

CCIC Analysis of Budget 2012

1.0 Overview

- Over the next three years, between FY 2011/12 and FY2014/15, the International Assistance Envelope (IAE) will decline by 7.6%.
- Between this current fiscal year (2011/2012) and FY2015/16 when the time period to reach the Millennium Development Goals will have elapsed, Canada will have reduced the Canadian IAE by close to \$1.2 billion. This is on top of the 2010 cut of \$4.4 billion to future aid that the Conservative government implemented by abandoning the annual 8% increases to aid in Budget 2010. These annual increases would have put the IAE in 2015/16 at about \$7.7 billion instead of the \$5.0 billion this budget now projects for that year.¹
- Between the current fiscal year and next year alone, Canada's ODA will plummet by almost 600 million, assuming no additional supplementary estimates in 2012/13. This is equivalent to CIDA pulling all of its funding for education programs (\$250 million), for the Global Fund to fight HIV AIDS, Tuberculosis and Malaria (\$180 million), for water and sanitation (\$70 million), for the World Food Programme (\$70 million) and more – although this is not necessarily where the cuts will be made.
- Administrative cuts (operating expenditures) will amount to \$2.134 million in 2012-13 (1.2% of a total of \$180.726 million), \$14.954 million in 2013-14 (6.2% of \$242.073 million) and \$21.366 million in 2014-15 (5.7% of \$377.586 million).
- Perhaps more astonishingly, Canada's aid relative to its Gross National Income (GNI) will tumble nine points between 2010 and 2015, from 0.34% to 0.25%, assuming no supplementary estimates and GNI growth remains consistent with current levels. Again, if aid had grown by 8% from 2010/11 to 2015/16, Canada's performance ratio would have been 0.37% instead of an expected 0.25%. The last time the ODA ratio performance for Canada was as low as 0.23% was in 2003/04, just as the Liberal government launched its 8% increases. This drop in ODA is set to put Canada among the lowest ODA performers (although it may also be that other donors will cut their budgets by 2015/16). The Dutch and Spanish governments also recently made historic cuts to their aid budgets.

Decline in ODA over the next five years

Fiscal Year	FY2010/11	FY2011/12	FY2012/13	FY2013/14	FY2014/15	FY2015/16
International Assistance Envelope (IAE)	\$5,110.7	\$5,000	\$4,819.3	\$4,757.9	\$4,622.4	\$4,622.4
IAE Percentage decline relative to FY2011/12	N/A	N/A	3.6%	4.8%	7.6%	7.6%
Estimated ODA	\$5,551.4	\$5,767.4	\$5,174.3	\$5,112.9	\$4,977.4	\$4,977.4
ODA Percentage decline relative to FY2011/12	N/A	N/A	10.3%	11.3%	13.7%	13.7%
ODA as a percentage of GNI	0.34%	0.34%	0.29%	0.28%	0.26%	0.25%

Note that figures are in millions of dollars
FY 2010/11 and 2011/12 include supplementary estimates. Subsequent years do not.

¹ CCIC's interprets the cuts differently from CIDA. CCIC's analysis considers the annual cuts as cumulative relative to the flatlined \$5bn International Assistance Envelope – what it would have spent had the IAD remained flatlined. To reach the figure of \$1.2 billion, therefore, we have added up the total reductions for each year ⇒ \$180.7mn + \$242.1mn + \$377.6mn + \$377.6mn = **TOTAL IAE REDUCTIONS** \$1.2 bn. For 2012-2014 for CIDA, this would be the following ⇒ \$152.7mn + \$191.6mn + \$319.2mn = **TOTAL CIDA REDUCTIONS**: \$663.5 mn (or \$982.7 mn if you add 2015-16). On the other hand, CIDA sees the cuts as successive ⇒ [2012-13 ⇒] \$152.7mn + [2013-14 ⇒ \$191.6mn - \$152.7mn=] \$38.9 mn + [2014-15 ⇒ \$319.2mn - \$191.6mn=] \$127.6 mn = **TOTAL CIDA** = \$319.2 mn.

2.0 Impacts of the cuts - by Funding Agency

Beyond the broad cuts, it is also interesting to note how the key Departments responsible for implementing Canadian aid are going to get hit.

- Finance Canada (which provided \$384 million to the World Bank in 2010-11) is the only significant government department that seems to be completely untouched by the cuts in the IAE. It will see no decline in its ODA transfer budget.
- CIDA will get disproportionately hit (relative to its share of the IAE – see table below), largely compensating for no comparable decline in Finance's budget (relative to its share of the IAE).
- The cuts to IDRC and DFAIT are in proportion to their share of the IAE.

Agency	Percentage share of the IAE (FY 2010/2011)	Departmental cut as a percentage of the total cuts (FY2012/13)	Total dollar cuts per Department (for FY2012/13 to 14/15)
Canadian International Development Agency	72.8	84.5	\$663.5 million
Department of Foreign Affairs and International Trade	6.2	8.6	\$73.4 million
Finance Canada	16.4	0	\$0
International Development Research Centre	3.5	3.4	\$44.5 million

3.1 Impacts of the cuts to CIDA – By country programming²

- Relative to FY2010/11 (\$3.58 billion), for which we have the most accurate statistical information, we can say that the cut to CIDA's own ODA disbursements in the coming year will be about 4.3% and overall by 8.9% between 2010/11 and 2014/15.
- CIDA has confirmed it has completely cut geographic funding to eight countries (Cambodia, China, Malawi, Nepal, Niger, Rwanda, Zambia and Zimbabwe) and reduce program funding to five countries of focus (CoF) (Bolivia, Ethiopia, Mozambique, Pakistan and Tanzania) by \$69 mn but not until 2014-15.
- In its 2012-13 Reports on Plans and Priorities, CIDA announced that as part of its Business Modernization Initiative, it would be decentralizing four country programs (Ethiopia, Mozambique and Tanzania, as well as Peru), and streamlining and standardizing program-delivery processes. This will account for some of the cuts to the African CoFs.
- The government has reaffirmed its commitment to the Caribbean region and will stretch the \$600 million it announced in 2007 for ten years now over 12 years.
- Despite these program cuts, CIDA has asserted that it will maintain its humanitarian crisis responses around the world.
- As with the previous Conservative narrowing of focus, African countries are taking a big hit, with eight countries in this continent losing funding. (See table below for details)
- Ten of the 13 countries affected lie in the bottom quarter of the UNDP's Human Development Index (HDI)

² The numbers included here and in the section on the cuts to CIDA Branches and the allocations to Fragile States, Low-Income Countries and Middle Income Countries, are derived from an Order Paper which asked CIDA specific questions in relation to how the Budget 2012 cuts will play out. Observers will note that the numbers here vary significantly from the numbers in the 2012 Reports on Plans Priorities (RPP). This is because the RPP was done prior to the Budget announcements and was only able to anticipate the cuts. It therefore did not actually reflect the real numbers in Budget 2012. Departments will reflect the real budget measures in the Departmental Performance Reports (tabled Fall 2013). For further details, see Canada, Parliament, Sessional Papers, 2012, Paper no. 578, pp. 2-22.

ranking for 2011.³

- Three of CIDA's countries of focus (Middle Income Countries – Colombia, Peru and Ukraine), which rank in the top half of the HDI remain completely unaffected.
- Colombia and Peru, as well as Indonesia, Vietnam and Bangladesh have become important trading partners for Canada in recent years. None of these countries saw their programs cut.

Countries of Focus	Human Development Index (HDI 2011)	Position relative to 187 other HDI countries	Cut from funding ⁴
Bolivia	108	Lower-middle	Reductions
Caribbean ⁺	N/A		
Colombia	87	Upper-middle	
Haiti	158	Bottom quarter	
Honduras	121	Lower-middle	
Peru	80	Upper-middle	
Afghanistan	172	Bottom quarter	
Bangladesh	146	Bottom quarter	
Indonesia	124	Lower-middle	
Pakistan	145	Bottom quarter	Reductions
Vietnam	128	Lower-middle	
Ukraine	76	Upper-middle	
Westbank and Gaza	N/A		
Ethiopia	174	Bottom quarter	Reductions
Ghana	135	Lower-middle	
Mali	175	Bottom quarter	
Mozambique	184	Bottom quarter	Reductions
Senegal	155	Bottom quarter	
Tanzania	152	Bottom quarter	Reductions
Non-Countries of Focus	HDI 2011		Cut from funding
Cambodia	139	Lower-middle	Completely cut – previously downgraded by the Conservatives
China	101	Lower-middle	Completely cut
Malawi	171	Bottom quarter	Completely cut
Nepal	157	Bottom quarter	Completely cut
Niger	186	Bottom quarter	Completely cut – previously downgraded by the Conservatives
Rwanda	166	Bottom quarter	Completely cut – previously downgraded by the Conservatives
Zambia	164	Bottom quarter	Completely cut – previously downgraded by the Conservatives
Zimbabwe	173	Bottom quarter	Completely cut

³ The Human Development Index ranks 187 of the world's countries using life expectancy, educational attainment and income per capita as a proxy for ranking a country's degree of poverty. The First Human Development Report was published by the United Nations Development Program in 1990. Available on-line at http://hdr.undp.org/en/media/HDR_2011_EN_Table1.pdf

⁴ Media reports vary on the countries that will be cut. One story included the Caribbean, but not Benin; another, the other way around. If both are included, it will in fact be fourteen countries affected, not twelve.

3.2 Impacts of the cuts to CIDA – by Type of programming

- Comparing the cuts for each type of programming in 2011-12 with the overall cuts to CIDA's budget, Global Engagement (Multilateral Institutions) and Fragile States are the least affected as a percentage of their budgets- 3.6% and 5.3% respectively.
- Low-Income Countries (LICs) take the biggest overall cut both in terms of actual cuts and as a percentage of their budget - \$126.4mn and 13.2%, substantially higher than Global Engagement. The huge and sudden decline in 2014/15 likely signifies the cuts to the five Countries of Focus (\$69mn). Cuts to Middle Income Countries (MICs) are also relatively speaking high at 12.0 %.
- In 2012/13, Canadian engagement (10.3%) in particular, as well as Fragile Countries (5.3%) and MICs (4.7%), take the worst of the first year of hits.

Program expenditures	Forecast spending FY2011/12 ⁵	FY2012/13 Reductions to \$5bn flatlined IAE	FY2013/14 Reductions	FY2014/15 Reductions	Ongoing Reductions	Decline as %age of budget FY2011/12 to FY2014/15
Fragile Countries and Crisis Affected Communities	[\$755.4mn]	\$40 mn (relative to 2011/12: 5.3%)	\$40 mn	\$40 mn	\$40 mn	5.3%
Low-Income Countries	[\$954.2mn]	\$11.6mn (1.2%)	\$25.9mn	\$126.4mn	126.4mn	13.2%
Middle-Income Countries	[\$362.6mn]	\$17.2mn (4.7%)	\$23.8mn	\$43.4mn	\$43.4mn	12.0%
Global Engagement & Strategic Policy	[\$1,375.7mn]	\$49.5mn (3.6%)	\$49.5mn	\$49.5mn	\$49.5mn	3.6%
Canadian Engagement	[\$309.7mn]	\$32.0mn (10.3%)	\$35.0mn	\$35.0mn	\$35.0mn	11.3%
SUB TOTAL (Cuts)	[\$3,757.6mn]	\$150.3mn (4.0%)	\$174.2mn	\$294.3mn	\$294.3mn	7.8%
Operations	[\$113.7mn]	\$0.5mn	\$7.0mn	\$10.8mn	\$10.8mn	9.5%
TOTAL (Cuts)	[\$3,861.4 mn]	\$150.8mn	\$181.2mn	\$305.1mn	\$305.1mn	7.9%

3.3 Impacts of the cuts to CIDA - by Branch

- While geographic programs are still taking the biggest hit in terms of total dollar cuts to programs (\$200 mn), it is Partnership Branch – the primary window through which civil society is funded – that will be hit worst as a percentage of its overall budget (15.4%).
- Not surprisingly, given the increased support in recent years to multilateral institutions, the Multilateral and Programs Branch is least affected (4.1%).
- Furthermore, while other Program Branches (Geographic by 3.6% in 2012/13, and Multilateral by 4.1%) will see their programs reduced gradually, the impact on Partnership is immediate: 14%.
- Even by 2012, funding through Partnership Branch will be at its lowest level in more than two decades.

⁵ As reported in the 2012 Reports on Plans and Priorities, p.13, on-line <http://www.tbs-sct.gc.ca/rpp/2012-2013/inst/ida/ida-eng.pdf>

- Given commitments for existing contribution agreements and the substantial cuts in 2012/13, it is unclear what new money Partnership Branch will have for new agreements this fiscal year.

	[FY 2010/11]	FY2012/13 Reductions	FY2013/14 Reductions	FY2014/15 Reductions	Ongoing Reductions	Percentage decline in budget FY2010/11 - FY2014/15
Geographic programs Branch	[\$1,646 mn]	\$59 mn (of which country \$52+ mn, regional \$6+mn)	\$80 mn (of which country \$58 mn, regional \$22mn)	\$200 mn (of which country \$155 mn, regional \$45)	Ongoing	12.2%
Multilateral Programs Branch	[\$1,462 mn]	\$60 mn (of which Institutional \$16 mn and initiative specific \$44 mn)	Ongoing	Ongoing	Ongoing	4.1%
Partnership Branch	[\$227 mn]	\$32 mn	\$35 mn	Ongoing	Ongoing	15.4%
SUB TOTAL (Cuts)	[\$3,335 mn]	\$151 mn	\$175 mn	\$295 mn	Ongoing	8.8%

(Document updated in July 2012)