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**SMART, TRANSPARENT, AND IMPACTFUL AID**  
**Submission to Consultations on Budget 2016**

*February 2016*

*Issue: Official Development Assistance (ODA or aid) is one essential way in which Canada contributes to building a better world. This brief outlines some priority opportunities where Budget 2016 can make meaningful and practical contributions to Canadian and global objectives in the areas of international development and humanitarian assistance – working in collaboration with all development actors to improve the effectiveness of Canada’s development cooperation. This brief touches upon five areas where we can do this: through a ten-year timetable for increasing our ODA; greater transparency over spending; a strong focus on the poorest and most marginalized, in particular women; a humanitarian response commensurate with growing needs; and a commitment to new and additional climate finance.*

**Introduction**

Canadians care. The popular outcry over the Syrian refugee crisis epitomizes a broader trend of compassion and interest on the part of Canadians as generous, constructive, and cooperative players in the world. In [poll](#) after [poll](#), Canadians want to see their country – and their government – make global development a priority within our foreign policy.

There is no clear way of doing this without sustained and predictable annual increases to our official development assistance (ODA or aid). This will support effective international development cooperation and humanitarian responses in developing countries through smart, strategic and impactful investments, working in collaboration with all development actors. By ensuring Canada’s ODA reaches those in greatest need, in particular women and children, the government can support an inclusive and sustainable development agenda, and – as noted in the Minister of International Development’s [mandate letter](#) – “refocus Canada’s development assistance on helping the poorest and most vulnerable, and supporting fragile states.”

The brief contains five thematic areas and nine concrete recommendations for inclusion in Budget 2016.

**A. A timetable to increase our official development assistance**

Canadian official development assistance (ODA) or aid has been falling since 2011, dropping from a high that year of \$5.5 billion to \$4.9 bn in 2013-14. Overall Canadian aid seems to have bounced back in 2014-

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15, hitting an estimated \$5.7 bn.<sup>1</sup> However, the increase is inflated by a one-off concessional loan of \$400 million to Ukraine and a double payment to the World Bank's International Development Association (due to a new payment approach, Canada paid its \$441.6 mn allocation twice in the same fiscal year). Subtracting these two amounts, the real aid budget was actually closer to \$4.8 bn, lower than in 2013-14. Meanwhile, the international assistance envelope (IAE) – a more accurate measure of our real programmatic aid commitments to reducing poverty in developing countries – has remained flat-lined. Unusually high one-off refugee resettlement costs in 2015-16 will also increase Canadian ODA, without any actual increase to the IAE and international development and humanitarian programming overseas.<sup>2</sup>

- 1. Budget 2016 should announce a ten year timetable of predictable increases to the IAE, with the target of meeting the long-established, internationally-agreed target of 0.7 percent of GNI going to ODA, and realizing the Sustainable Development Goals.** In 2003, the Liberal government initiated annual increases of eight percent to the IAE, with a view to doubling the IAE to \$5 bn (relative to 2001) by 2010-2011, pushing our GNI ratio to 0.34. In 2014 and following several years of reductions, the Organization for Economic Cooperation and Development noted that this GNI ratio had dropped to 0.24, the second-lowest in Canadian history. Based on expectations around current spending and growth patterns, CCIC estimates that committing to a ten year timetable for increasing our IAE would entail year-on-year increases over the next four years of \$726 mn in 2016-17, \$840 mn in 2017-18, \$971 mn in 2018-19, and \$1,124 mn by 2019-20. This would achieve the medium-term goal of raising Canada's ODA to GNI ratio to at least 0.38 – the highest level in 25 years – by the end of the Government's first mandate.

### **B. Greater transparency over spending**

The [2014-15 Official Development Assistance Report to Parliament](#), released in accordance with the provisions of the Official Development Assistance Accountability Act, provides an important account of how Canada's aid is being spent by the whole of government. As noted above, though, total ODA does not tell the whole story; the IAE is an equally important measure of international cooperation. Unfortunately, the Government of Canada stopped publicly disclosing the IAE in 2010.

Furthermore, [CCIC's analysis](#) suggests that the IAE has flat-lined, and perhaps fallen in recent years as authorized funding for international development programming was [allowed to lapse](#).

- 2. Budget 2016 should commit to publicly disclose the level of the International Assistance Envelope on an annual basis.** At no additional cost, this measure will improve the accountability and predictability of Canada's international assistance efforts and enable better tracking of aid effectiveness – commitments that Canada made at the 3<sup>rd</sup> and 4<sup>th</sup> High-Level Fora on Aid Effectiveness.

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<sup>1</sup> This amount is derived from figures included in the *Report to Parliament on Canada's Official Development Assistance 2014-15*, but also includes estimates for provincial and municipal spending not included in the report.

<sup>2</sup> The cost of refugees living in Canada in their first year is included in our overall aid budget, but is not part of the IAE. Therefore, higher refugee costs increases our aid budget without seeing any increase to the resources going to fight poverty in developing countries. The integration of 25,000 Syrian refugees could quadruple the typical annual spending in this area to nearly \$900 mn.

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- 3. Budget 2016 should recommit the government to fully disbursing funds that have been committed for international development cooperation and humanitarian assistance, ending the practice of lapsing unspent funds.** At no additional cost, this would signal the government's commitment to delivering all available resources for poverty eradication programming, and enhance the predictability of Canada's aid investments.

### **C. A focus on the poorest and most marginalized**

Within the context of gradual and sustained annual increases to the IAE, the government should set clear near and medium-term targets for allocating resources within that envelope, focusing on the poorest and most marginalized, in particular women and children. These vulnerable populations are often disproportionately affected by poverty, inequality and climate change.

- 4. Budget 2016 should dedicate half of the aid budget to least developed countries (LDCs), low-income countries (LICs), and fragile states.** The needs of the poorest countries are still the most urgent. This commitment will help ensure that Canada's development dollars target some of the poorest countries – at no additional cost. The Government of Canada currently allocates between 40 and 45 percent of its ODA to LDCs, LICs, and fragile states.
- 5. Budget 2016 should initiate a process of making Canada one of the top three bilateral donors in at least half of Canada's countries of focus by the end of this government's first mandate.** Canada's countries of focus include ten Low-Income Countries (LICs), ten Low-Middle Income Countries and four Middle Income Countries (MICs). Given that the geography of poverty has changed, and there remain deep pockets of poverty in MICs as in LICs, we need a holistic approach to poverty that targets poverty wherever it occurs. To have a real impact, Canada needs to grow this investment.

In 2014, Canada was among the top three donors in nine (or 36 percent) of its 25 countries of focus. OECD data indicate that an additional investment of \$59 mn could make Canada a top-three donor in half (13) of its countries of focus, based on 2014 contribution levels. This is a modest goal. The same data suggest that Canada could be a top-three donor in three-quarters (19) of its countries of focus for \$448 mn or all (25) of its countries of focus for \$945 mn. *For less than one billion dollars, Canada could be a highly significant and visible contributor to poverty eradication in every one of its countries of focus.*

- 6. Budget 2016 should initiate a gradual process towards allocating 0.15 percent of GNI to LDCs by the end of this government's first mandate.** This commitment will help ensure that a predictable and significant portion of Canada's development dollars reach people in the poorest countries. The Government of Canada currently allocates around 0.09 percent of GNI to LDCs. This would require the government to allocate approximately \$3.4 bn to LDCs by 2019-20, up from \$1.7 bn in 2013-14.
- 7. Budget 2016 should invest in women, adolescents and young girls – disproportionately affected by inequality, poverty and climate change – by making support for women's rights organizations a top priority for Canada.** Increased investments could better address violence against women and

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girls; provide budget support for social services that help lift women out of poverty; introduce a meaningful commitment on sexual and reproductive health and rights; and allocate a specific funding envelope to support women's leadership, autonomous women's rights organizations, and women's human rights defenders. To achieve this, Canada should quadruple its investment in women's rights organizations by the end of the government's first mandate – from \$5.2 mn to \$20.8 mn, an additional \$15.6 mn – and ensure that 20 percent of all aid investments have a principal focus on advancing gender equality and women's empowerment.

### **D. Responding to growing humanitarian needs**

Canada's response to humanitarian disasters is an area of growing importance, with Canadian humanitarian assistance rising dramatically between 2012-13 and 2013-14 from \$543 mn to \$812 mn. This represents a 49 percent increase year-on-year, and a 46 percent increase over the five-year average. Humanitarian assistance now represents 21.6 percent of overall spending (up from 14 percent five years ago). We applaud the government for recognizing the importance of humanitarian funding, including through its recent commitment of \$840 mn over three years for humanitarian assistance in Syria and Iraq. However, the baseline funding budgeted for humanitarian assistance has remained virtually stagnant at just over \$300 mn per year for the past five years, while actual allocations have continued to grow. The difference comes from intra-departmental transfers, usually from bilateral programs – reducing the amount of funding going to developing country governments and diminishing the predictability of this programming area.

- 8. Budget 2016 should initiate a process of gradually increasing the baseline level of humanitarian spending, to a level reflective of growing global humanitarian need and in step with the overall growth of the IAE outlined in Recommendation 1.** Humanitarian efforts are growing in importance as a relative proportion of spending within international cooperation, but this is not yet reflected in baseline budgets. As the IAE grows, a larger proportion should be allocated to increasing the baseline budget for humanitarian assistance (prevention, response, relief and recovery). This would bring the baseline humanitarian budget in line with its typical year-end proportion within the IAE, and allow more long-term, timely, predictable, and effective funding for humanitarian action.

### **E. New and additional climate finance**

Last but not least, the new government has demonstrated its strong commitment to Canadian leadership in global action on climate change – including new climate finance. However, the government has not yet made it clear whether the \$2.65 bn [recently committed for climate finance](#) will be new and additional funding, or if it will be drawn from the existing IAE. In line with Canada's international commitments to effective development cooperation, the allocation of climate finance should be assessed in relation to the principles for effective development cooperation (country ownership, inclusive partnerships, focus on results, and transparency and accountability).

- 9. Budget 2016 should clarify that the government's climate financing initiatives will be new and additional to the existing aid budget.** The government's commitment to funding action on climate change is welcome and needed. It should not come at the expense of existing and expanded investments in global poverty eradication funded through the International Assistance Envelope. Budget 2016 should make it clear that this is *not* the case.