



Ensuring Impact and Effectiveness with Canada's Aid Agenda

**RESULTS Canada Pre-Budget Consultation Submission to the House of
Commons Standing Committee on Finance**

September 14, 2011

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RESULTS CANADA is the leading national grass-roots network of citizens creating the political will to end hunger and the worst aspects of poverty around the world. We focus on cost-effective, proven and tangible solutions for addressing issues related to global poverty and we believe that Canada should focus its foreign aid on those actions that will have the greatest impact. We also believe that addressing global poverty is in line with Canadian values and interests.

RESULTS Canada does not receive government funding and we see ourselves as an honest broker for international development. Our only constituency is the network of grassroots Canadians who drive our work and the poorest on the planet who inspire our commitment.

SUMMARY

As governments continue to tighten budgets and deal with global fiscal instability, many of the world's poorest will bear the brunt of these financial constraints with cuts to international aid spending. In Canada, with the freezing of our international aid budget, this reality is evident more than ever. Ensuring that Canada unfreeze the cap on spending for international development programs is key, but then ensuring we are best utilizing those resources by investing in mechanisms that are having impact and that our aid dollars are being used effectively is equally paramount.

There is strong public support for Canada to do more to reduce poverty globally, including more and better aid. An Angus Reid poll release in June 2010 revealed that 61 percent of Canadians believe their country should increase the amount of money spent on international aid. 62 percent of Canadians also think that it is not realistic for Canada to freeze its aid budget and still expect to maintain its international commitments. It is time to make our support for poverty reduction a priority.

In this context, the Finance Committee has the ability to better serve our national interest by calling for continued Canadian leadership on international development, while at the same time ensuring that we maximize current aid investments by supporting mechanisms and areas of focus that are impactful, measurable and effective. Specifically, RESULTS Canada recommends that the Committee endorse the following recommendations:

- 1. Reverse flat-lining Canada's ODA budget beyond 2012**
- 2. Support a robust and increased Canadian commitment to the Education For All-Fast Track Initiative replenishment**

3. Maximize our investments in the fight against infectious diseases and focus on mechanisms that have proven impact and demonstrate effectiveness like the Global Fund to Fight AIDS, Tuberculosis and Malaria

4. Keeping our commitment to increased resources for microfinance

RECOMMENDATIONS

RESULTS Canada supports the following recommendations to strengthen Canada's position as a global leader and to maximize aid effectiveness and impact:

Recommendation #1 – Reassess flat-lining Canada's ODA budget beyond 2012

In the 2010 federal budget, the Canadian government announced that Canada would freeze its international assistance envelope in 2011, putting an end to five consecutive years of annual legislated 8% increases. While the government has cited economic recovery and fiscal restraint as a rationale, when the numbers are scrutinized one wonders whether our economic recovery is not being secured at the expense of the most vulnerable.

We live in an increasingly global economy and community. Yet, human potential is being wasted. Too many people in too many parts of the world are not provided with opportunities to thrive. The weight of poverty, the burden of poor health, the lack of access to education or microfinance, all act as barriers that stand in the way of individuals and communities meeting their full and economically productive potential. A retreat from global leadership and investment may mean we lose ground on tangible, hard won gains and that past investments will be wasted as we allow progress achieved to date to erode.

Canada has a long history as a compassionate and committed contributor to global health and progress. Canada's commitments in the G8 Muskoka Initiative in support of the world's poorest mothers and children builds on that leadership and Canadians are proud of that commitment. A retreat from our international commitments on aid levels is a contradiction of leadership and an unwarranted compromise of Canadian values.

In the past, Canada has committed to a reasonable timeline for incremental aid increases. Past governments have committed to a 0.7 percent goal of aid as a percentage of our GNI. Our Prime Minister has personally committed in the past to achieving at least an interim target of ensuring that our ODA is increased to the average level of aid as a percentage of GNI among OECD countries. Flat lining our aid means that even this latter, little ambitious promises are being broken.

By putting an end to the 8% increases, the government claims that they will "save" \$438 million next year and that over time these savings will accumulate to reach \$1.8 billion per year in 2014-2015. Sadly, these cuts dwarf the government's \$1.1 billion, or \$220 million annual, Muskoka Initiative pledge made at the G8 last June.

It means that while promising money and accountability for the health of the poorest women and children on the international stage, the government is also cutting twice as much as they have pledged. When added up, the savings attributed to money *not* spent on aid over the next five years accounts for a full 25% of the government's total deficit reduction strategy. In all of their balance sheets, they have neglected to tally the costs in terms of lives lost.

Canada's aid freeze also extends and consolidates our position as an international laggard when it comes to funding our fair share of overseas assistance. By capping our Overseas Development Assistance (ODA) budget at \$5 billion, Canada will continue to fall further and further behind the globally-agreed upon target of 0.7% of Gross National Income (GNI) for ODA. Today, of the 22 countries in the OECD Development Assistance Committee, 16 have set timetables to meet 0.7% by 2015, including the UK. Canada is one of only six that have not. In 2010 Canada only directed 0.33% of its GNI to ODA. Now, because of the \$5 billion cap, this percentage will continue to free-fall. Unless the decision is reversed, Canada will spend only 0.28% of our GNI on aid by 2015.

The flatlining means in practical terms that the budget will not keep up with inflation, and will deliver less and less aid. This in turn limits the scale and impact of life-saving projects around the world. For example, according to experts, the \$10 billion over five years pledged by the G8 at Muskoka will save 1.3 million children's lives by 2015. If dollars spent equals lives saved, than dollars cut equals lives lost. Based on the same scale, these cuts put hundreds of thousands of children's lives in jeopardy.

Measured, steady and incremental increases to Canada's official development assistance envelope was, and is, a worthy goal and one we should return to. After all, our economy reports indicate, compared to OECD countries, continues to grow. Why in a time of continued economic growth are we devoting a smaller portion of it each year to aid? We must increase and efficiently allocate Canada's development assistance to promote results-oriented actions that provide the poor with tangible solutions in reasonable time frames, helping them to overcome poverty and promoting prosperity internationally. Even in an era of fiscal restraint, it is imperative that the burden of economic recovery not fall on those who can least afford to shoulder it. Moreover, we must do this not only because it is in their interest. We must do it because it is in all of our interest.

Now is the time for our Government to reverse our flat-lined aid budget! Economic recovery should not be made on the backs of the world's poorest people, it is irresponsible and unconscionable.

Recommendation #2 – Support a robust and increased Canadian commitment to the Education For All-Fast Track Initiative replenishment

Progress towards universal access to basic education has been made. We can be encouraged by the fact that the number of out-of-school children has declined and the gap between the number of girls and boys enrolled in school is closing. At present, girls make up 53% of all out of school children, compared to 60% just one decade ago.

However, these statistics mask regional disparities when it comes to girls' education. And while primary school enrolment rates continue to rise globally, the pace of progress is grossly insufficient. At present, 67 million children are still excluded on the basis of locality, ethnicity, disability and poverty. Without an education a child's ability to develop knowledge and social skills is diminished, limiting their ability to prepare for the world of work and leaving them ill-equipped to cope with day-to-day challenges.

Investing in education is the single most effective means of reducing poverty, and progress toward universal access to education is achievable. In the last decade, the number of out-of-school primary school aged children has decreased 67 million from an astounding 102 million, with support from mechanisms like the Education for All – Fast Track Initiative (FTI).

The FTI is an effective global partnership, devoted to ensuring that ALL children are enrolled and receiving a quality basic education. Through its pooled funding model, the FTI provides development partner countries with funding to develop and implement sound national education plans. As more countries recognize the importance of basic education, there has been an unprecedented demand for education resources globally.

Canada has been a long-standing leader for education, and was one of the founding members of the FTI in 2002. The FTI is a global partnership of donors and developing countries, multilateral institutions and civil society organizations, dedicated to ensuring that all children receive quality basic education.

The FTI supports the implementation of endorsed developing country education sector plans. This means developing countries are in the driver's seat, identifying their own needs at the national level – and investing their own dollars into education programs, which is a prerequisite for FTI support.

The FTI now supports 44 countries with endorsed education sector plans and has facilitated the enrolment of an additional 19 million children into universal basic education programs. Support from the FTI has helped developing countries around the world to decrease the number of out-of-school children, increase school enrolment rates, especially among girls, improve primary completion rates, and increase domestic investment in education – making it a wise target for increased Canadian investment.

On November 6th-8th, 2011, donor governments like Canada are being invited to attend the first formal FTI Replenishment Campaign to reinvigorate political and economic support for education. Now is the time to act and ensure that Canada makes a robust commitment to the FTI at the replenishment conference in November. The most effective demonstration of that would be for Canada to meet its fair share of the global financing gap of \$2.5 billion (5%) for education and increase its contribution to a total of \$125 million over three years (FY11-FY14). Currently Canada's contribution to the FTI is \$60 million over 5 years (2008-2013).

Recommendation #3 – Maximize our investments in the fight against infectious diseases and focus on mechanisms that have proven impact and demonstrated effectiveness such as the Global Fund to Fight AIDS, Tuberculosis and Malaria

Ten years ago, the spread of malaria and tuberculosis (TB) was presumed to be unstoppable and virtually no one living in low-and-middle-income countries was receiving lifesaving antiretroviral therapy (ART) for the treatment of AIDS. The impact on families, communities and economies was devastating. However, global leadership came together to create the single largest financier in the fight against these major diseases ravaging the developing world: the Global Fund to Fight AIDS, TB and Malaria.

Operating since 2002 to increase and channel resources to fight three of the world's most devastating diseases and areas of the greatest need, the Global Fund has grown to become the world's leading multi-lateral financier for health. Investing over USD \$19.3 billion in 150 countries to support prevention, treatment and care programs for AIDS, TB and Malaria, the Global Fund now provides a quarter of all international financing for AIDS, two-thirds for TB, and three quarters for malaria.

Today, thanks to Global Fund-supported projects, 3.2 million people with HIV are receiving anti-retroviral medicines (ARVs), 8.2 million people have received TB treatment, 190 million insecticide-treated bed nets have been distributed to protect families from malaria, and almost half a million HIV-positive pregnant women have received preventative treatment to halt vertical transmission of HIV. The net results – 6.5 million lives saved since 2002.

Much of the Global Fund's considerable progress can be attributed to its unique approach to global health financing. The Global Fund operates as a multi-lateral global partnership between governments, civil society, the private sector and affected communities that leverages, manages and distributes resources towards combating AIDS, TB and malaria through grants programs. The Fund employs a strong results-oriented and demand-driven approach that ensures that only the most effective and successful programs are funded. This innovative and highly accountable model has allowed the Fund to speedily and effectively turn international investments into health services on the ground, benefiting millions of people around the world.

The Global Fund is acknowledged as one of the most successful multilateral mechanisms in the field of global health and investments in the Fund are investments in projects that are rigorously reviewed, monitored and deliver results. The Global Fund has a commitment to transparency and a zero-fraud policy. This is the kind of model of transparency that should be invested in as an effective use of our aid dollars that are having impact.

No other global mechanism has achieved such dramatic results in such a brief time. In 2010, the Canadian government increased its contribution to the Global Fund from \$450 million over three years to \$540 million from 2010-2013. While this contribution is applauded from the Canadian government, the Global Fund's unparalleled success has created increasing demand. **Without an increased and long term infusion of financial support, new proposals submitted to the GFATM to support worthy projects will go unfunded and people will die needlessly.** The Fund estimates that at the very minimum for the next round of proposals, it would need an additional \$2.5

billion to fully fund the increased demand for support. We ask that the Canadian government ensure that the Global Fund is fully funded to ensure that progress made is not reversed and that we continue to save millions of lives from these three deadly diseases.

4. Keeping our commitment to increased resources for microfinance

Globally, more than 100 million people have access to microcredit, but far too many of the world's poorest people do not – 1.4 billion people continue to live below the poverty line of \$1.25 a day. Without access to microfinance services the most vulnerable portion of the population is continually denied their chance to access a dignified route out of poverty.

Microcredit is small, no-collateral loans, taken by a broad range of borrowers (primarily women), targeted at the very poor (i.e., living in extreme poverty, or less than \$1.25 per day). In addition to the disbursement of traditional microcredit, some Microfinance Institutions (MFIs) offer financial literacy training, business development, savings accounts, among other innovative banking and social services to meet the needs of the very poor; this is also known as “graduated” programming.

Successful microfinance should not simply be measured by the amount of income generated, or by the percentage of successful loan repayments, rather should be measured according to the numbers of families moving out of extreme poverty, or those moving about the \$1.25 a day threshold. This is where microfinance has the best, measurable impact and return on investment.

In June 2010, Canadian Parliamentarians, including the Minister of Finance and the Minister of International Cooperation recognized the immense potential of microfinance as a strategy to support the very poor, and unanimously passed a motion calling for increased investments towards microfinance, stating:

“That, in the opinion of the House, the government should consider providing additional funding, within the next twelve months, to competent organizations for the purpose of carrying out microcredit lending targeted at people living on less than \$1.25 per day in least-development countries.”

On October 25th, 2010 Minister Oda announced *CIDA's Sustainable Economic Growth Strategy*. The plan outlines the barriers to sustainable economic growth, and promises targeted investments that directly support industrial and business sectors in the developing world. To that end, CIDA's Strategy will follow three paths which will 1) build economic foundations alongside willing governments; 2) grow businesses including micro-, small and medium sized enterprises resulting in employment opportunities for the poor, and, 3) invest in people by improving access to, and benefits from, informal and formal businesses.

In furthering its goal of growing small businesses, CIDA has committed to supporting activities that will “strengthen and increase the availability of financial institutional products and services, including microfinance, which will result in greater job creation for the poor,” with a special emphasis on women. The Canadian government must not lose sight of its commitment to microfinance and must deliver on the motion that was

made to ensure that additional funding is allocated for microfinance targeted at the very poor.

CONCLUSION

It is time to build on our leadership by ensuring that Canada continue to increase its investments in mechanisms that are having impact in the world. Canada can be a global leader by reversing the decision to flat line and then recommitting to steadily increasing Canada's foreign aid budget, by focusing our investments on mechanisms that have demonstrable impact such as a robust increase to the Education For All-Fast-Track Initiative and a one-time bump up in funding to the Global Fund to Fight AIDS, TB and Malaria, and by encouraging the efforts of the very poor themselves through microfinance. These are important issues that Canadians care about and support.