

Renewing Canadian Aid: A CCIC/in common Fact Sheet

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A Disheartening Record

Canadian ODA in 1999/2000 continues to decline and remains at a 30 year low.

- Last minute additions to ODA for 1998/99, announced in the February 1999 Federal Budget, brought the forecast for Canadian ODA for that year to \$2.51 billion or 0.29% of GNP. Without similar last minute additions to the 1999/2000 budget in the upcoming budget, **ODA is expected to fall in 1999/2000 to \$2.35 billion or 0.27% of Canadian GNP.**
- Without significant retroactive additions to the 1999/2000 International Assistance Envelope, expenditures this year will fall below actual expenditures for aid in 1998/99. The costs of Canada's intervention in Serbia and Kosovo, along with expected contributions to post-war reconstruction, may preclude other retroactive increases, or worse, may be redirected from existing commitments to the poorest countries.
- **In the 1990s, only Finland has cut deeper into its allocations to ODA than Canada** (while 13 OECD countries have increased their aid). Canadian aid has fallen dramatically from a high of 0.45% of GNP in 1990/91 and 0.42% in 1994/95 to an expected 0.27% in 1999/2000. This would be our lowest level of generosity since 1965! Among the 21 donors that make up the Development Assistance Committee of the OECD, **Canada has dropped to 11th position in 1998, down from 7th in 1996.**
- Scandinavian countries, with whom Canada is often compared as a progressive donor, continue to maintain high levels of aid as a percentage of GNP, despite their own budget deficit cutting measures. Sweden (0.71%), Norway (0.91%), and Denmark (0.99%), along with Netherlands (0.80%), each exceed the U.N. recognized target of 0.7% of GNP.

A recent peer review of Canadian ODA by the OECD suggests that Canada's reputation as an innovative and progressive donor is under threat, as it spreads itself too thin with declining dollars.

- The 1998 Development Assistance Committee (OECD) peer review of Canadian ODA points out that

"The prominent international role that Canada has set for itself has not, however, been accompanied by increases in resources allocated for development cooperation....[Canada] continues to be involved in a very wide range of issues and with as a wide range of partners and multilateral organizations as possible, while the aid budget has been cut by 29% over six years [in nominal dollars, not eliminating inflation]. This paradox raises concerns about Canada's role in the world, both at home and internationally." (page 9)

- The October 1999 Speech from the Throne suggests that Canada has "a reputation internationally to make a difference" and that we are committed to advance an agenda of "human security" – addressing "the growing challenges that undermine the security of individuals". Following the Speech from the Throne, the Prime Minister said in the House on October 13th that

"Our fiscal house is in order. We are able now to make choices in accordance with our values. We have an obligation to do our part to help those who are very poor. This is our obligation to our fellow human beings. And this too is the Canadian Way. Therefore, we will increase our international development assistance. And we will concentrate the growth in our assistance to enable Canada to work in innovative ways to help other less fortunate countries improve life for their citizens."

- Without significant additions to the International Assistance Envelope for 2000/2001 and future years, well beyond the one-time addition of \$25 million for 2000/2001, these commitments and Canada's reputation will ring hollow. Canadian aid will continue to decline in relation to the Government's often-repeated target of allocating 0.7% of GNP to ODA.

Proportionately, Canadian aid has been hit harder by budget cuts than any other program area since the early 1990s.

- **Canadian ODA has fallen in real terms (removing the impact of inflation) by 37% from 1991/92 to 1999/2000.** While federal program spending cuts have been felt disproportionately by those living in poverty in Canada, overall federal program spending fell by 11%. Spending on National Defence fell by 20% during the same period.
- **By 1999/2000, funding cuts have created an accumulated "Development Cooperation Deficit" of \$2.2 billion.**
- Between 1980/81 and 1993/94 Canadian ODA was growing at an annual average rate of 6.8%, on a constant trend towards meeting Canada's commitment to the UN target of 0.7% of GNP.
- The "Development Cooperation Deficit" is the expanding gap for ODA between growth that would have occurred had this pattern continued and the actual decline in ODA in the late 1990s.

- This Deficit in 1999/2000 is \$2.2 billion. Canada should have contributed 0.52% of its GNP to development assistance in this year instead of 0.27%!
- **How has aid fared since the deficit has been eliminated?**
- **Aid has been slow to recover.** In 1999/2000 the International Assistance Envelope remains \$800 million below what it was in 1994/95.
- Over the three federal budgets since 1997/98, the Government has added approximately \$14.6 billion to total program spending, making up just less than a third of the cumulative decline in program spending. **Additions to the International Assistance Envelope (IAE) have been \$472 million, covering less than 17% of previous cuts to aid.**

Few Overall Indicators of Increasing Priority to Poverty Reduction

There is little to indicate that "poverty reduction has become a central focus of Canada's development cooperation program", as set out in CIDA's policy on poverty reduction.

CIDA has not collected or published statistics on the degree to which its aid program reaches or affects conditions for those living in poverty. Changes in the information management system begun in June 1999 will eventually result in the identification of project beneficiaries. However, overall trends in cuts to Canadian aid in the mid-1990s suggest that little priority was given to protecting programs with a poverty focus and that these remain low relative to other domestic and foreign policy interests.

Trends for CIDA **allocations for sustainable Basic Human Needs** (i.e. excluding humanitarian assistance and emergency food aid) show some improvement, growing to 19.4% of total Canadian ODA in 1996/97 from 13% of ODA in the early 1990s (North South Institute figures). NGOs are seeking a minimal target of 30% for these expenditures.

However, other indicators demonstrate no priority to poverty reduction in CIDA expenditures:

- **CIDA allocated a mere 2.9% of ODA in 1997/98 to basic education.** OXFAM International calls for 8% of ODA for these purposes to meet donor targets for 2015 of primary education for all.
- More than 70% of the world's poor live in rural areas and are dependent on agriculture for their livelihoods. Yet, between 1990/91 and 1995/96, **CIDA disbursements for agriculture, food and nutrition fell by 49%**, in Africa by an astounding 80%, and for the poorest food deficit countries by 87%. In 1997/98, among the top 20 Canadian aid recipient countries, CIDA disbursed an average of a mere 3.5% of bilateral aid to the agricultural sector.
- Aid to Sub-Saharan Africa, where a growing proportion of people live in absolute poverty, received no special protection from cuts to ODA. Between 1992/93 and

1997/98, **aid to Sub-Saharan Africa declined in nominal dollars by 29.1%**, a rate significantly greater than the nominal decline in ODA as a whole (24.3%) or bilateral aid (23.1%).

- **Aid to low-income countries dropped by 29.6%** between 1992/93 and 1997/98. Canada devotes a relatively high proportion of aid to low-income countries (with a per capita income of less than \$2 a day), making up 50.5% of total ODA allocated to individual countries in 1997/98, but compared to 59.8% in 1992/93.
- **Aid directed to the 48 Least Developed Countries declined sharply by 33.2%** between 1992/93 and 1997/98 relative to ODA as a whole (24.3%). Canadian aid to these 48 poorest countries declined from 0.14% of GNP in 1992/93 to a low of 0.07 in 1997/98, despite a UN target of 0.15% of GNP. LLDCs are countries with per capita GDP below \$100 per annum.
- Canadian commitments to International Financial Institutions (World Bank and Regional Banks) increased by 1% between 1992/93 and 1997/98. But **aid to non-IFI multilateral institutions fell by 26.4% and to those with a poverty mandate and focus (e.g. UNDP and UNICEF) by 29.4%**.

Public Support for Aid

Canadian citizens remain committed to foreign aid during a period of significant cuts in government funding for ODA.

According to the OECD, Canadian private voluntary agencies transferred \$412 million to developing countries in 1996 *over and above funds received from CIDA*. This represents an increase of 26% for these transfers from 1992, reflecting an increase in Canadian citizen donations, at a time when the official aid budget is declining.

A September 1998 Environics poll found that 58% of Canadians thought that the right amount (46%) or not enough (12%) is being spent on aid. This represents an increase over 1993 (50%) and 1995 (49%). But only 31% could estimate the correct amount of actual aid expenditures. When told the actual expenditures, overall support (the right amount or not enough is spent) goes from 58% to 74%.

The Environics poll found that 61% of Canadians support aid for humanitarian reasons and 17% feel a moral obligation to do so. Only 3% of Canadians supported aid because it provides economic benefits to Canada. Meanwhile, Canada ties more than 68% of its bilateral aid to the purchase of Canadian goods and services, a proportion that is among the highest of the donor countries.

Building Back the Budget

A timetable for renewed growth in Canadian ODA, rebuilding to 0.35% of GNP by 2005/06 is achievable and consistent with government priorities for the "fiscal dividend".

CCIC calculates that approximately \$6.3 billion additional investment in ODA spread over six years will be required to move from a ratio of 0.27% of GNP in 1999/2000 to 0.35% of GNP by 2005/06. Private forecasters project the "fiscal dividend" [revenue beyond what is need to balance the budget] in 2000/2001 alone at \$9.5 billion, and it is expect to grow to \$95 billion by 2004/5.

Meeting Canada's commitment to cancel 100% of bilateral debt owed by the highly indebted poor countries must be put into effect quickly. Debt cancellation should be extended to the 50 poorest countries on the Jubilee 2000 list. Canada must continue to press for improved multilateral terms for full cancellation of unpayable debt owed to the World Bank and the IMF by the poorest countries and to delink the (enhanced) HIPC from stringent structural adjustment measures that increase poverty in these countries.

Highly indebted poor countries owe Canada approximately \$1.2 billion as a result of debts to the Export Development Corporation and the Canadian Wheat Board. In March 1999 Prime Minister Chrétien agreed to cancel 100% of this debt. This is a commitment that should be realized in the upcoming Federal Budget in February 2000.

Dramatic burdens of debt for the poorest countries undermine their economic and social development prospects and the impact of our aid program. In Tanzania, for example, 50% of the population lives 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. In 1997, Sub-Saharan Africa as a whole sent \$14 billion in debt servicing to the North, equal to the \$14.5 billion in aid these countries received in the same year. Overall developing countries return in servicing their debts more than 6 times the amount they receive in aid.

While debt cancellation frees vital government resources for basic social services for those living in poverty, it is no substitute for aid. Recent studies by the DAC and the World Bank demonstrate that significant and sustained increases in aid will be needed to meet the donor commitment in their response to the Copenhagen Social Summit to reduce by half the incidence of absolute poverty in the world by 2015. Canceling unpayable debt provides the fiscal space for developing countries to implement their own plans for poverty reduction and sustain the results of aid programs.

Preventing further deterioration in benchmark Canadian ODA to GNP ratio requires new resources in the 2000/2001 Federal Budget.

To meet the six-year timetable for growth in Canadian ODA, **an increase of \$300 million to the International Assistance Envelope** is required for the 2000/2001 Federal Budget. **This amount is required above and beyond funds allocated for debt cancellation of bilateral and**

multilateral debt. These new funds, accompanied by significant cancellation of debt owned to Canada by the poorest countries, will amount to 0.30% of GNP for next year.

Recommendations for Improving the Quality of Canadian ODA

In setting the priorities in international cooperation for the Year 2000 Millennium Budget, the Canadian Government should:

1. **announce** plans for a renewed focus for Canadian ODA focused on ending global poverty, with the goal of at least 60% of the aid budget directed to programs that directly improve the conditions and rights of people living in poverty. The remaining 40% should be directed to activities that can *directly* enable poverty eradication. Key benchmarks are

- improved programming for sustainable basic human needs, working towards a target of 30% of Canadian ODA;
- improved program targeting of regions and sectors where the people living in poverty are concentrated; and
- renewed attention and increased resources for meeting urgent human development needs in Sub-Saharan Africa.

2. **include** in plans for renewing Canadian ODA measures to improve the quality of long-term collaboration, gender sensitivity, and capacities for local decision-making and ownership, reducing micro-management of Canadian stakeholders in determining aid priorities.

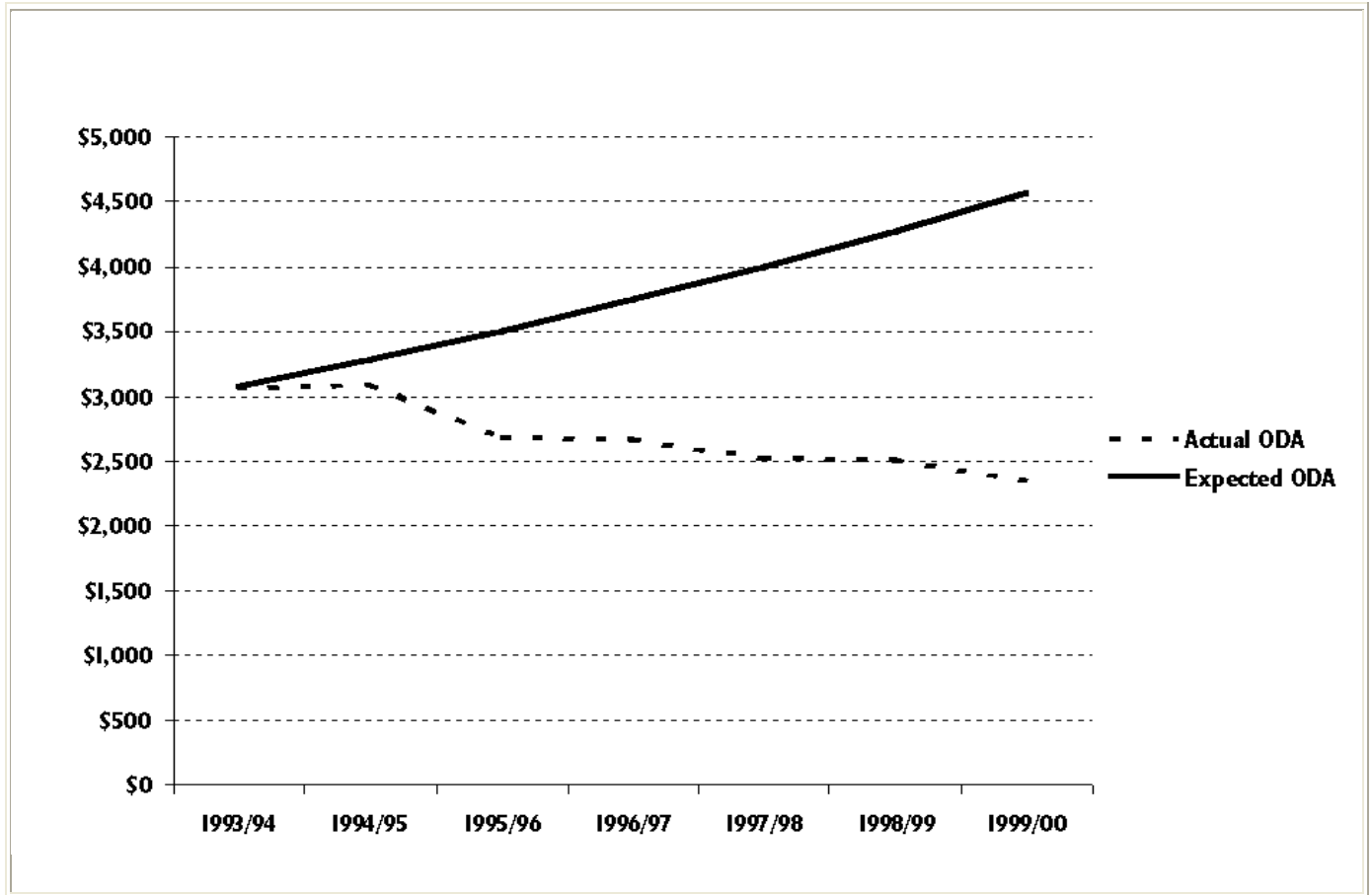
3. **promote** a learning culture among development actors from government, the voluntary sector, universities and colleges, and the private sector, that stress sharing information, knowledge and evaluation results in an accessible way.

4. **increase** the 2000/2001 International Assistance Envelope (IAE) by \$300 million or over 1999/2000 federal budget as part of a timetable for renewed ODA growth, with a target of 0.35% of GNP by 2005/06.

5. **ensure** that any budgetary resources for debt cancellations in 2000/01 are additional to increases in the IAE by \$300 million.

6. **increase** funding in the 2000/01 budget for public education and the engagement of Canadian citizens in understanding the issues of development cooperation, working towards a target for these activities of 2.5% of CIDA programming resources by 2005/06. (Total funding for information, communication and development education by CIDA in 1999/2000 is estimated by CCIC to about \$14.3 million or barely 1% of CIDA programming resources.)

The Development Cooperation Deficit
(Millions of Cdn \$)



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