

Budget 2017 Measures to Reach Those Furthest Behind



***Submission to
House of Commons Standing Committee on Finance
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World Vision's Recommendations for Budget 2017

World Vision has been pleased to participate in Canada's International Assistance Review and to make an extensive submission entitled **Reaching Those Furthest Behind: Focusing Canada's International Assistance on the Poorest and Most Vulnerable in the World's Toughest Places**.

Along with specific concrete proposals, our overall recommendation, in that submission, is that *Canada should deliberately and substantially shift its international assistance, particularly its Official Development Assistance (ODA) allocations, and its policy and program priorities, to reach those furthest behind – vulnerable people living in fragile places and humanitarian contexts, particularly women, children and adolescents.*

We are now pleased to **provide this pre-budget submission** in support of our recommendations on how Canada can reach those furthest behind.

Recommendation 1: Identify in Budget 2017 how the International Assistance Envelope will be doubled over the next 10 years.

In Canada for budgeting purposes, ODA is primarily identified within the International Assistance Envelope (IAE), with about a 90% overlap in what is measured by each. Today's IAE lags behind, both in terms of previous IAE compared to Gross National Income and compared to Canada's peers in the world. The status quo is not an option. With the great needs in the world; Canada must do its fair share.

The need for increased international assistance is significant. For example, the 2016 UN global annual appeal for humanitarian funding identified that, after four years of consecutive increases, the needs of disaster and conflict affected populations are at a record high. The call for US\$20.8 billion to meet needs in 2016 is almost four times more than a decade ago when in 2006 roughly US\$5.2 billion was required.¹ The 2030 Agenda for Sustainable Development² too is an ambitious goal for the world and for Canada. With estimates that it will cost upwards of \$3 trillion annually to meet those goals, it is clear that ODA alone will not be enough and new sources of international assistance funding are needed.

However, **increased ODA, in keeping with the Official Development Assistance Accountability Act (and without including military spending)³, must be part of the picture, particularly for fragile places and for humanitarian contexts.** While much attention has been paid to new sources of international development funding, such as blended finance, partnering with the private sector, domestic resource mobilization and even remittances, generally *these sources will not significantly or rapidly benefit fragile places or humanitarian contexts.* They are no substitute for increased ODA.

Blended finance, for example, typically relies on some form of confidence, from investors or the private sector, in the places where their resources will be invested. Yet this approach has its limits. Currently only 0.13% of Canada's total trade occurs with low-income countries, and only another 2.66% with lower-middle income countries.⁴ This lack will remain a barrier for a blended finance model in fragile places.

Similarly as the OECD reports, "Remittances, the largest aggregate flow to fragile states and economies, benefit a small number of middle-income countries with big diaspora populations. Only 6% of foreign

¹ UNOCHA (2016) [Global Humanitarian Overview 2016](#).

² UN-DSD (2016) [Transforming our world: the 2030 Agenda for Sustainable Development](#) (hereafter "the 2030 Agenda")

³ World Vision also notes with concern the [decision of the OCED](#) to expand the definition of ODA to include some military activities. Canada should resist this revision which will erode the resources available to the most vulnerable.

⁴ CIDP (2016) [Data Report 2016](#).

direct investment (FDI) to developing countries in 2012 went to fragile situations, and it was concentrated in just ten resource-rich countries.”⁵

As was discussed at the Third International Conference on Financing for Development in 2015 in Addis, “we have to recognize that **ODA will remain a critical factor especially in least developed, fragile and conflict-affected countries**. As poverty is increasingly concentrated in these countries, ODA will remain a critical factor to the commitment to end poverty to meet the sustainable development goals.”⁶ (Emphasis added)

World Vision therefore supports the Canadian International Development Platform (CIDP) proposal that, through Budget 2017, “committing to an 8% annual growth target for the IAE would put Canada on track to double the envelope over an 8 to 10 year horizon. Assuming an IAE level of approx[imately] \$4.75 billion (by the next reporting), this would imply a commitment in Budget 2017 to increasing IAE levels up to approx[imately] \$7 billion by 2022, and \$10 billion by 2027.”⁷ This has been done before: CIDP reminds us of the precedent set in 2002 when Canada announced it would double the IAE and then achieved that goal in 2010.

If Canada is going to meet the mandate set by the Prime Minister, to “refocus Canada’s development assistance on helping the poorest and most vulnerable, and supporting fragile states,”⁸ **then Canada will need to commit to doubling the IAE over the next 10 years.**

Recommendation 2: Shift ODA allocations to fragile places – aiming for 35% of ODA over the next three years.

Specifically, we recommend that Canada

- **Over the next three years, allocate 35% of its annual ODA budget to its identified fragile countries of focus, up from the current 25%;**
- **Become one of the top three donors in at least half of these identified fragile countries over the next three years; and,**
- **Build in a mechanism for shifting 20-30% of the budgeted funding for a region to be responsive to changes in vulnerability or fragility.**

Allocation of ODA is one the critical means by which Canada can demonstrate how it will “refocus Canada’s development assistance on helping the poorest and most vulnerable, and supporting fragile states.”

Using the OECD’s current list of 50 countries, Canada spends 25% of its ODA in these fragile places. This compares to the US at 37%, Japan at 32% and the UK at 26%.⁹ *World Vision is recommending that Canada increasingly focus on fragile places and use ODA re-allocation to demonstrate this shift.* We believe a move to from 25% to 35% of ODA dedicated to fragile places would be a strong demonstration of this shift. Considerations during that time, on impacts and results, could potentially lead to further increases.

In addition, as CCIC has identified, “In 2014, Canada was among the top three donors in nine (or 36%) of its 25 countries of focus. OECD data indicate that an additional investment of \$59 [million] could make Canada a top-three donor in half (13) of its [current] countries of focus, based on 2014 contribution levels.”¹⁰ While World Vision is recommending a change in the countries of focus based on vulnerability

⁵ OECD (2015) *States of Fragility 2015: Meeting Post-2015 Ambitions*, OECD Publishing, Paris. p. 14.

⁶ The Belgian Development Cooperation (2015) *ODA and Fragile Environments: Background Note*.

⁷ CIDP (2016)

⁸ <http://pm.gc.ca/eng/minister-international-development-and-la-francophonie-mandate-letter>

⁹ CIDP (2016)

¹⁰ CCIC (February 2016) *Smart, Transparent, and Impactful Aid: Submission to Consultations on Budget 2016*.

and fragility criteria, this principle remains. A re-focus should include more targeted investments. We therefore propose that the choice of these new countries of focus be accompanied by Canada becoming one of the top three donors in half of these countries, thus demonstrating its commitment to the most vulnerable in these tough places.

Finally, World Vision recommends that budgets of focus countries be made flexible (up to 30%) to respond to changing contexts within the state, and around the state, which, without reactive action, would negatively affect the vulnerability of populations and fragility of the state. Current funding models do not enable Canada's NGO partners to effectively adapt to changing contexts. World Vision uses a similar model whereby 20% of private development funding may be made available for re-allocation to prevent, respond to, and mitigate emerging situations, such as the unfolding food crisis in the Sahel in 2012 or currently in Southern Africa with the impact of El Nino.

"If any one of us were the poorest of the poor, if MY need was the greatest, I would like to know that someone was not going to give up on me, or not help me, because the chance for success was difficult."
World Vision Supporter

Consider Jordan and Lebanon as examples of the impact this would have. Jordan has been prioritized by donors for development and humanitarian support largely as a result of its alignment with donor values, legitimacy of government and relative stability as compared to others in the region. Canada's bilateral support to Jordan has been highly influential in ensuring effective policy development to support the growing number of refugees, including supporting refugees' ability to enter the labour market, and for the education sector to accommodate Syrian children. Lebanon, on the other hand, is potentially on the brink of significant escalation of conflict that will destabilize the entire region even further. Due in part to poor governance and limited bilateral investment, Lebanon has been unable to effectively manage the significant influx of refugees across its border. It needs adequate international assistance as well.

Background

Fragile places (both fragile states and pockets of fragility in other states) are becoming the ground zero of extreme poverty and struggle for those furthest behind.

Although the majority of the world's poorest and vulnerable people currently live in middle income countries, (in large part because these countries have achieved middle income status), as these countries continue to develop, there will be a shift to the majority of the poorest people living in fragile places.

As the OECD puts it, fragile places are currently "home to 43% of the world's population living in absolute poverty. [However] By 2030, poverty could become increasingly concentrated in fragile states: **even under the best-case scenario, 62% of the global poor will be located in fragile states.**"¹¹ (Emphasis added)

"We need to be willing to do the tough work and to dig in where the need is greatest to alleviate the suffering of those who require help the most."
World Vision Supporter

World Vision believes that a *focus on fragility* – demonstrated, in part, by its financial commitments through the IAE – must become what Canada is known for. These are places where the burden of instability, poverty, hunger, injustice, inequality, morbidity and mortality are the highest. And, while the upfront costs of programming in fragile places may be higher, yield of impact from interventions is greater.

Investing to reach the most disadvantaged first has two key advantages:

- it allows faster progress toward key global targets towards the SDGs; and
- it is more cost-effective than focusing on those easiest to reach.

¹¹ OECD (2015) p. 21.

This is because the poorest health, education and gender outcomes occur in fragile places, enabling larger gains within interventions.¹²

Women, children and adolescents, the people with disabilities, people from religious or ethnic minorities, refugees, those who are LGBTQ, and those displaced are among the most vulnerable populations in the world. In fragile places, such groups are more likely to live in extreme poverty, without access to physical and social infrastructure, such as hospitals and schools. They are often discriminated against, ostracized and placed in the lowest margins of societies. When poverty is coupled with a failed or failing state that is unable or unwilling to protect and support its communities – or even set against them, the dignity and human rights of these populations are severely threatened. If we don't shift our focus, the most vulnerable are at risk of being left further and further behind.

Cover photo: Photo: Lebanon by Jon Warren.



World Vision is a Christian relief, development, and advocacy organization working to create lasting change in the lives of children, families, and communities to overcome poverty and injustice. Inspired by our Christian values, World Vision is dedicated to working with the world's most vulnerable people regardless of religion, race, ethnicity, or gender.

Contact:

Externalrelations@worldvision.ca
401 – 151 Slater Street
Ottawa, Ontario K1P 5H3

National Office:
1 World Drive
Mississauga, Ontario L5T 2Y4

¹² UNICEF (2010) [Narrowing the Gaps to Meet the Goals](#).