



Engineers Without Borders (Canada)

Submission to the House of Commons Standing Committee on Finance

Pre-Budget Consultations 2011

August 12, 2011

RECOMMENDATION:

That the Government of Canada recognize the cost-saving benefit of increased foreign aid transparency by signing on to the International Aid Transparency Initiative (IATI).

This recommendation will result in the following:

- **Cost-savings and value for money:** Signing on to the IATI would represent good value for money for taxpayers. Cost-benefit analysis suggests that the one-off costs of implementing the IATI would range between \$50,000 - \$500,000, while conservative estimates suggest the savings would be large enough to offset the implementation costs within one year.¹
- **Reduced bureaucracy and transaction costs:** Signing on to IATI would reduce the redundancies in annual reporting for Canada and aid recipient partner countries by simplifying and standardizing the reporting system. This will help Canada achieve economies of scale and would require fewer staff and fewer resources to collect and disseminate aid information.
- **Reduced corruption and improved effectiveness:** Cost benefit analysis suggests that by signing on to the International Aid Transparency Initiative the 22 countries who have signed on will collectively improve the effectiveness of their aid by \$1.6 billion dollars.² Signing on to the IATI decreases the diversion of Canadian aid by providing increasing opportunities for public scrutiny of data.

Executive Summary

Engineers Without Borders (EWB) is pleased to have the opportunity to submit our priority to the Standing Committee on Finance as part of its pre-budget consultations. EWB believes that the recommendation contained within is consistent with the Committee's request to hear from groups about how to achieve a balanced budget.

Engineers Without Borders (EWB), established in 2001, is a movement of 55,000 Canadians committed to creating opportunities for rural Africans – we do so in the systemic way you would expect from engineers, focusing not on symptoms but on tackling the root causes of why poverty persists. Our 500 volunteers and staff build the capacity for bottom-up innovation in African organisations – NGOs, businesses and government – and enable them to prototype, pilot and scale programs that improve access to clean water and infrastructure, and help rural farmers transform their subsistence farms into businesses.

¹ The Costs and Benefits of Aid Transparency (2009): Matthew Collins, Asma Zubairi, Daniel Nielson & Owen Barder

² The Costs and Benefits of Aid Transparency (2009): Matthew Collins, Asma Zubairi, Daniel Nielson & Owen Barder

Based on the Government of Canada's commitment in Budget 2011 to "strengthen the effectiveness of Canada's aid program" and on the Government's pledge to "making its international assistance more efficient, focused and accountable," EWB encourages the Standing Committee on Finance to endorse the following recommendation:

- That the Government of Canada recognize the cost-saving benefit of increased foreign aid transparency by signing on to the International Aid Transparency Initiative (IATI).

Overview

In recent years, the Government of Canada's efforts to make our foreign aid more effective and transparent have led to a number of improvements. For instance, we applaud Prime Minister Harper's leadership as part of the "Commission on Information and Accountability for Women's and Children's Health", in addition to CIDA's recent decision to launch an open data portal for its aid information, making more information about Canadian aid available to the public.

We believe that the next step for Canadian aid effectiveness is to publish our aid information in a common, internationally agreed-upon format through the International Aid Transparency Initiative.

Transparency and accountability enable better decisions to be made about how scarce Canadian aid resources are used. Crucially, they also improve public services and remove the space for inefficiency and corruption.

The basic argument for increased aid transparency is that when we can see what happens to Canadian aid money, it will be possible for the first time to understand which parts of the system work well and which do not. Opening up information about aid will allow the Government of Canada to reduce inefficiencies and focus our aid resources where there are demonstrated results and greater value for money.

Canada's current approach to aid transparency does not fully reflect the most cost-effective, internationally-recognized best practices. Aid donors such as the United Kingdom, Germany and the World Bank (in addition to 19 others) have become proven leaders in aid effectiveness and transparency; by signing on to the IATI, they are providing a level of detailed information needed to make the most efficient aid investments.

Unlike other countries, Canada's policy on aid transparency has not kept pace, reducing the effectiveness and value for money of Canadian aid resources.

Background on the IATI

The International Aid Transparency Initiative (IATI) was launched in September 2008 at an international meeting on Aid Effectiveness in Accra, Ghana attended by Canada and the leading bilateral and multilateral donors. IATI responds to the concern that there is too much paperwork and redundancy in aid reporting. It is a common, open, international standard

agreement among many major donors that sets guidelines for publishing information about aid spending.

Canada's current position on IATI

As an "official observer" of the International Aid Transparency Initiative, the Government of Canada has been highly involved in the emergence and formation of the IATI standard.

What is the problem that IATI aims to solve?

Current aid reporting systems create costly parallel and duplicative structures that add unnecessary bureaucracy to both donor and aid recipient countries – this results in less money being spent on actual development initiatives, which in turn reduces the impact of Canada's aid investments. As it currently works, governments that receive aid have to respond to different reporting standards for each donor (upwards of 50 donors)– this inefficient method means that countries with scarce skilled personnel spend too much time writing reports, rather than doing what the aid was supposed to achieve.

Who is involved?

To date, 22 organisations have joined IATI, including 12 bilateral donors, seven multilateral agencies and one private foundation.³ In fact, IATI signatories now make up 50% of total Official Development Assistance (ODA). Other major donors including Canada, Japan and France have attended IATI meetings as observers and contributed to the work of IATI's Technical Advisory Group (TAG), membership of which is open to all. More more details see <http://www.aidtransparency.net/>.

How IATI will work?

The central proposition behind IATI is that transparency could be increased, while duplicate reporting could be significantly reduced if donors published their information once, in a common, internationally-agreed standard form. This way, information can be re-used many different times by different users for different purposes: thus the principle of "publish once, use often". Rather than constructing a new mega-database, IATI aims to establish a **common standard for the publication of aid information**. Donors that adhere to the IATI standard will publish their aid information in the agreed IATI format, usually via their own website. The location of their information will be recorded in a central IATI Registry, a kind of address book or catalogue which enable both individual and (more often) computer programs to locate the particular information they need. With the IATI data in a common format, a single computer

³ Members are: World Bank, Asian Development Bank, UNDP, European Commission, GAVI, Hewlett Foundation, Australia, Denmark, Finland, Germany, Ireland, Netherlands, New Zealand, Norway, Spain, Sweden and the United Kingdom

programme or website can bring together automatically data published by many different donors

Cost Benefit Analysis on IATI

An analytical framework for cost-benefit analysis suggests that the initial costs of implementing IATI would range between \$50,000 - \$500,000, while conservative estimates suggest the savings would be large enough to offset the implementation costs within one year (cost-benefit analysis is based on a study of 4 countries that have signed the IATI – see <http://www.aidtransparency.net/news/cost-benefit-analysis-a-framework> for details). It is inevitable that taking the decision to become more transparent will involve costs to donors – though those costs are quite small considering IATI pays for itself within one year, delivering substantial benefits in return. IATI is intended to simplify publication of aid data, reduce duplication, while at the same time increasing the value of the information that is published.

Importance of closing the gap

Engineers Without Borders has developed a low-cost proposal that is consistent with the Government of Canada's stated policy objective of achieving a balanced budget. If enacted, this will modernize Canada's aid program, thereby closing the gap between Canada's approach and those of other aid giving countries. EWB's proposal is broadly supported by respected Canadian international development organizations, including the organization Peace Dividend Trust, winner of the Canada-led G-20 SME Finance Challenge.

Recommendation:

That the Government of Canada recognize the cost-saving benefit of increased foreign aid transparency by signing on to the International Aid Transparency Initiative (IATI).

APPENDIX 1 – Listing of supporters of this recommendation:

- Engineers Without Borders
- Peace Dividend Trust
- War Child Canada
- Stephen Lewis Foundation
- Ian Smillie, Chair of the International Diamond Development Initiative
- Dr. Samantha Nutt, Founder and Executive Director of War Child
- Tim Brodhead, former CEO of the McConnell Foundation
- Dr. Gerald Helleiner, Professor Emeritus, Department of Economics & Distinguished Research Fellow, Munk Centre for International Studies, University of Toronto
- Bernard Wood, Founder of the North-South Institute & former Director for Development Cooperation of the Organisation for Economic Co-operation and Development (OECD)
- McLeod Group, a foreign policy group comprised of 10 of Canada's most respected, senior foreign policy experts

APPENDIX 2 – About Engineers Without Borders

Engineers Without Borders is a movement of 55,000 Canadians committed to creating opportunities for rural Africans – we do so in the systemic way you would expect from engineers, focusing not on symptoms but on tackling the root causes of why poverty persists.

In Africa EWB is dedicated to making smart, innovative and locally driven solutions to rural poverty a reality. Our over 500 volunteers and staff build the capacity for bottom-up innovation in African organisations – NGOs, businesses and government – and enable them to prototype, pilot and scale programs that improve access to clean water and infrastructure, and help rural farmers transform their subsistence farms into businesses.

Established in 2001, Engineers Without Borders has quickly grown to become one of Canada's most respected international development organizations. EWB has 30 full time staff, with approximately 20 based in Canada and 10 based in Africa. The Board of Directors consists of 11 members, with 3 elected as representatives from the membership. In 2010, EWB's annual budget was approximately \$2.9M. This is anticipated to grow to \$3.8M in 2011.