

# **THE POLITICS OF THE MILLENNIUM DEVELOPMENT GOALS: CONTRIBUTING TO STRATEGIES FOR ENDING POVERTY?**

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## **A SUMMARY OF THE MAIN ARGUMENTS AND CONCLUSIONS**

### **INTRODUCTION**

Throughout 2005 civil society organizations, governments and multilateral institutions will be focused on progress in meeting the Millennium Development Goals (MDGs), with ten years remaining until the target year of 2015. Global meetings and campaigns will provide unique opportunities for Canadian CSOs to press government and multilateral institutions to give maximum priority to initiatives to achieve these Goals.

But what real opportunities and challenges do MDGS present Canadian CSOs as they work with counterparts in the South and other developed countries to end global poverty? CSOs, particularly but not exclusively in the developed countries, have embraced the MDGs as unique targets through which substantial progress can be made against poverty. The MDGs are the first universal time-bound benchmarks to which to hold governments accountable. Others, particularly but not exclusively in the South, are more skeptical, seeing the MDGs as another Northern-driven agenda. The latter caution that campaigning for MDGs may divert scarce CSO effort away from key issues for increased global equity. For these CSOs, political engagement on issues such as debt cancellation, trade justice, equitable governance in global institutions, and political, social and economic rights for the poor is the foundation of making sustained progress to end poverty in the South.

Efforts to achieve the MDGs should be explicitly situated within existing human rights law and the obligations of all states, based on ratification of the International Covenant on Economic, Social and Cultural Rights, the Convention on the Elimination of all forms of Discrimination against Women, and the Right to Development, among others. A focus on rights stresses the international and domestic obligations of all states, including Northern governments, to give priority to and make specific efforts to realize social and economic rights for all. All nations have agreed that these efforts must be in conformity with the indivisibility of rights, the principles of non-discriminatory, non-infringement and non-regression for core obligations (basic housing, adequate food, basic education, primary health care and access to water).

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<sup>1</sup> This paper reflects the author's analysis and views alone. It is written in his capacity as a Policy Officer for CCIC, but does not necessarily reflect the view of the Council or its members. Earlier drafts benefited from the comments of colleagues at CCIC, KAIROS, the North South Institute, Rights and Democracy and drew from rich discussions on these themes at a conference sponsored by the North South Institute and the World Federation of United Nations Associations for the *We the People...* project in December 2004.

MDGs are but *one* expression of economic, social and cultural rights, which will require additional attention to a holistic approach to poverty. Strategies to end poverty will be effective only if they are rooted in an active promotion of democratic governance, including multilateral institutions, and an active citizenship at all levels.

This paper explores the politics of MDGs in three Parts. Part One situates the MDGs in the debates arising from the 1992 Rio Summit on Sustainable Development, the 1994 Vienna Summit on Human Rights and Development, the 1995 Copenhagen Social Summit, and the Beijing Women's World Conference in 1995. It attempts to lay out some critical concerns about their efficacy as a strategy for sustained progress against poverty and global justice, in the context of international obligations to human rights. Part Two examines issues relating to the financing of MDGs and implications of various proposals for improved financing for poverty reduction up to and beyond 2015. Finally Part Three looks more closely at Canada's record in relation to donor obligations set out in Goal Eight. Each Part can be read independently, but this Summary draws from each Part to highlight the main ideas and conclusions.<sup>2</sup>

## **PART ONE: THE POLITICS OF MDGs AND POVERTY ERADICATION**

### **1.1 The Origins of the MDGs**

Following several UN Conferences, in 1996 donors, acting on their own, agreed on a plan of action in a document call *Shaping the 21<sup>st</sup> Century* in which they laid the foundations for seven of the MDGs. Notably absent were any time-bound targets or policy commitments to take action on enabling policies with respect to debt, trade, reconsideration of donor-imposed structural adjustment or ODA financing, which were very important to developing countries. In fact, developing countries had no role in setting the goals in *Shaping the 21<sup>st</sup> Century*, and subsequently in assessing progress. Between 1996 and 2000, *Shaping the 21<sup>st</sup> Century* was strongly criticized by civil society. It was seen to be a deliberate attempt by developed country governments to avoid the more difficult structural issues of more equitable economic relationships and the urgent need for reform of global governance.

The *Millennium Declaration* in September 2000, however, represented a return to a shared political consensus on global objectives. The *Declaration* agreed by all Heads of State affirmed objectives in seven areas for action – 1) peace, security and disarmament, 2) development and poverty eradication, 3) protecting our common environment, 4) human rights, democracy and good governance, 5) protecting the vulnerable, 6) meeting the special needs of Africa, and 7) strengthening the United Nations. Commitments to action in these areas follow from shared values and principles – freedom, equality, solidarity, tolerance, respect for nature, and a shared responsibility – set out in the *Declaration's* opening section.

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<sup>2</sup> Points in this Summary are documented in detailed footnotes in the series of longer papers from which it is drawn.

The *Millennium Declaration* in Section Three calls on all countries to

“spare no effort to free our fellow men, women and children from the abject and dehumanizing conditions of extreme poverty...We are committed to making the right to development a reality for everyone and to freeing the entire human race from want.” (para 11)

This commitment requires concerted attention to the full range of issues of equity and rights raised by the *Declaration*. But instead, since 2000, the UN system and donors have focused almost exclusively on a more narrow set of measurable Goals. These Goals are largely based on donor goals in *Shaping the 21<sup>st</sup> Century*, with the addition of a vague commitment to global partnership for development (Goal Eight). By 2002, the MDGs were fully integrated into the consensus statements of two further UN Conferences – Financing for Development in Monterrey and the World Summit on Sustainable Development in Johannesburg.

But do the MDGs embody the international “consensus”, and a sufficient strategy, upon which to base campaigns and action to achieve actual sustained reductions in global poverty and justice for the poor majority in the South?

## 1.2 The MDGs as a Strategy for Eradicating Poverty

For many, including Canada’s International Cooperation Minister Aileen Carroll, the international MDG consensus requires all governments to “make radical changes in how we foster human development” in order to achieve them. MDGs are unique in that they represent the first global compact between the heads of state of developed and developing countries, together with the UN system, the World Bank and the IMF. But many in civil society remain skeptical that the Goals do in fact address the “radical changes” required. The *We the People...* project, in a global survey of civil society organizations, points to increased involvement with MDGs on the part of civil society, but often from a posture of highly “critical engagement”. What are some of the concerns that lie behind this critical engagement?

### 1.2.1 To what extent will the MDGs reduce absolute poverty?

The MDGs clearly put the eradication of extreme poverty and advancement on social rights firmly on the international agenda. But at the same time, the first MDG substantially limits this goal to end poverty and the obligation “to spare no effort”. It does so with two specific targets – halve, between 1990 and 2015, the proportion of people with income less than \$1 a day, and halve, between 1990 and 2015, the proportion of people who suffer from hunger.

With respect to the proportion of hungry people, the goal agreed by all countries at the 1994 Rome Food Conference was to reduce the **number** of hungry people (880 million) by half between 1990 and 2015. The Goal would have resulted in 440 million less people hungry or malnourished in that year. But when adopted as a target for the MDGs, halving the **proportion** of hungry people will leave an estimated 605 million hungry or malnourished people in 2015, reducing in 25 years the number of hungry people by a mere 280 million.

Similarly, as a result of population increase up to 2015, cutting the 1990 **proportion** of people living on less than \$1 a day in half by 2015 will result in a total reduction in extremely poor people of only 230 million by 2015. In other words, it is likely that “success” in achieving the MDGs will mean that well over 900 million people will still be living in extreme poverty in 2015 (compared to 1.3 billion in 1990). This is a very modest goal for reducing poverty and hunger over 25 years in the context of a commitment of “sparing no effort”!

### **1.2.2 Counting the Poor: The Politics of Methodologies**

Some researchers question the \$1 a day indicator as an indicator of the depth of poverty. Using a median poverty line based on national poverty lines, the UNDP estimates that between 1.4 and 1.9 billion people lived in poverty in 2001, more than a decade after 1990. Moreover, all calculations of poverty are based on average household income that hides largely female poverty within households whose average income is above the poverty line.

The World Bank’s \$1 a day indicator for extremely poor people ignores growing inequalities that have resulted from Bank policies that promote economic liberalization and globalization. Statistical success in declining proportions of poor people will permit leaders in the developed world to claim globalization is working for the poor. But this progress may mask the actual realities of increased marginalization and poverty still experienced by millions of people in most developing countries, as well as chronic structural poverty in the North.

More than 150 member states have ratified the Covenant on Economic, Social and Cultural Rights and have an obligation to tackle poverty in a manner that is non-discriminatory, participatory, does not infringe on the rights of others, and demonstrates progress for all segments of society, using the maximum available resources. The MDGs and their specific targets and indicators do not take these obligations into account. The result may be even more intractable poverty in 2015. Many people exist on the margins of absolute poverty, either above or below the line for periods of their lives. But at least 420 million people are estimated to be chronically poor. It can be expected that as countries press to make maximum progress on the first MDG, the chronically poor will not receive urgent attention to their situation and will form a high proportion of the poor who are left behind in 2015.

### **1.2.3 Setting the poor up for failure? Assessing the Challenges in Meeting the MDG Targets**

The MDGs may focus attention on the difficulties faced by the poorest countries in achieving the Goals. But they are also arbitrary, focusing political attention on **global** targets, rather than realistic country-determined priorities. Several countries may be well positioned to achieve the Goals. However, failure in many other countries, particularly in Africa, may well reinforce a notion of the inevitability of poverty, no matter the level of aid resources.

Are MDGs simply unrealistic for many countries? Research quoted in the paper suggests that the world community is “asking these countries to perform at the top end of the world’s historical experience of the best performers of the last 50 years”. Indeed, in the absence of radical reforms for greater global equity on the part of developed countries, beyond delivering

more aid, an exclusive emphasis on MDG targets potentially sets up poor people and poor countries to take the blame once again for “their failure” to achieve the unachievable. The emphasis should not be on whether a given country is failing or not to meet a given target. Rather, global action and national policy change should be based on a democratic assessment of what is required from all countries, guaranteed by international human rights law, to give priority to maximum **sustained** progress against poverty.

#### **1.2.4 Strengthening Appropriate Economic Policies for Reducing Poverty**

In their exclusive focus on the MDG targets and indicators, the international community largely assumes a growth-oriented model to affect change in key social indicators of poverty. Education and health are clearly important areas of rights for poor people. But the Goals ignore the need for choices in economic policies most effective for reducing the social dimensions of poverty. Economic growth must focus on creating livelihoods for the poor based on improving their capacities and assets as well as their access to local finance and markets. This growth must also produce jobs in both the formal and informal economies that respect the basic labour rights of the working population.

Appropriate agriculture policies are a key determinant of progress for meeting the first Millennium Goal on hunger and poverty. The majority of poor people are rural people and the majority of these are women who earn a living from food production and local markets. Expanded support for small-scale agriculture in poor countries where 60% to 80% of the population depends on agriculture is critical for progress in reducing poverty and hunger. The current emphasis on large-scale scientific and market approaches to agricultural development, in both developed and developing countries, along with expanding export-oriented and corporate models of agriculture in the South, will largely fail the rural poor.

#### **1.2.5 Citizens’ Rights, Empowerment and Equality in Achieving Poverty Reduction**

Progress against poverty requires a holistic approach that strengthens the capacities and abilities of the poor and marginalized to claim their rights. Unfortunately, the MDGs are largely silent on basic issues of citizens’ rights, empowerment and improved equality. While the MDGs express concrete goals, they nevertheless ignore the politics inherent in working for their achievement in many countries. The freedom to exercise political and civil rights is crucial to the realization and defence of economic, social and cultural rights.

The impoverishment of large numbers of people in the South has been the consequence of complex national and international economic, social and political processes. Action to counter impoverishment therefore is a political process. Citizens, particularly the poor and the powerless, must have the political and civic freedom to negotiate with each other, with political elites and their governments, and with the world community, for policies that advance their livelihood and secure their future in their world.

The challenge of combating poverty therefore is not so much “political will” of donor government, as it is strengthening the means to address unequal power, capacity, and access to resources for those whose rights are systematically denied – the poor, impoverished women and

children, and other marginalized peoples. Women as development actors are particularly absent from the MDGs. The MDGs characterize women as vulnerable victims, instrumentally important for achieving certain goals, rather than as agents of development, acting to claim their rights. These broad goals collapse gender concerns, ignore and depoliticize the uneven distribution of power and resources within households. Equality and non-discrimination, along with participation and empowerment, key human rights principles guiding the 1995 comprehensive Beijing Platform for Action, may now be marginalized in global initiatives for the achievement of the MDGs.

## **PART TWO: A GLOBAL PARTNERSHIP FOR DEVELOPMENT, FINANCING THE MDGs**

Goal Eight outlining Northern governments' commitment to a global partnership for development was a late addition to the MDGs. While significantly flawed, it is an important step for holding developed countries accountable in advancing the MDGs. It has been criticized for its market-oriented growth-centred development targets (in its trade and market access targets). But it also makes some important commitments for aid resources, although without any reference to the UN target of 0.7% of Gross National Income (GNI) for ODA, nor any timelines for its achievement.

### **2.1 Aid Flows and Poverty Eradication: Will aid “buy” the MDGs?**

#### **2.1.1 Estimates of Aid Financing for MDGs**

Since the 2002 UN Monterrey Conference on Financing for Development, the common estimated cost for achieving the MDGs has been an additional US\$50 billion in aid each year directed to these purposes (about \$100 billion in total aid each year). The UN Millennium Project increased this ODA projection to US\$135 billion in 2006, rising to US\$195 billion in 2015 or 0.44% of donor GNI in 2006 and 0.54% in 2015. In 2003, the last year for actual statistics, donors provided US\$69 billion, representing 0.25% of donors' GNI.

#### **2.1.2 Global Aid Performance from 1990 to 2003**

The MDGs use 1990 as the reference year for measuring progress in achieving specific Goals by southern countries. Using this same reference year, aid recipients lost more than US\$34 billion between 1990 and 2001 due to donor aid cuts (in 2002 constant dollars) after falling dramatically in the 1990s (10% overall in real terms and 40% for Sub-Saharan Africa). Since 2002 ODA has begun a slow recovery, gaining US\$13 billion in 2002 and 2003.

However, these new resources are not necessarily directed to the MDGs. ODA of US\$69 billion in 2003 was up from US\$58.3 billion in 2002. However, inflation and exchange rate movements accounted for US\$7.9 billion of the increase, leaving an actual overall increase of US\$2.9 billion. Of this amount (US\$2.9 billion), spending for Iraq accounted for more than 65%, or US\$1.9 billion, with a mere US\$1 billion increase that **might** be applied to MDGs.

### **2.1.3 Projected Aid Performance to 2015**

The OECD DAC has monitored donor commitment to increase ODA up to 2006. Their estimate is that aid will increase to US\$88.5 billion by 2006, mainly from the United States, the UK, Italy, Germany and France. Five countries, out of 22 donor countries, currently allocate at least 0.7% of their GNI to ODA – Sweden (0.79%), Norway (0.92%), Netherlands (0.80%), Denmark (0.84%) and Luxembourg (0.81%). Five countries have existing timetables to reach 0.7% – France (2012), United Kingdom (2013), Finland (2010, subject to economic circumstances), Spain (2012), Belgium (2010). Canada has a commitment to increase its ODA by 8% per year up to 2010, but no timetable to reach 0.7% by 2015. By 2010/11, CCIC calculates that Canada's performance will rise only to 0.33% of GNI, well below 0.49% achieved in the early 1990s.

### **2.1.4 Delivering Quality Aid for MDGs**

MDGs, or any other targeted measure of poverty reduction, cannot simply be “purchased” with increased aid budgets. Advocacy for increased aid must go hand-in-hand with fundamental reform of the aid regime; one without the other will not be effective in reducing poverty. More aid may not in fact be better aid. This paper argues that the call for “more and better aid” for the MDGs should be a call for donors to live up to their human rights obligations to maximize resources and make poverty reduction a priority over immediate foreign policy considerations.

Ending the over-whelming policy influence that donors exercise over the governments of the poorest countries is essential. Otherwise it is likely that developing country partners will experience MDGs as another “top-down” set of policy directives. Aid and debt relief have been used for decades as a strong incentive for the poorest countries to adopt donor policy prescriptions. These prescriptions, commonly referred to as the “Washington Consensus”, have limited and privatized government services, to the detriment of the poor. They have promoted trade liberalization, opening developing country markets to subsidized agriculture products from developed countries, devastating poor farmers. They have expanded opportunities for investment by transnational resource-extraction companies – investment that produces little benefit to the countries concerned. Such prescriptions continue to be strongly associated with donor aid modalities used to fund programs to meet the MDGs.

### **2.1.5 Achieving the MDGs and Donor Conditionality**

Donor-imposed “Washington Consensus” policies remain at the heart of Poverty Reduction Strategy Papers (PRSPs). The poorest countries must prepare a PRSP, under the guidance and approval of the World Bank and the IMF, to qualify for loans or debt relief. PRSPs are increasingly seen to be guides to achieving the MDGs, under the largely rhetorical claim by donors that these strategies are “owned” by developing countries.

However, civil society organizations challenge the policy prescriptions that lie behind PRSPs and question the degree to which there is any “ownership” by poor and marginalized people for the priorities expressed in them. Country “ownership” must be centred on societal, economic and political choices, shaped as much by people living in poverty and the citizens of each respective country, as by their government. Rather than strengthen citizens' engagement, donors depoliticize public policy options by engaging in largely technocratic accountability discussions with specialized government officials.

Donor-imposed aid conditions affect the achievability of the MDGs in at least two respects. First, aid conditions are the tools with which the IMF and World Bank act as gatekeepers for bilateral aid channels based on an assessment of compliance to their policy prescriptions. Some government health and education ministries in Africa have been compelled to comply with strict IMF guidelines that limit ministry expenditures, while other bilateral and UN donors and domestic CSOs press to increase spending for HIV/AIDS or basic education.

Secondly, bilateral donors channel significant aid resources for MDGs through Program Based Approaches (PBSs) – Budget Support programs for governments to implement their PRSP or Sector Wide Programs in support of a line-ministry program in education, health or agriculture. Clearly, governments in poor countries must be strengthened to deliver social services on an equitable and non-discriminatory basis to their citizens. But Budget Support is also highly conditioned aid, often with the World Bank playing a leading role. Smaller donors like Canada have little independent capacity to assess the impact of these conditions on the attainment of the PRSP’s stated goals or the MDGs.

In summary, the conditions and mechanisms associated with donor aid programs, directed to MDGs, may be undermining the domestic social, economic and political processes so necessary to achieve overall progress on poverty reduction.

### **2.1.6 Tied Aid and Financing MDGs**

Aid tying continues to be high for a number of donors, including Canada, despite a recent DAC agreement to untie aid to the least developed countries. In part, this is due to the fact that the agreement does not cover either technical assistance or food aid, which remains highly tied for all donors. Unfortunately, even untying donor aid does not mean that developing country partners may choose the best option for the purchase of goods and services, particularly if they wish to give preference to their own country or region. Rather aid untying often benefits firms in other developed countries as development contracts are put to international tendering. In fact, the portion of donor ODA that can actually be directly accessed by developing country partners is relatively small. The 2000 Reality of Aid Report calculated that only 37% of bilateral aid in 1999 was available for developing country partners’ own spending to finance real MDG-based development investments on the ground.

### **2.1.7 Diversion of Aid Increases to Donor Foreign Policy Priorities**

Significant portions of recent aid increases have not gone towards the MDGs, but rather have been diverted to donor foreign policy priorities, particularly the war on terrorism and the aftermath of the invasions of Afghanistan and Iraq. The allocation of bilateral aid has always been highly susceptible to the strategic interests of donors, particularly during the Cold War. Some CSOs see a new “Cold War” emerging in the war on terror with similar implications for donor priorities. At the OECD DAC some donors are seeking to broaden the criteria for ODA, potentially counting resources allocated for military aspects of peace operations. If they are successful (and to date donors have not been able to agree), this will certainly increase the diversion of ODA to foreign policy priorities and away from MDGs.

## 2.2 Alternative Financing for the MDGs

Whatever the level of their aid, all donors have largely failed to structure their aid programs to focus on the rights of the poor. In this context, then, it is useful to examine new financing options. These options should address **both** the obligation to provide additional financial resources for poverty eradication and the need for equitable terms and power relationships in the delivery of these resources.

### 2.2.1 International Financing Facility (IFF)

The International Financing Facility, proposed by the UK government, is intended to deliver more aid now, based on future guarantees by donors to achieve 0.7% before 2015. The Facility would borrow money on the international bond market, based on the “security” of future aid increases by participating donors, and then use these borrowed dollars to finance programs for the MDGs today. This scheme has potentially negative implications for donor capacity and obligation to address poverty in the post-2015 period, when large amounts of borrowed money must be paid back to bond holders out of donor aid allocations. It is based on the politically dubious guarantee today that participating donors will keep their aid at 0.7% or more after 2015. It is important to recall that as many as 900 million people will still live in absolute poverty in this post-2015 period and it is highly unlikely that the MDGs will be met by most African countries, even in the best of scenarios.

### 2.2.2 Debt Cancellation

Full and unconditional debt cancellation is crucial for the governments of the poorest countries to make progress on their human rights obligations to their citizens. The failure of the HIPC initiative to address with finality the drain of resources from South to North for these countries is acknowledged by debt analysts and now by some G7 governments. In 2002, the World Bank recorded that low income countries paid more than US\$44 billion in debt servicing to northern official and private financial institutions (along with US\$10.5 billion in profit remittances to private companies). In that year, DAC statistics recorded that these same countries received only US\$30 billion in aid, for a net drain of US\$24.5 billion.

Permanent and unconditional debt cancellation for 52 impoverished countries is both affordable and has the potential to add significant new resources on terms that respect ownership of developing country governments and their citizens. Access to debt cancellation by these countries should be limited only by a determination of serious persistent violations of international human rights law. In setting priorities for the use of these funds, creditors should accompany debt cancellation with measures to strengthen accountability between domestic citizens’ organizations and their governments, rather than accountability to policies dictated by international bankers and northern finance ministers.

The British and Canadian governments have put a proposal before G7 countries that offers 10 years of relief for multilateral debt servicing **up to 2015**, with cancellation of 30% to 40% of existing debt. But there is no plan to cancel this debt burden beyond 2015, and both countries restrict this offer a select number of countries and to the full weight of World Bank/IMF conditions. Interestingly, in 2004 donors agreed to cancel 80% of Iraq’s outstanding debt, which totaled US\$42 billion, in a matter of months. Cancellation of debt for the poorest countries is equally feasible, given the political will to do so.

### **2.2.3 Alternative Financing Mechanisms**

In recent years, several developed country governments, including Canada, have proposed very tentative measures to review different options for alternative sources of development financing. At a UN World Leaders' Summit on Hunger and Poverty in September 2004, President Luiz Inácio Lula da Silva of Brazil and President Chirac of France, with Chile and Spain, launched an initiative for innovative mechanisms of financing to raise long-term stable funds urgently needed to help meet the MDGs. Among the proposals are taxes on international capital flows, lotteries, or levies on airline tickets to reflect the cost inflicted by carbon emissions. The Belgium parliament recently proposed a two-tiered tax (Tobin-Spahn tax) that puts a very small tax on normal capital movements, with a much higher tax on crisis outflows of capital as a result of speculative attacks on currencies. Within a revitalized UN system, revenues from these sources could be the basis for a more automatic redistribution of global wealth to developing countries, based on their level of development and poverty, limited only by systematic persistent human rights violations by the governments concerned.

## **PART THREE: CANADA AND THE GLOBAL PARTNERSHIP FOR DEVELOPMENT (GOAL EIGHT)**

The Millennium Declaration urges all countries to “spare no effort to free our fellow men, women and children from the abject and dehumanizing conditions of extreme poverty”. Millennium Goal Eight provides some very modest objectives and indicators to measure developed countries' progress, including “more generous ODA for countries committed to poverty reduction” and an “enhanced program debt relief”. However, these objectives, and their related targets (net ODA to least developed countries, proportion of bilateral ODA to basic social services, untied ODA, and debt relief committed under HIPC), unlike other MDGs, have little specificity and no timelines. They fail to cover areas for ODA reform essential to the achievement of the Goals.

An assessment of Canada's performance on Goal Eight must consider quality of aid issues. Has increased aid since 2002 focused on poverty reduction and the MDGs? Or has it been redirected to Canada's foreign policy interests in the “war against terrorism”? Is increased Canadian aid improving the capacities of citizens of developing countries to set their own strategies for poverty reduction or is it perpetuating inappropriate donor policy influence?

### **3.1 Assessing Canada's Performance**

In the 25 year period, 1990 to 2015, Canada's record is so far mixed in meeting its obligations and commitments for MDGs. CIDA has asserted the central importance of the MDGs in setting overarching goals and priorities for Canadian aid. Canadian aid improved its focus on poverty with CIDA's adoption of social development priorities in 2000. The current Minister has promised further focus on health, including HIV/AIDS, basic education, governance and development of the private sector. Overall aid levels are rebuilding after precipitous declines in the late 1990s. Canada's leadership in the G8 to focus on the needs of Sub-Saharan Africa in 2002 has been taken up by the United Kingdom in 2004. Finance Minister Ralph Goodale, as an individual, signed onto the many progressive recommendations in UK's Commission on Africa Report and his 2005 Budget dramatically increased aid resources for Africa up to 2008.

On the other hand, Canada is not doing its share, relative to its growing wealth and healthy government fiscal situation. At 0.33% of Gross National Income (GNI) by 2010, planned aid increases will not reach even half of Canada's long-standing commitment to 0.7% of GNI. The quality of Canadian aid, its effectiveness in reaching the poor and marginalized, remains a concern. CIDA seems to be abandoning its recent commitment to give greater attention to agriculture and rural development, so important to livelihood for the rural poor. Rhetorical support for local ownership of development strategies is accompanied by continued high levels of aid tying. Positive support for program-based approaches, coordinated with donors and recipient government, is accompanied by high levels of donor-imposed policy conditions and "undertakings" in exchange for MDG aid dollars. The government has not given any indication that it is considering a more flexible approach to conditionality, such as the one adopted recently by DFID and reflected in the Report of the Commission for Africa.

### **3.1.1 Canadian ODA failing to meet the UN 0.7% target**

In 2002 the sharp decline in Canadian ODA disbursements that occurred between 1994 and 2000 was reversed. Annual increases of 8% have been locked-in to 2010. Yet, Canada's ODA has fallen from 0.45% of Gross National Income in 1990 to a projected 0.33% in 2010. Projecting the 8% increases to 2015, Canadian aid would reach 0.37% of our GNI, well short of the UN target of 0.7%. Indeed at this rate this target would not be achieved until 2027.

While welcome and long overdue, recent aid increases still fall short of Canada's fair share of new resources required for the MDGs. Based on Canada's fair share (3%) of the additional aid resources (US\$50 billion) needed globally, Canada will still short by about \$5 billion in our fair share by 2010. Increases of 15% a year to 2015 are needed to meet the UN 0.7% target. This will provide the predictable resources required for MDGs and accelerated poverty reduction. In fact, the government's one-off additions to aid in each fiscal year, from 2001 to 2004, have resulted in actual increases of between 12% and 18%. Such increases are therefore consistent with the government's concern for fiscal responsibility.

### **3.1.2 Reduced Concentration of Canadian Aid on Least Developed Countries**

Canada has not improved its aid concentration on least developed countries (LDCs) since 1990. In 2002, less than 27% of Canadian aid was devoted to these countries, compared to 31% in 1990. In 2002, Canada ranked 10<sup>th</sup>, among 22 donors, in the degree to which its aid is concentrated in LDCs. Approximately 45% of Canadian aid is devoted to low income countries, including the least developed. In December 2002, the government announced that it was focusing new aid resources in nine priority countries – Honduras, Bolivia, Bangladesh, Ethiopia, Tanzania, Mozambique, Ghana, Mali and Senegal, with all but Honduras and Bolivia classified as low income countries. The government's 2005 International Policy Statement is expected to adjust the choice of priority countries for international cooperation.

### **3.1.3 Greater Concentration of Canadian Aid in Sub-Saharan Africa**

Absolute poverty continues to grow as a proportion of the population in Sub-Saharan Africa, a region which is least likely to achieve the MDGs. Total Canadian aid to Sub-Saharan Africa continues to grow significantly as a proportion of total Canadian ODA, from 25% in 2000 to 32% in 2002. Aid to Africa will more than double by 2008, when it is expected to be about 50% of Canadian aid disbursements. The sectoral distribution of aid in Sub-Saharan Africa has also become more focused on sectors affecting poverty reduction. Disbursements for education, health and agriculture, for example, rose rapidly from 37% of total African disbursements in 2000 to slightly less than 50% in 2003.

### **3.1.4 Improving Sector Allocations Towards Basic Social Services**

An indicator of Canada's commitment to the MDGs is the degree to which its aid program is concentrated on basic social services within an overall strategy for poverty reduction. In the early 1990s CIDA's allocations for sustainable basic human needs were calculated to be only about 13% of CIDA's ODA disbursements. CIDA has never developed a clear strategy for poverty reduction. But by 2002, its disbursements to the four social development priorities amounted to more than 25% of its budget in that year. Disbursements for basic education from CIDA's bilateral Branches and Canadian Partnership Branch more than doubled between 1996 and 2002, matched by increases for primary health of 40%. In 2004 and 2005 the government has made significant large contributions to Global Funds for HIV/AIDS, malaria, tuberculosis and polio eradication.

### **3.1.5 Less Emphasis on Civil Society in Implementing CIDA's Aid**

Governments play a central role in realizing the MDGs and poverty reduction. But civil society organizations are also crucial for strengthening development innovation, in public accountability, and in assisting the poor and marginalized to claim their rights. However, CSOs have a diminishing role in Canadian aid, particularly in relation to new programmatic approaches with recipient governments (see below). According to CCIC calculations, CIDA disbursements in partnership with CSOs have decreased by 6% in the three years between 1999/00 and 2002/03. This reduction has been particularly pronounced in a 25% reduction in the Bilateral Branches during these years. The Agency is urged to engage with Canadian and Southern civil society partners to clarify how CIDA and civil society organizations can work together to achieve shared goals for poverty reduction and the MDGs.

### **3.1.6 Canadian Aid Tying Remains High**

In 2003, the proportion of Canadian bilateral aid tied to purchases of Canadian goods and services puts Canada 17<sup>th</sup> among 18 reporting donors to the Development Assistance Committee (DAC) of the OECD. The proportion of tied Canadian aid, however, has improved from 60% in 1990 to 47% in 2003. Canada has implemented the 2002 DAC agreement on untying aid to the least developed countries. Also in 2002, the Minister for International Cooperation was given greater discretionary power in determining the tying status for Canadian aid. The big exception is food aid, which remains tied at 90% of purchases. It is important to note that all donors exclude their considerable use of technical assistance when reporting bilateral aid tying. For Canada, like many other donors, including technical assistance would raise the level of tying, in

the case of Canada from 47% to 67% in 2003. Untying aid does not necessarily benefit developing country partners and their local businesses. Trade and donor rules limit the option for developing country partners to give preference to local suppliers. Due to tying and other factors, in 2002, much less Canadian bilateral aid (34%) was under the direct control of developing country partners, compared to 1990 (60%).

## **3.2 Improving the Quality of Canadian ODA**

### **3.2.1 Increasing Use of Program-Based Approaches**

In 2002 the government set out a number of reforms to improve aid effectiveness, particularly moving away from project-oriented aid modalities and adopting program-based approaches. Since then, there has been a dramatic increase in directing Canadian aid through joint programs with other donors, providing general budget support to developing country governments and supporting sector programs in health, education and agriculture, all important areas for achieving the MDGs. Fully 60% of CIDA's aid to Africa, for example, will be channeled through these mechanisms by 2006. Canada, along with other major donors, has been committed to improving country direction for these programs by aligning assistance with the country's Poverty Reduction Strategy Papers (PRSPs).

The jury is still out in assessing the effectiveness of program approaches for aid delivery for sustained poverty reduction (see Part II). By adopting this approach for MDG-related aid, CIDA largely accepts the "gatekeeper role" of the IMF and World Bank, and the dozens of policy conditions, "prior actions" and results that those institutions attach to the funding mechanisms. In giving renewed attention to governance, Canada has yet to realize that this myriad of conditions has unintended political and economic consequences, undermining political accountability of governments to their citizens. In the program approach, CIDA should be improving its own capacities to make niche investments, in areas such as gender equality, basic education, support for civil society, or agricultural livelihoods.

### **3.2.2 Diverting Aid to Foreign Policy Considerations**

Diversion of Canadian aid increases towards foreign policy considerations, particularly the "war on terrorism", instead of sustained poverty reduction, is a reality. Fully 30% of the aid increases between 2001 and 2003 were allocated to Afghanistan and Iraq. Canada has joined with some donors at the DAC to try to stretch the criteria for what can be counted as aid. In this security-centric world, some donors want resources earmarked for military and security aspects of peace operations to count as aid. In this regard, how much of the \$500 million "peace and security" initiative set out in the 2005 Budget will be considered Canadian ODA?

The Canadian campaign to Make Poverty History would welcome legislation to establish *poverty reduction* as the exclusive mandate for Canadian ODA. This mandate would direct the delivery of aid in a manner consistent with Canada's human rights obligations and respectful of the perspectives of those living in poverty. A human rights framework for Canadian aid would give priority to strengthen the capacities of civil organizations and governments alike for maximum effort to realize social, economic and cultural rights for citizens in the poorest countries. The MDGs are but one indicator of success.