

## **Increasing Canadian International Assistance: The Approach of the December 2001 Federal Budget**

### **What are the commitments in the December 2001 Budget Plan?**

The December 2001 Federal Budget contains a commitment to increase Canadian international assistance by \$1 billion over the next three years. This increase is widely welcomed by the international development community in Canada, particularly in its allocation of \$500 million in a trust fund for Africa. Smaller amounts have been added to the International Assistance Envelope (IAE) for this current fiscal year and for 2003/04.

In this current fiscal year, the government is adding \$100 million for its contribution to humanitarian assistance for Afghanistan and \$115 million to pre-pay its 2002 annual dues to the UN system. The latter is important because CIDA and the Department of Finance would have otherwise had to make up this amount in 2002/03 from current commitments, in a year when the IAE will not grow at all. Earlier this fall the government already added \$51.2 million to the 2001/02 budget in a request to Parliament – Supplementary Estimates -- (half of which is also for increased humanitarian assistance needs).

For fiscal year 2002/03, the starting point for the International Assistance Envelope remains at \$2.2 billion unchanged from the figure provided in Budget 2000, which is in fact lower than the final figure for 2001/02, with all of the additions during this fiscal year. The December 2001 Budget Plan allocates no increase for 2002/03.

For fiscal year 2003/04, an increase of \$285 million has been allocated to the International Assistance Envelope. The Budget Plan gives no base amount for the IAE for that year, but it is not unreasonable to expect that this base is no different than 2002/03, i.e. \$2.2 billion.

The Trust Fund for Africa, with a commitment of \$500 million from the government, is a special initiative linked to the G8 meeting next year. The Budget Plan notes the Prime Minister's commitment to development in Africa and the proposal for a New Partnership for Africa's Development on the part of African leaders.

As this is a Trust Fund, it will not be administered by a government department such as CIDA, but will be established as a separate entity, either in Canada or in the multilateral system. According to officials from the Department of Finance, no decisions have been taken on its structure. Indeed, its funding is committed but still dependent on the available surplus of government revenues at the end of the fiscal year and subsequent years. It is widely expected that Martin will still have a large surplus coming out of 2001/02, and perhaps less of a surplus in subsequent years. Therefore, CCIC in its analysis has allocated \$300 million to this Fund in 2001/02 and \$100 million in each of the following two years. But at this point any scenario is possible, including the full allocation in this fiscal year. Once established with funding, resources would be disbursed over the next few years, presumably towards the proposals contained in the New Partnership for African Development (NEPAD).

We can therefore summarize our expectation for Canadian international assistance as follows:

(Millions of Cdn \$)	<u>2001/02</u>	<u>2002/03</u>	<u>2003/04</u>
Base International Assistance Envelope (IAE) *	\$2,058	\$2,200	\$2,200
Humanitarian Assistance	\$ 100		
Pre-pay UN Dues	\$ 115		
Supplementary Estimates	\$ 51		
Unallocated			\$ 285
Africa Trust Fund **	<u>\$ 300</u>	<u>\$ 100</u>	<u>\$ 100</u>
Sub-Total	\$2,624	\$2,300	\$2,585
Non-Budgetary Additions to IAE ***	\$ 540	\$ 500	\$ 500
<b>Total Estimated ODA</b>	<b>\$3,164</b>	<b>\$2,800</b>	<b>\$3,085</b>
<b>Estimated GNP</b> (billions of Cdn \$)	<b>\$1,048.4</b>	<b>\$1,062.4</b>	<b>\$1,127.2</b>
<b>Estimated ODA/GNP</b>	<b>0.30%</b>	<b>0.26%</b>	<b>0.27%</b>

\* The International Assistance Envelope (IAE) contains the budgetary allocations by the federal government to international assistance. The IAE includes allocations to CIDA, DFAIT, and the Department of Finance. A small portion of the IAE is not included in ODA because it is allocated to countries in Eastern Europe and the former Soviet Union that are not considered eligible for ODA.

\*\* The Africa Trust Fund has no time specific allocation in the Budget Plan. The commitment is to allocate to the Fund from surplus at the end of each fiscal year. This allocation is arbitrary on the part of CCIC, but based on the recognition that there will likely be a significant surplus at the end of FY 2001/02.

\*\*\* Official Development Assistance (ODA) includes all of the IAE eligible for ODA as well as other amounts allocated by Canadian governments that the Development Assistance Committee of the OECD allow to be included in ODA – first year refugee costs, provincial governments' spending on aid, bilateral debt forgiveness, imputed costs for students studying in Canada etc. These later amounts must be estimated by CCIC to predict ODA for a given year until CIDA publishes its official ODA statistics for that year. The last year that these official statistics are available is 1999/2000.

## What is CCIC's analysis?

- An increase of \$1 billion for aid over three years is a welcome sign that the government recognizes the importance of rebuilding Canadian international cooperation. However, the manner of its allocation to a one-time special Trust Fund and to fiscal year 2001/02 leaves a concern that sustained resources for long-term anti-poverty programming to meet the International Development Targets and Minister Minna's social development priorities are not increasing. The commitment of \$285 million to the IAE in 2003/04 is a significant increase, but will be insufficient to meet CCIC's aid goal of 0.35% of GNP by 2005/06. CCIC called for an aid investment of \$400 million in each of the next four years to meet this target.
- A Trust Fund for Africa is very welcome, particularly in the context of declining aid resources for the Sub-Saharan region by all donors in the last decade. Priorities for allocating these resources should not only reference the projects proposed in NEPAD, but should also take into account the priorities articulated by African civil society who have yet to give their comments on the NEPAD. While the Trust Fund is a very significant commitment, a one-time \$500 million provision must be seen in light of the \$64 billion annual resource gap, estimated by African leaders in the NEPAD as the resources required to meet the International Development Targets in Africa.
- Significantly increased and sustained investment in Africa, as well as other parts of the developing world, through Canadian ODA could have provided long-term resources for anti-poverty programs that must be planned over long periods of time to assure their effectiveness. However, institutionally CIDA is not likely to see any new resources until 2003/04 according to this Budget Plan.
- Canada ODA performance, as measured by the ODA to GNP ratio and the international target of 0.7%, is unlikely to move in a pattern that is sharply upward after accounting for the Budget measures. While there are many unknowns in the December Budget Plan, CCIC estimates that this ratio will likely improve dramatically in this fiscal year, but will languish below 0.30% in subsequent years. Canada will no doubt remain among the least generous donors.

Brian Tomlinson  
Policy Team  
December 2001