't claim credit for much of this. For almost 30 years Canada's contribution to ODA has declined, at times very steeply. Since 1990 Canada's share of aid has plummeted by almost half from 0.49% of GDP to a miserly 0.26%, despite international agreements to spend 0.7% of GDP on ODA. Only 1 other country in the G8 spends less than Canada as a percentage of GDP, and Canada is at the very bottom in terms of total dollars spent. This despite the fact that Canada is ranked 5th in the G20 in GDP per capita, with only a slight difference separating our economic performance and the top performing economies of the world.

Clearly, it's not because we cannot afford it.

The Trudeau government has promised to support the implementation of the United Nations' Sustainable Development Goals (SDGs) as part of its commitment to enhancing the prosperity of all global citizens. If this is the case we have a long way to go before we come even close to fulfilling this promise. Without significant, structural changes, this government will have the lowest commitment to ODA of any Canadian government in the last half-century, a full 40% less than the average contribution of all developed countries.

For a country so dependent on trade, we show a remarkable ignorance of the cost to our own economy when we casually stand by as much of the world operates far below it's potential. The features that suppress those potential markets are usually well known and amenable to ODA-funded improvements; that these economies are still functioning at such a low level is not due to a lack of ODA success, but the parsimony of wealthy nations like Canada. Our blindness to our own best interests ensures that many interventions are at best half-measures, and positive economic outcomes greatly delayed or cannot emerge at all.

While it is easy to ask: "what does it cost?" in terms of ODA expenditures, the correct question should be: "What does it cost if we do nothing?" It has been shown again and again that the cost for the latter is far higher.

Conclusion

Cursory research quickly shows that there is no demonstrable economic argument for withholding proper ODA interventions; that we fall so short suggests it is not a lack of evidence but political will that prevents us from properly engaging in these potential markets.

The current situation reminds me of our approach to homelessness: we know through much research that it is far cheaper to house the homeless than deal with them as street people, with all the concordant issues of crime, disease, and mental

health problems. But fearful of being too compassionate, to giving to the undeserving, of being too empathetic to “bums”, we repeatedly shoot ourselves in the economic foot with an extremely parsimonious approach that denies most the human right of shelter, while greatly increasing our costs.

Our approach to ODA is the same: despite so much hard-won knowledge about how best to improve the lot of millions, with the concordant benefits to our own economies, successive governments seem to prefer denying ourselves this economic boon rather than be seen giving “welfare” to “those others over there.” It is a counterproductive and self-sabotaging approach, and I strongly encourage the federal government to rectify and reverse this long failing, do what’s right for Canadian well-being and prosperity, and immediately begin the budgetary process of bringing Canadian ODA levels in line with promised and agreed-upon levels.