RESULTS
Canada
the power to end poverty

This submission from RESULTS Canada focuses on the ways that Canada can use its international development assistance to both reduce global poverty and increase Canadian economic growth.

Recommendation 1: *Canada should double its Official Development Assistance in the next 5 five years, and set out a timetable to reach the 0.7% GNI target by 2030.*

Canada's overall aid spending recently plunged to 0.24 percent of our Gross National Income (GNI), its lowest level since falling to 0.22 percent under the Chrétien Government in 2001. In recent years, Canada's aid contributions have dropped from $5.65 billion in 2012, to $5 billion in 2013, and $4.2 billion in 2014. If governments had provided what they committed to in 1970, extreme poverty (at 2005 levels) could now have been ended 22 times over. Canada has not only fallen behind our historical commitments but we also lag behind the majority of other donor countries. In 2014, the last year for which figures are available, the Organization for Economic Co-operation and Development (OECD) reported that, in terms of total dollar amount, the only G7 country with a smaller ODA budget than Canada was Italy—which had an unemployment rate of over 12% at the time. This is extremely concerning considering Canada's support for the globally-agreed Sustainable Development Goals (SDGs) and the ambitious target of 2030 for achieving them.

The SDGs are ambitious but certainly achievable. The 0.7% commitment from developed countries is an essential part to not only reach the levels of development assistance that would allow us to attain this goals, but also to create partnerships with implementing countries and establish an agreement that also includes higher levels of Domestic Resource Mobilization (DRM) for issues that affect the poorest and most vulnerable.

Reducing extreme poverty has clear economic benefits, both globally and for Canada. For example, investments in education have astounding returns. One extra year of schooling increases an individual's earnings by 10% while each additional year of schooling raises the average GDP growth by 0.37%.[1] Another smart investment is early child development. According to the World Bank and UNICEF, countries can experience an estimated 20 per cent loss in adult economic productivity due to lack of cognitive and physical development that starts in early childhood.[2] This is not only a missed opportunity for countries who grapple with

[1] http://www.globalpartnership.org/education/the-benefits-of-education
[2] http://thousanddays.org/tdays-content/uploads/Stunting-Costing-and-Financing-Overview-Brief.pdf

this issue but also affects Canadian investments. A more productive, stable global workforce will only expand the ability of Canadian businesses to expand their reach in terms of trade and investment opportunities. This is especially true as economies move from manual labor to digital skills which require skilled, smart workforces.

The link between a child's first years of life and their later productivity is exemplified in the case of Indonesia which has reported slowed growth in recent years. Both the Indonesian President and World Bank President Jim Kim identified that the key barrier to growth was not in fact infrastructure, roads or private capital. It was the fact that 37% of Indonesia's people are stunted (an irreversible developmental failure prompted by chronic malnutrition). How can Indonesia progress when such a high percentage of its workforce are incapable of taking skilled jobs required to drive the economy? Programmes funded through ODA are key to helping countries reverse this stunting trend and ensure that future generations are able to develop to their full potential.

ODA can also be a catalyst for other forms of financing and Canada has led a number of innovative and blended financing initiatives. The yet to be launched Development Finance Institution (DFI), if done correctly, could be a good way to use ODA as a catalyst for investment and as well as help Canadian businesses invest successfully abroad. We must expand these initiatives to other partners including philanthropic organizations, CSOs and foundations. Canada should also broaden its focus on innovative finance past market expansion and into well-constructed and monitored initiatives that finance underfunded health, nutrition and education priorities. We could consider solidarity levies as in France or Chile, or social impact bonds for example.

As more countries transition to middle income status (often by improvements in development outcomes as described above) it also reduces the reliance on a small set of donors. We have seen as countries such as China and many of the Gulf countries are increasing becoming donors in their own rights and sharing the economic burden.

It is generally acknowledged that ODA, even at greatly increased levels, will be insufficient to achieving the SDGs. Domestic resources, both public and private, and international public financing will have to fill the gap.

Very few donor countries earmark significant assistance and programming to DRM. Yet in countries that demonstrate the political will to improve DRM, large sums of money are not required in order to implement effective reforms. A USAID funded project in El Salvador focused on broadening the tax base and increasing tax revenues and showed great success. Simple tax and auditing reforms resulted in an additional $1.5 billion in revenue between 2005 and 2010. [3] Successful DRM programs are cost-effective and Canada should leverage its technical expertise in taxation, public expenditure management and oversight to DRM. Canada should develop an integrated approach between Global Affairs Canada and Finance Canada to support global efforts on an integrated financing strategy that encompasses goods and services taxes, income taxes, levies, income taxes, credits and direct payments. This strategy could include mobilizing extensive expertise on sin taxes. There is a particular Canadian capacity to advise on and implement tobacco control strategies including tobacco taxation, Tobacco levies and plain packaging. Canada's strong reputation for tobacco control legislation is well-known and we could extend that particularly to support earmarking of tobacco for health means (as has been done successfully in Indonesia). Many of the projects can be started with a small amount of ODA which can then catalyze greater investments.

The final but most significant reason Canada should become a leader in international development and not a laggard is because it is the right thing to do. We can make a difference in the lives of the worlds most vulnerable. By the end of this year, programs supported by the Global Fund to Fight AIDS, Tuberculosis, and Malaria, to which Canada is a major donor, are on track to save **22 million lives** since 2002. In part thanks to Canadian investments in Maternal, Newborn and Child Health we have reduced the number of maternal deaths by 45% since 1990[4]. Imagine the numbers of lives we can save if Canada decides to step up to the plate and make international development a priority.

RESULTS Canada is a movement of passionate, committed everyday people. Together we use our voices to influence political decisions that will bring an end to poverty.

[3] https://www.usaid.gov/sites/default/files/documents/1865/El%20Salvador%20Tax%20Reform%20Case%20Study_fall%202014.pdf

[4] http://www.who.int/mediacentre/news/releases/2014/maternal-mortality/en/