

Towards an ODA envelope that balances the budget, achieves long-term goals, and deepens Canadian partnerships

Submission to the 2012 Pre-Budget Consultations

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Executive Summary

As the Government of Canada develops its budget for 2012, mindful of Canada's continued economic recovery and commitment to fiscal prudence, World Vision Canada encourages government leaders to invest in those inputs that will:

- Balance its budget
- Achieve multiple, complimentary, long-term objectives
- Catalyze deepened partnerships between the Canadian government and citizens in realizing joint objectives

With these 3 key objectives in mind, World Vision Canada recommends that the Government of Canada:

1. Continue to incrementally grow the Crisis Pool Quick Release Mechanism yearly based on observed trends
2. Sustain and grow the ODA envelope, so that Canada can continue to provide sufficient, long-term, and predictable aid flows in 2012 and in the years to come.
3. Introduce the Stretch Tax Credit for Charitable Giving, which would provide Canadians with an additional 10 percent tax credit for each dollar of their charitable donations that exceeded their previous highest giving level, using 2010 as a baseline.

In the wake of the 2008 recession, the Government of Canada, along with Canadian organizations and individuals, have faced challenging financial decisions as they have sought to balance budgets, discern where to reduce expenses and to strategically invest, and remain on-track to achieve long-term goals. Making these decisions oftentimes requires a rigorous examination and prioritization of financial, social and international objectives. It also requires clearly identifying the values which define us as Canadians, to ensure these remain top-of-mind as adjustments to budget levels are made. For example, 88% of Canadians polled have indicated that they want the government to maintain its commitments to the poor regardless of the economic down turn. At times these re-evaluations not only yield re-envisioned line items, but can allow for the discovery of new values and new goals, of benefits henceforth unidentified, and of new linkages between objectives. As the Government of Canada considers its budget for 2012, World Vision Canada encourages government leaders to explore budget options through the lens of clearly defined, long-term objectives and defining values, with a view to uncovering those inputs that meet multiple objectives, and allow us to hold fast to our defining characteristics as Canadians.

World Vision encourages government leaders to explore how strategic inputs can allow both government and individual Canadians to participate in the achievement of our shared objectives. As the response to the drought in the Horn of Africa, and the 2010 Haitian earthquake both highlight, governments and citizens play a vital role in responding to disasters and the urgent needs they create. These two examples also point to the catalytic role governments can play in spurring charitable giving by offering opportunities for Canadians to see their donations matched. In fact, it is arguably when governments and citizens work together in such a fashion, with governments responding to citizen giving through a form of “democratic” generosity by matching donations, that the strongest responses to crises are made possible.

The following submission to the Finance Committee’s pre-budget consultation outlines three key recommendations, which, if adopted, would aid the Government of Canada in:

- Balancing its budget
- Achieving multiple, complimentary, long-term objectives
- Catalyzing deepened partnerships between the Canadian government and citizens in realizing joint objectives

I. Towards a balanced federal budget through sufficient, long-term, predictable Official Development Assistance

One of the keys to ensuring that budgets are balanced is to anticipate future expenses and to account for them in the budgeting process. A second key is to identify the types of events that, should they occur, will result in an acute demand for resources. A third key is to evaluate whether these events can be prevented or the worst of their impacts mitigated through early response, thereby lessening the economic (and oftentimes social) burden of them. A fourth key is to discern which successes or goals have been achieved to date, and the costs of maintaining these successes, so as to avert future spending towards previously achieved goals.

With the view to anticipating future expenses, providing sufficient, predictable, and long-term Official Development Assistance means that Canada can maintain a balanced budget in the face of unpredictable demands for resources, such as those arising from the Haitian and Pakistan earthquakes, the drought in the Horn of Africa, and the crisis in Libya, without clawing back committed resources from other development programs and partnership relationships. Under a capped or insufficient budget, the

Government could be forced to “rob Peter to pay Paul”, thereby undermining or reversing positive development results. Under a budget that does not provide for long-term funding, the Government could advance needed resources in the immediate term, without being able to respond to the root causes of humanitarian crises that would prevent or mitigate such crisis in the future. Long-term, sufficient, predictable funding, by contrast, would allow the Government to respond to urgent humanitarian crisis while maintaining and building upon the positive development results achieved to date.

As the Government seeks to determine what constitutes sufficient levels of aid, their analysis should be guided in part by CIDA’s own assertion that “the need for humanitarian assistance is increasing due to the greater frequency and impact of weather- related natural disasters, and to complex humanitarian situations”, and the precedent it established in 2011 of growing funds for humanitarian aid through the creation and funding (\$50 million) of the Crisis Pool Quick Release Mechanism to respond quickly to major unforeseen humanitarian crises.

Second, with a view to discerning whether the impacts of certain types of events can be averted or mitigated, there are several types of events, such as droughts, earthquakes, and complex humanitarian crises, whose impacts can be mitigated if addressed early on. As common sense suggests, prevention is far less costly than cure. Practitioners like the Red Cross have found that the cost of building resilience to withstand drought, for example, is approximately USD \$6.50 per capita, as compared to the USD \$250 per person it costs to maintain emergency response and relief for periods of only three or four months.¹ By ensuring that the ODA budget is sufficiently funded to respond to early warning signs of natural disaster and humanitarian emergency, the Government of Canada could avert future unplanned spending on costly humanitarian response, thereby ensuring both a balanced budget for the current year, and for years to come.

Third, with a view to identifying successes to date and how they can be sustained, some of Canada’s recent successes can be summarized as follows:

- The Muskoka Maternal, Newborn and Child Health Initiative. Canada both pledged \$1.1 billion towards Maternal, Newborn and Child health, and raised a total of \$7.3 billion from G8 and non-G8 donors to help meet Millennium Development Goals 4 and 5: to reduce child mortality and improve maternal health;
- Co-chairmanship of the Accountability Commission on Maternal, Newborn and Child Health. The Commission advanced global efforts to ensure that not only the quantity but importantly the quality of international aid remains high, and has allowed Canada to play a leading global role in improving accountability for development results;
- Investments in the Global Alliance Vaccine Initiative (GAVI), which has helped to immunize 288 million children and avert 5 million deaths;
- Investments in the Global Fund to Fight Aids, Tuberculosis and Malaria, which have contributed to the provision of anti-retroviral drugs to 3 million people and the detection and treatment of 7.7 million new cases of tuberculosis;
- Investment in the joint Government of Canada – World Vision Canada ENHANCE program, which have helped to improve the nutrition, food security, and access to essential health services of over 38,000 pregnant women and 250,000 children under 5.

¹ Mohammed Mukhier, quoted in “Analysis: Horn of Africa aid must also build long-term resilience”, IRIN News, 27 July 2011 (IRIN)

Maintaining a sufficient, long-term, predictable ODA budget will allow Canada to fulfill its current commitments, continue to demonstrate global leadership around accountability for development results, respond to new emergencies without compromising commitments or leadership, balance its budget, and have a life-saving impact on thousands of communities around the world.

2. Towards an ODA budget that meets multiple Canadian priorities and objectives

The impact of sufficient, predictable, long-term aid is not limited to positive social development. Targeted aid in fragile contexts can also “contribute to the stability of fragile and vulnerable states”². CIDA, academics, the G20 Working Group, and the OECD have all affirmed the strong linkage between sustainable development and improved peace and security. Lead academics have also linked the provision of basic services to improved trust between states and citizens, and the resolution of inequalities that frequently act as conflict triggers.³ Conversely, the OECD has found repeatedly that state fragility, which results in increased use of force and criminal activity, is often directly linked to a state’s inability to provide those basic services and functions that ensure security, protect human rights, and achieve poverty reduction for their populations.

When aid flows consistently into fragile and low-income nations through effective aid “architecture” – aid coordination structures that ensure aid dollars and efforts are harmonized, coordinated by sector and aligned with national government plans - these funds can greatly improve state stability by enabling basic service provision, and improving economic opportunities. These funds also work to empower security and justice infrastructures, which strengthen the confidence of citizens in their national institutions. ***The continued provision of sufficient, long-term predictable aid to fragile states allows the Government of Canada to achieve multiple objectives: “meaningful, sustainable development results” in fragile states on the one hand as part of its international development objectives, and support to “the stability of fragile and vulnerable states”⁴ as part of its foreign policy objectives.***

Achieving meaningful, sustainable development results, similarly, has implications for Canadian economic opportunities and objectives. As Canada looks to bolster opportunities for increased participation in international markets, the linkages between investments in development, and increased economic productivity and consumer activity should not be dismissed. 30-50% of Asia's economic growth between 1965 and 1990 can be attributed to favourable demographic and health changes, which resulted from decreased infant and child mortality, and improved fertility and reproductive health.⁵ The World Health Organization has also estimated that investment in global health would equal a threefold gain of at least USD \$360 billion per year through the direct benefits of an extended healthy lifespan and fast economic growth.⁶

Importantly, it is worth highlighting that a decision to rescind development commitments would negatively impact the results achieved to date, and impact the effectiveness of re-commenced development efforts in the future. When the levels and targets of aid dollars become volatile, particularly in fragile states, aid can shift from being a catalyst for development to a destabilizing agent. A recent study on the cost of aid volatility confirmed this observation, finding that the value of aid

² Foreign Affairs and International Trade Report on Plans and Priorities 2011-2012.

³ Brinkerhoff, Derick W. “Health Service Delivery in Fragile and Conflict-Affected States: Contributions to Stability?” *US Institute of Peace Conference on Health in Post-Conflict and Fragile States: Challenges for the Next Decade*. June 9-11, 2011.

⁴ Report on Plans and Priorities, Foreign Affairs and International Trade, 2011-2012.

⁵ Asian Development Bank (2009) [Investing in Maternal, Newborn and Child Health - The Case for Asia and the Pacific](#)

⁶ World Health Organization (2001) *Macroeconomics and Health: Investing in Health for Economic Development*. Report of the Commission on Macroeconomics and Health.

programmes decreases by 10-20% when aid is unpredictable⁷. Maintaining and ensuring sufficient, long-term and predictable aid flows, then, should be seen not only as a means of achieving multiple government objectives, but equally of ensuring that those achieved to date are secured.

3. Towards an ODA budget that deepens partnerships between Canadians and their government

Canadians have risen to the challenge of responding quickly and with compassion to the global needs that have arisen in recent years. In response to the earthquake in Haiti, Canadians gave over CAD \$26.6 million through World Vision, contributing to the CAD\$150.15 million⁸ Canada provided to Haiti following the quake. At the time this brief was drafted, Canadians had also responded generously to the drought in the Horn of Africa, providing nearly CAD\$5 million through World Vision alone to help meet urgent hunger and malnutrition needs. Canada's decision in 2011 to increase by \$50 million the funds available to respond quickly to urgent needs through the Crisis Pool Quick Release Mechanism can be linked to the government's capacity to respond commendably to the drought and provide the match opportunity. The overwhelming generosity demonstrated by Canadians in response to the natural disasters of recent years suggests Canadians value compassion and international partnership, and are keen to play a role in responding to the needs arising out of international disasters.

That Canadians want to play a role in responding to humanitarian crisis and reducing extreme poverty is also evident in the number of people World Vision is privileged to count as supporters each year. In 2010, 646,821 Canadians gave CAD \$363,088,000 to World Vision to support humanitarian and development work. Given CIDA's goal of engaging and mobilizing Canadians to maximize Canada's development impact, World Vision affirms and encourages Government of Canada efforts to amplify the impacts of personal giving, as well as to incentivize lifestyles of generosity, through tax structures that acknowledge and reward charitable giving. Creating such reward systems, particularly as Canada emerges from economic recession, are all the more important, as they allow Canadians to live and give as they would hope to, but may have been limited in doing. World Vision has observed that in periods of economic prosperity, donors give over and above their regular donations during times of humanitarian crisis. During times of economic downturn, however, donors are often forced to choose between donations to longer term development efforts and emergency relief. We are seeing this even today in the context of the East Africa appeal. Over 50% of Canadian donors to charitable organizations have indicated that were the Government of Canada to introduce more favourable tax credits for charitable donations, they would increase their annual giving.⁹

One way the Government of Canada can encourage giving is to introduce the Stretch Tax Credit for Charitable Giving. This credit would provide Canadians with an additional 10 percent tax credit for each dollar of their charitable donations that exceeded their previous highest giving level, using 2010 as a baseline. This would add ten percentage points to the tax credit for the eligible portion of donations – the 15 percent credit would be boosted to 25 percent and the 29 percent credit to 39 percent. An analysis conducted by the Parliamentary Budget Office of the Stretch Tax Credit in 2010 projected that up to 600,000 Canadians would be encouraged to donate through the credit for the first time, with a median donation increase of 3 to 26 percent. The tax credit would allow the Government of Canada to concretely engage and mobilize Canadians to maximize Canada's development impact, and to deepen its partnership with Canadians as they respond to urgent needs around the world.

⁷ Hosni, Kharas. "Measuring the Cost of Aid Volatility". Washington: Wolfensohn Center for Development, Brookings Institution, 2008.

⁸ Reports on Plans and Priorities, CIDA, 2011-2012, page 14.

⁹ 2007 Canada Survey of Giving, Volunteering and Participating

RECOMMENDATIONS:

1. Building on the positive precedent that Canada set in 2011 by creating and funding the Crisis Pool Quick Release Mechanism; recognizing that the costs of preventative measures as against the cost of sustained relief efforts are demonstrably lower; recognizing, as CIDA has, that the need for humanitarian assistance is increasing due to the greater frequency and impact of weather- related natural disasters, and to complex humanitarian situations”¹⁰; recognizing that, should the ODA envelope remain frozen, increased demands for humanitarian aid could force claw-backs of funds from other programs and funding relationships, and that such reductions in aid flows could have deleterious impacts, World Vision recommends that the Government of Canada continue to incrementally grow the Crisis Pool Quick Release Mechanism yearly based on observed trends.
2. Recognizing the cross-departmental objectives achieved through the provision of sufficient, long-term, sustainable ODA funds; recognizing the tremendous successes achieved to date by the Government of Canada through multilateral, bilateral, and partnership programs; recognizing the impacts of volatility in aid flows on current and future aid effectiveness; and recognizing the value of charitable giving shared amongst Canadians and demonstrated through their contributions to the Haiti and Horn of Africa relief efforts, World Vision recommends that the Government of Canada sustain and grow the ODA envelope, so that Canada can continue to provide sufficient, long-term, and predictable aid flows in 2012 and in the years to come.
3. Recognizing that Canadians value charitable giving, as expressed through their response to the Haiti earthquake and Horn of Africa drought, and as World Vision has experienced through its over 600,000 supporters; recognizing that over 50% of Canadian donors would give more through charitable donations should more favourable tax credits and rewards be introduced; and recognizing that the introduction of the stretch tax credit would likely grow the number of Canadian private donors by up to 600,000 people, World Vision recommends that Canada introduce the Stretch Tax Credit for Charitable Giving, which would provide Canadians with an additional 10 percent tax credit for each dollar of their charitable donations that exceeded their previous highest giving level, using 2010 as a baseline.

¹⁰ Reports on Plans and Priorities, CIDA, 2011-2012, page 12
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