

Leveraging Open Data to Analyze Canada's Development Spending

Introduction

[Canada's rank and reputation as a transparent foreign aid donor has been rising globally](#), relative to its peers.¹ The level of access to open aid data has improved considerably especially since the launch of the (former) Canadian International Development Agency's (CIDA) open data portal (2011), CIDA's publication to the International Aid Transparency Initiative (IATI) standard (2012) and a [host of public engagement and outreach efforts on open data](#) and technology organized by Canadian non-governmental, civil society organizations, as well as by the [Department of Foreign Affairs Trade and Development](#).

Yet at the same time allegations of large lapses in Canada's development expenditure have been one of the most important recent narratives in Canadian aid.

This roundtable will discuss and demonstrate how open data can be leveraged to analyze Canada's development spending, including recent alleged lapses in development expenditure.

The paper which will be presented at the roundtable is based on customized datasets developed to undertake this analysis, which will be made available with necessary metadata, documentation and through interactive visualizations which we will preview at this event.

The purpose of the event is to discuss how NGOs, CSOs and other analysts can examine such issues in the future; and to discuss what strategies can be used to affect change not only by shedding light on the data and analytical issues but also visualizing the policy process.

Below is an extract from the paper:

What is the lapsed spending narrative in a nutshell?

In the 2010 federal budget, the Government of Canada (GoC) announced a 'freeze' in aid spending which was to be capped for a period of 5 years at the 2010 level. In the 2012 federal budget however the government announced plans to cut foreign aid spending by about 7.5% over the next 3 years. The 2013 federal budget announced yet further changes with the amalgamation of CIDA into foreign affairs, and the creation of a new Department of Foreign Affairs Trade and Development (DFATD). Fiscal year 2012-13 is also when we [expected to see the cuts start to take effect](#), which had been estimated at around \$151 million in 2012-13, \$191 million by 2013-14 and \$319 million by 2014-15 (Bhushan 2013b).

¹ In the 2013 Aid Transparency Index Canada ranked 8th out of 67 donors, and 3rd among major bilateral donors.

By April 2013, reports based on preliminary analyses of the data indicated that as much as \$800 million in expected development expenditures [were allowed to lapse by the department](#). CSO and NGO aid experts placed the lapse spending figure at between \$800 million and \$1 billion, or [20% to 25% of total departmental budgets](#).

Later in the year, by July 2013, the lapse analysis became clearer and the estimated lapsed amount also came down substantially. For instance, analysis drawing on the Parliamentary Budget Office's Integrated Monitoring Database (PBO-IMD), reported the lapsed estimate to be [around \\$380 million in grants and contribution expenditures](#) that were supposed to take place in 2011-12, representing a lapse of about 10%. [Others](#), relying on PBO data and quarterly financial reports estimated the lapse to be \$419 million or around 13%. By November (2013), when the [actual audited figures](#) were made available, the spending lapse was pegged at around \$300 million, or nearly 10% of the planned budget.

The evolution of this story raises serious questions. We will try and shed more light on these. For instance, are lapses in spending entirely *additional* to budgeted cuts, i.e. are lapses consistent with the formal understanding of a fiscal lapse? How do recent lapses compare over time, including with past austerity periods? What does the in-year cycle of expenditure reveal about projected and actual lapses, what does it indicate about the pattern of approvals and expenditures more generally? How and where can advocates, analysts and CSOs affect the policy process?

Key Messages and Questions for Further Discussion

1. This paper demonstrates how various sources of open data can be leveraged to shed light on allegations of lapsed development expenditure.
 - a. Open data and analyses such as this may not tell us anything “new” but it helps ground the narrative in a fact and data driven perspective.
 - b. The paper also illustrates how others can undertake such analyses in the future, what sources they could look at, what the limitations are of each, and how to get around them.
2. Recent lapses need to be situated within the context of a rising trend in the level fiscal lapses at the wider Government of Canada level.
 - a. Lapses in development spending are a subset, and a small subset at that, of wider lapses.
 - b. Recent lapses in development spending represent a definite break from trend (on the upside).
 - c. But they are far lower than suggested by initial estimates.
3. Open data (at various levels, and from various sources) allows us to dig deeper into these trends.
 - a. Digging deeper shows that development spending is highly imbalanced within a fiscal cycle.

- b. A disproportionate share of the expenditure takes place in the month of March, right at the end of the fiscal cycle.
 - c. This makes projections extremely problematic; and also largely explains why initial estimates were so far off track.
 - d. A disproportionate share of that March (year-end) expenditure goes to large multilateral partners.
- 4. It is hard to make the case for a systematic relationship between political cycles and trends in lapsed development spending, just from the data alone.
 - a. While there may not be a clear link between political cycles and development spending lapses, there is clearer link between fiscal austerity and spending lapses.
 - b. This can be seen going back to past instances of wider austerity measures, such as during the mid to late 1990s (Liberal Party era).
- 5. While there has been much discussion in the media, within civil society, amongst academics, analysts and others, the level of official discussion specifically of lapses in development spending has been low.
 - a. Fiscal lapses more generally have been discussed extensively, but only one Foreign Affairs committee hearing focused on lapsed development spending (and left still answered questions)

Our analysis raised further questions which we think need greater discussion, including at this roundtable:

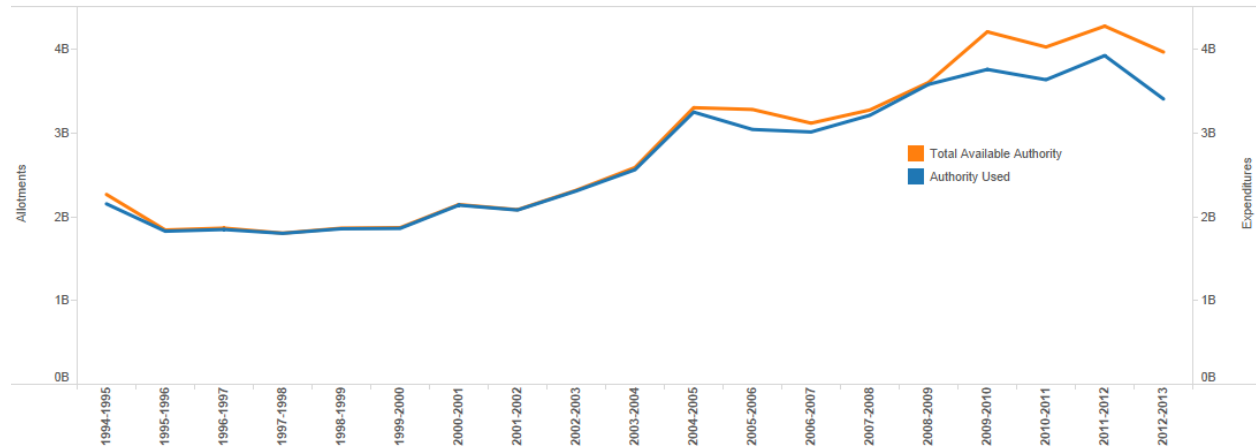
1. Do departments inflate budgets and assessments at the outset, if for instance they know they may have to shoulder cuts through the fiscal cycle?
2. How does this impact the planning and budgeting decision-making process?
3. What are the reasons behind assessed contributions to international organizations coming in far lower than expected?
4. Given the similarity between recent patterns in lapses in development spending, and past periods of fiscal austerity, can we conclude that lapsing development expenditure is a way to cut spending by 'stealth', as some observers have argued?
5. Are there good reasons why it is difficult to spend money on international development?
6. Are there reasons why a large share of development expenditure gets approved at the very end of every fiscal cycle? For instance, can this be linked to when project calls, tenders and requests for proposals are placed? Or is it, as some have argued, a case of a rush to "push money out the door"?
7. What, if anything, does this tell us about the policies and processes involved in project approval?
8. Are there good reasons why a disproportionate share of year-end development spending goes to large multilateral institutions?

9. Is it common practice for departments to be highly conservative in spending at the outset especially during periods of austerity? I.e. are departments self-imposing an even higher degree of restraint than normal, to ensure they stick to broader austerity plans? Could overcompensating in this respect explain the sharp uptick in year-end spending and the increasing trend visible in recent years?
10. How are budget cuts, and lapses in addition to cuts, affecting our partnerships with foreign governments, other development partners and international institutions? How are they affecting service delivery, Canada's ability to meet its global commitments, fight poverty and increase shared prosperity? Ultimately this is the main question of concern.
11. How are cuts and lapses in addition to cuts affecting priority areas for Canadian aid, such as maternal and child health?
12. How are cuts, and lapses in addition to cuts, affecting Canada's reputation?
13. How do we make sense of Canada's rising global reputation as a transparent foreign aid donor, with lack of transparency surrounding lapses in development spending domestically?

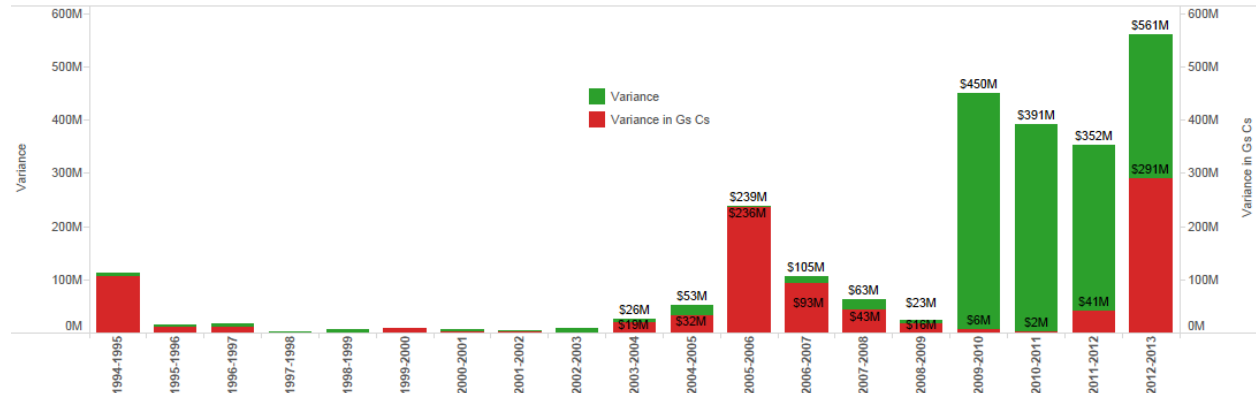
Annex

Trends in Total Authorities Available vs. Authority Used at (former) CIDA, 1994-95 to 2012-13

Total Available Authority to CIDA (former) vs. Authority Used



CIDA (former) Overall Variance, and Variance in Gs & Cs (C\$, millions)



Source: PAC, customized dataset available through the Canadian International Development Platform

Foreign Affairs Committee (Nov 19, 2013) discussion on development spending lapses

3:45 p.m.

NDP



Paul Dewar Ottawa Centre, ON

Thank you, Chair, and thank you ministers for being here today. I'm going to focus my questions to you, Minister Baird. Of course, welcome to the committee. It's good to see you again.

I'd like to focus on the estimates. I am wanting to get from you, from this past year, how much of the funds that were allocated to DFAIT went unspent in 2012-2013.

November 19th, 2013 / 3:45 p.m.

Nadir Patel Assistant Deputy Minister and Chief Financial Officer, Corporate Finance and Operations, Department of Foreign Affairs, Trade and Development

I'd be delighted to.

For the operating vote, Vote 1, the department in 2012-13 lapsed at \$123.4 million, and that was reported in the public accounts. That's broken down. Simply to provide some additional context, \$21 million of that was what we refer to as "special purpose allotments". These were specific purpose funds that were fenced only for those purposes, and they would typically move into a multi-year spending profile.

There was \$16.8 million in frozen allotments. That means money that we can't touch; for example, currency gains around the world. You'll also see in these supplementary estimates, I think, some \$9 million approximately in frozen allotments for currency gain. We don't benefit as a department for that, but it's frozen in our estimates so it's used as an offset for other funding down the road. We don't benefit, nor are we penalized for foreign currency fluctuations.

3:45 p.m.

NDP



Paul Dewar Ottawa Centre, ON

Thank you. Could you give me an aggregate? It's reported that it's about \$350 million. Would that be a correct number for the unallocated funds for the department?

3:45 p.m.

Assistant Deputy Minister and Chief Financial Officer, Corporate Finance and Operations, Department of Foreign Affairs, Trade and Development

Nadir Patel

Not quite.

3:45 p.m.

Nadir Patel

Assistant Deputy Minister and
Chief Financial Officer,
Corporate Finance and
Operations, Department of
Foreign Affairs, Trade and
Development

Well, the net lapse on the operating expenditures, which include a carry-forward of \$67 million, was \$85 million. Of that, \$67 million is the carry-forward into the current fiscal year from last year. So the net amount after that is actually \$20 million, and then that \$20 million includes \$12 million that was set aside for transitional support measures, money we only use to fund one-time costs related to implementing—

3:45 p.m.

NDP



Paul Dewar Ottawa Centre, ON

That's in addition to the \$124 million that you mentioned?

3:45 p.m.

Nadir Patel

Assistant Deputy Minister and
Chief Financial Officer,
Corporate Finance and
Operations, Department of
Foreign Affairs, Trade and
Development

Right. So essentially there was no lapse in the operating expenditures, when you break it down along the lines—

3:45 p.m.

Assistant Deputy Minister and
Chief Financial Officer,
Corporate Finance and
Operations, Department of
Foreign Affairs, Trade and
Development

Nadir Patel

No, it was \$123.4 million in vote 1, then in the grants and contributions it was \$150 million, and the majority of that or a good chunk was assessed contributions to international organizations where the assessments came in a lot lower than we had expected.

3:45 p.m.

NDP



Paul Dewar Ottawa Centre, ON

Right. If I could cut through so people might actually understand this, there's about \$300 million you could have spent that wasn't spent.

3:45 p.m.

Assistant Deputy Minister and
Chief Financial Officer,
Corporate Finance and
Operations, Department of
Foreign Affairs, Trade and
Development

Nadir Patel

The way I would characterize it, it's \$300 million that we actually—

3:45 p.m.

NDP



Paul Dewar Ottawa Centre, ON

That you had available to you to spend.

3:45 p.m.

Assistant Deputy Minister and
Chief Financial Officer,
Corporate Finance and
Operations, Department of
Foreign Affairs, Trade and
Development

Nadir Patel

Well, we couldn't in fact spend it.

3:45 p.m.

NDP



Paul Dewar Ottawa Centre, ON

This is beautiful.

Source: Open Parliaments (2013b)

Official Explanations of Lapses by the Minister of International Cooperation

4 p.m.

Liberal



Marc Garneau Westmount—Ville-Marie, QC

Thank you, Mr. Chair.

My first question is for Minister Paradis.

The 2012-2013 public accounts seem to indicate that CIDA's budget has been cut. It dropped from \$3.9 billion to \$3.4 billion between 2011 and 2012, before the amalgamation. That is 13% of the budget. Could you tell us which programs have been cut?

November 19th, 2013 / 4 p.m.

Conservative



Christian Paradis Mégantic—L'Érable, QC

There is a gap of \$561 million in the figures you are referring to. First, not all the money was used for the Pakistan debt relief. That money will be available for next year. There is also an unused portion of the crisis pool quick release mechanism. That amount will be placed in the crisis portion of the international assistance envelope in the next few years.

The operating budget hasn't been used fully. An amount of \$8 million will be carried over to the 2013-2014 fiscal year, which leaves \$190.5 million unused in contributions. The following order has been established: Haiti, Mali, the Diamond Jubilee and Mozambique. Given some of the challenges with those issues, an amount of \$190.5 million was unused.

4 p.m.

Liberal



Marc Garneau Westmount—Ville-Marie, QC

Does that mean that this is a temporary situation, not recurrent, because of the various circumstances and that the budget will go back to its previous level?

4 p.m.

Conservative



Christian Paradis Mégantic—L'Érable, QC

That is the goal. However, I would like to point out that an amount of \$190.5 million of the budget has been added back to the consolidated revenue fund. I could provide you with more information on the reasons for that for each of those issues, if you wish.

4 p.m.

Liberal



Marc Garneau Westmount—Ville-Marie, QC

No, that's enough.

4 p.m.

Conservative



Christian Paradis Mégantic—L'Érable, QC

In terms of the balance, that is \$561 million minus \$190 million, it has already been carried over to subsequent years for various reasons.

Source: Open Parliament (2013c)