

# House of Commons Standing Committee on Finance Pre-Budget Consultation

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### *Introduction*

Thank you for the opportunity to address the Standing Committee on Finance.

The Canadian Council for International Cooperation is a coalition of Canadian voluntary organizations committed to achieving global development in a peaceful and healthy environment with social justice, human dignity and participation for all. For the last year, CCIC and its members have been engaged in a campaign called **in common**, a collective effort to move global poverty from the margins to the centre of the Canadian public policy agenda.

Your committee has identified five themes for its consultation. We would like to focus on the fourth theme, and discuss some of the challenges facing Canada as a global citizen in the 21<sup>st</sup> century.

When we think about the new economy, the first thing that comes to mind is its global orientation. Globalization has tremendous potential to generate employment, income and economic growth, to develop human resources, transfer technology and increase productivity. It has the potential to raise standards of living and greatly improve the quality of life for people in

Canada and around the world. But, as the United Nations Human Development Report points out, "the new rules of globalization—and the players writing them—focus on integrating global markets, neglecting the needs of people that markets cannot meet. The process is concentrating power and marginalizing the poor, both countries and people."

***Canada's Role in Eliminating Poverty:  
Foreign Policy and Foreign Aid***

Canada's policies and practice in international cooperation are a litmus test of our commitment to global human security. Right now, the greatest challenge to human security is the growing inequity in global society. The number of people living in extreme poverty—that is, living on less than \$1 a day—is growing at an alarming rate. According to United Nations calculations, 1.3 billion people - or a third of the population of developing countries - live in extreme poverty, where providing for the basics of life is a daily struggle. The World Bank recently reported that this number may have increased to 1.5 billion in 1999. What's more, the gap in income between the world's richest and poorest has more than doubled in just 35 years. Clearly, the new economy is not working for everyone.

While not the only policy tool devoted to international cooperation, ODA is a central means for Canada to meet its international obligation to reduce global poverty. Given the scarcity of resources, in our view the sole purpose of Canadian ODA should be the elimination of poverty, in a way that promotes sustainable livelihoods for people living in poverty, and advances human development and ecological sustainability in Canadian foreign policy and practice. Effective development cooperation starts from a respect for the rights of poor citizens – the right to land, education and health care, to a sustainable livelihood, the right to a proportionate share of the earth's natural resources, and the right to participate in political decision-making. These rights underlie the achievement of human security for all. Ultimately, an effective role for aid lies in its ability to translate these rights as a determinant factor in the practice of Canadian foreign policy *as a whole*.

CCIC has laid out a comprehensive series of recommendations for ODA along these lines in its policy background paper, "A Call to End Global Poverty: Renewing Canadian Aid Policy and Practice". For the purposes of this year's budget, we would like to highlight on a few key recommendations for the Millennial Budget that would set us on a clear course toward a more effective and progressive aid program.

**1) Focus on Eliminating Poverty**

Canadian aid must focus on improving the conditions and rights of people living in poverty. **Program choices over the next 5 years should result in at least 60% of CIDA's budget directed to programs that directly improve the conditions and rights of people living in poverty, including their ability to participate in their own development. The remaining**

**40% should be directed to activities that enable poverty reduction.** Three key priorities to achieve this program goal are:

a) **meeting basic human needs in a sustainable way** is an essential component of a poverty-focused strategy. Here in Canada we talk a lot about the importance of education to success in the new economy. But in many parts of the world, people (especially women and girls) do not have access to even the most basic education. By focusing on programs that meet sustainable basic human needs (like basic education) we can have a much greater, long-term impact on human development. Our point is that the quality of Canada's aid program is as important as the quantity.

b) **improving the targeting of aid to the regions and sectors where the poor are concentrated.** We might target our aid to China, for example, to the interior provinces, rather than the more prosperous coastal region, as well as to the Least Developed Countries.

c) as part of this targeting, CIDA should announce **renewed attention to the human development needs of Sub-Saharan Africa.** This region has received a highly disproportionate cut of 30.4% since the early 90s (compared to 21.2% for Canadian aid as a whole). But the need is still there. Per capita incomes in Sub-Saharan Africa are lower than they were in 1970. Less than 60% of children enroll in primary school and more than 30% of those enrolled do not reach grade 5.

## **2) Restoring Canada's Aid Program**

It goes without saying that the erosion of funding for Canadian ODA in recent years has made it difficult for Canada to live up to its obligations as a responsible global citizen and a leader in the fight against poverty. Small, one-time and retroactive allotments of new funding for ODA in the past two federal budgets have not created the conditions for long term planning and renewal.

Indeed, aid allocations for 1999/2000 are budgeted to be *less than* actual expenditures for 1998/99. We fear that the costs of Canada's intervention in Serbia and Kosovo, along with the expected contributions to post-war reconstruction, may preclude additional retroactive increases to the 1999/2000 aid budget, or worse, may be redirected from existing commitments to the poorest countries.

Cuts to ODA in the 1990s have been very deep and highly disproportionate to cuts in other federal program areas. Since its peak at C\$3,182 million in 1991/92, Canadian ODA has fallen by 37% in real terms (removing the impact of inflation), compared to 11% for overall program spending.

Throughout the decade, the government has repeatedly committed to the United Nations target for aid of 0.7%. Yet, Canada's performance - as a nation with a once very generous reputation - continues on a downward spiral, dipping to a projected low of 0.26% in 1999/2000 from a high of 0.46% in 1992. Comparing 21 OECD donors, only Finland has cut deeper into ODA than

Canada in the 1990s, while 13 OECD countries have increased the value of their aid. In 1998 we ranked 11<sup>th</sup> among donors in our generosity, down from 7<sup>th</sup> the previous year.

We need a long-term resource plan if we are to achieve our international obligations. There is little scope for Canada to contribute its fair share to tackle urgent global problems of human security arising from increasing poverty without the infusion of predictable and significantly increased new resources.

**The government in its first budget of the millennium should restore Canada's reputation by committing to a target for aid of 0.35% of GNP by 2005/06 (half of our commitment to 0.7%), and allocate \$225 to \$300 million in each of the next six years to the International Assistance Envelope to achieve this target.** Combined with a more poverty-focused strategy for aid allocation, a little can go a long way towards eliminating global inequalities. In just one year, for example, an additional \$200 million to basic education would meet Canada's equitable share of resources estimated to achieve universal basic education for all by 2015.

### **3) Cancelling Third World Debt**

Dramatic burdens of debt for the poorest countries undermine their economic and social development prospects and the impact of our aid programs. In Tanzania, for example, 50% of the population live below the poverty line. Yet debt servicing absorbs one third of the entire government budget - *four times* what was spent on primary education and nine times the spending on primary health care.

We applaud the efforts of the Prime Minister and the Minister of Finance in pushing the G7 at Cologne to give a renewed priority to the cancellation of unpayable debt for the poorest countries. Canada has been a leader in canceling debt and took the bold action before Cologne to promise to cancel 100% of outstanding debt owned to Canada by the poorest countries (approximately \$1.2 billion).

With the Halifax Initiative, a Canadian coalition of NGOs, CCIC is encouraged by an increased awareness among the G7 that debt reduction must be considered within the context of human development. Nevertheless, NGO analysis is that the levels of debt relief contemplated by the Cologne Debt Initiative remains woefully inadequate and is still irrevocably tied to stringent structural adjustment (SAP) conditionality. The Halifax Initiative has called on the Minister of Finance to assume leadership to open the international debate on debt and conditionality outside of the International Monetary Fund. There is growing international consensus that SAPs have dramatically increased poverty and hardship for the poorest countries.

Meeting Canada's commitment to debt cancellation will require additional resources. Canceling debt increases the capacity of the poorest countries to sustain education, health and public works programs (funded in part by ODA) with their own government resources. But debt cancellation is not a substitute for continued and increased allocation for ODA directed to improving capacities for these programs. **We strongly urge that resources for debt cancellation be**

**additional to increases in the International Assistance Envelope for ODA managed through CIDA, DFAIT and the Department of Finance (for the World Bank's concessional programs through IDA).** We must make sure that our commitment to debt cancellation does not reduce the amount of funding required for other equally vital programs.

#### **4) Public Engagement**

The increasing role of Canadian government, business and civil society in developing countries demands that Canadians be engaged in the issues and challenges facing the our world's poorest nations. While we live in a country of relative prosperity, we are not insulated from the turbulence of changes around the world. Our core values as Canadians - a commitment to justice, fairness, and respect for individual and collective human rights - require us to act individually and/or in our community organizations as global citizens. Indeed, many Canadians do so - a strong majority of Canadians contribute to creating a better world by donating money, by giving their time to a local voluntary organization, or by serving overseas. Global citizenship is made practical when there are opportunities for Canadians to learn and exchange with counterparts in developing countries about innovative means to achieve local and global development.

It seems that every day we are confronted by another humanitarian crisis somewhere in the world. In the past year, Canadians have welcomed refugees from Kosovo, rushed to aid earthquake victims in Turkey, and witnessed the horrific aftermath of East Timor's referendum on independence. Canada's challenge is to transform immediate charitable impulses into public understanding of the need for long term investment in sustainable poverty reduction and for change in our own society. The federal government must assume a leading role in stimulating public understanding and debate on global issues, especially the imperative to end poverty.

In Canada, CIDA can enhance its reputation for innovation in public education through expanded partnerships with NGOs, educational institutions and the private sector. CCIC and our members have made public engagement a high priority, developing the **in common** campaign in order to put global poverty eradication more firmly on the Canadian policy agenda. We look forward in the next few months to CIDA's multi-faceted strategy for public engagement, not only in terms of support for a poverty-focused program, but more importantly, in creating opportunities for Canadians (including youth) to act as global citizens. Last year's budget made real progress by improving the funding for public engagement.

**In order to best promote Canadian awareness of and involvement in global issues, we must ensure that a sufficient percentage of CIDA programming resources are devoted to public engagement. To accomplish this, we suggest that Canada should begin to work towards a target of 2.5% of CIDA programming by 2005/6. Total funding for information, communications and development education by CIDA in 1999/2000 is estimated by CCIC to be about 14.3 million or barely 1% of CIDA programming resources.**

Over the past several years, CIDA has come some way in a process of renewal. We've seen the elaboration of some excellent policies, increased transparency, and systematic performance

reviews for results in key policy areas. We hope that CIDA will build on this foundation by developing new initiatives and ways of working that address the complex challenges of poverty reduction.

### ***Conclusion***

At a speech in Winnipeg earlier this year, Prime Minister Jean ChrJ tien pointed out that "we in Canada are blessed. As the United Nations has confirmed every year for five years running, we enjoy a quality of life here that is quite simply the very best in the world. But with those blessings come responsibilities. The responsibilities of being a world citizen. Responsibilities that are more important than ever as the world becomes a smaller, more interconnected, more interdependent place". All Canadians must ask themselves: how can we best meet the challenges of the new, global economy and live up to our responsibilities as a world citizen to create more just and equitable conditions for all citizens?

In the same speech, the Prime Minister also pointed out that "The poor of this world deserve more than just talk. They deserve action." The members of CCIC agree wholeheartedly. We call on the Canadian government to take real action in this important millennial budget By reinvesting in and reforming Canada's aid program, Canada can live up to its responsibilities as a world citizen and make a significant contribution towards eradicating global poverty.