

## A PLAN TO INCREASE CANADIAN FOREIGN AID TO ACHIEVE THE UNITED NATIONS' TARGETS BY 2015

### Current Foreign Aid Commitments

- 8% annual increases to 2009
- Investment of \$248M for 2005/06
- Investment of \$1.6B over 3 years
- ODA is 0.32% of Gross National Income by 2010 and 0.30% by 2007
- New policies for aid effectiveness
- Commitment to the Millennium Development Goals, but no Canadian plan for our fair share to achieve them

### What's Needed

- 12-15% annual increases to 2015
- Investment of at least \$385M for 2005/06
- Investment of \$2.6B over 3 years
- ODA is 0.34% of GNI by 2007, 0.44% by 2010 and 0.7% by 2015
- Targeted aid to key areas for poverty eradication
- Greater partnership with civil society in Canada and their overseas partners

### Canadian leadership: Making a difference through Canadian aid...

At the United Nations in September, 2004 Prime Minister Paul Martin acknowledged the urgency of our “responsibility to act,” based on our common humanity and the objectives of the Millennium Summit on poverty, disease and global insecurity. The Liberal government has undertaken a wide ranging International Policy Review, the stated goal of which is “to ensure that our unique Canadian values grow in influence on the global stage”. [Liberal Platform, June 2004]

The Canadian Council for International Co-operation (CCIC) suggests that the new government demonstrate its leadership on global poverty with a **Canadian initiative to achieve the Millennium Development Goals (MDG) by 2015.**

We can do so, by establishing forward-looking **targets for Canadian Official Development Assistance (ODA) in the 2005 Federal Budget:**

- 1) **By 2015, Canada achieves the UN target of 0.7% of Canadian Gross National Income (GNI) through gradual annual increases in ODA.**
- 2) **By 2015, Canada has contributed its fair share of ODA to achieve the UN goal for donors to double annual ODA required to reach the Millennium Development Goals.**

## **A Growing Crisis**

More than 1.2 billion people continue to live in absolute poverty in many parts of the developing world. The number of poor people increased by 28 million in the 1990s, when China is excluded. Nearly half of the world's population lives on less than US\$2 a day.

More than 800 million people live in hunger; according to available data, income inequality has worsened in 33 out of 66 developing countries.

One third of all deaths, or 50,000 people daily, are due to largely preventable poverty-related causes.

UN Secretary General Kofi Annan in September warned that the international community was "falling short" in achieving the anti-poverty Millennium Development Goals. Poverty in many poor countries worsened, especially in sub-Saharan Africa with 300 million people living in absolute poverty.

The Development Assistance Committee of the OECD reported that aid from all donors in 2003 exceeded US\$60 billion, finally surpassing a high for ODA last achieved in 1992. While the international community seemingly honoured its promises to increase aid, much of this increase is accounted for by the US\$2 billion in reconstruction aid to Iraq alone.

## **An international response: the Millennium Development Goals**

In December 2000, in response to the growing crisis, the United Nations launched eight Millennium Development Goals (MDGs). These goals, endorsed by the international community, set minimum targets to reduce poverty, hunger, illiteracy, discrimination against women, and environmental degradation by 2015. The MDGs are a positive expression of the obligations of governments to the international framework of economic, social and cultural rights, to which all governments are accountable.

While developing countries must mobilize to respond to their own unique circumstances for poverty eradication, the MDGs commit rich countries (Goal 8) to deliver financing for development, without which the MDGs will be out of reach for most of the world's poor.

The international community will be taking stock of progress in achieving the MDGs at a special session of the UN General Assembly in the fall of 2005.

## **Canada is committed to the Millennium Development Goals...**

Canada is committed to help achieve the Millennium Development Goals. To date, Canada has taken the following actions to improve the quantity and quality of aid:

- **Fulfilled a commitment to 8% annual growth for Canadian ODA**

In the March 2004 federal budget, the Martin government retained the commitment by former Prime Minister Jean Chrétien to increase Canadian aid by 8% and double aid between 2002 and 2009. Finance Minister Ralph Goodale said at the time, "we have made a commitment to the world's poorest, and we will honour it". The government is also committed to devoting half of the increased aid resources to Africa. Even with these increases, Canadian aid performance is expected to be less than 0.30% of Gross National Income in 2004/05 and 2005/06. In 2004/05 Canadian aid is estimated to be \$3.4 billion. With the government's plan up to 2009, our best aid performance will only reach 0.32%.

- **Retooled aid delivery to improve aid effectiveness**

In September 2002, the Canadian International Development Agency (CIDA) published *Canada making a difference in the world: a policy statement on strengthening aid effectiveness*. Like other donors, CIDA has used this policy to retool many aspects of its aid delivery. The focus for Canadian aid efforts is currently under review in an International Policy Review.<sup>1</sup>

- **Focused programming on sectors and strategies to reduce poverty**

In recent years, CIDA has increased resources to the four social development priorities (basic education, health and nutrition, HIV/AIDS and child protection); agriculture and rural development; and the private sector in development, including a focus on the informal and small business sector.

In May 2004, the government announced a new HIV/AIDS initiative, pledging \$170 million to the Global Fund to Fight AIDS, Tuberculosis and Malaria and to the World Health Organization's 3 by 5 Initiative.

CIDA is now well positioned to make a difference in partnerships that focus on reducing poverty and achieving the MDGs. Canadian civil society organizations (CSOs) are calling for a CIDA policy framework on civil society in development and the achievement of the MDGs.

### **...But we need to do more to affirm Canadian leadership on global poverty**

The World Bank estimates that, to achieve the MDGs, donors must increase official development assistance (ODA) by at least US\$50 billion a year up to 2015. With current aid levels, many of the poorest countries, particularly in Africa, will not meet even these minimum targets. CCIC calls on the Canadian government to take the following actions:

- **Continue to improve Canadian aid performance**

Goal 8 of the MDGs commits Canada to contribute to a global partnership for development, with agreed indicators that include donor progress against the target of 0.7% of Gross National Income (GNI), and targeting aid to basic human needs for poverty eradication. CCIC estimates Canada's performance for 2004/05 at 0.28% of GNI. Canada ranked 12<sup>th</sup> among 22 donors in 2003 compared to 6<sup>th</sup> or 7<sup>th</sup> spot in the early 1990s.

By 2010/11, under current commitments of 8% increases, Canada will have increased its performance to 0.32% of GNI, recovering not even half of the declines in the 1990s. These increases, while a welcome reversal of sharp declining aid volumes in the 1990s, will not meet our fair share of international obligations to the MDGs. By 2010, Canada will have a shortfall of more than \$8.5 billion in its fair share.<sup>2</sup>

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<sup>1</sup> The 2002 CIDA policy resulted in nine countries of focus, Bolivia, Honduras, Bangladesh, Mali, Senegal, Ghana, Ethiopia, Tanzania and Mozambique. New aid increases have been devoted to these countries.

<sup>2</sup> The United Nations has calculated that aid must double to approximately US\$100 billion in each year between 2000 and 2015 to achieve the MDGs. Canada's equitable share of the ODA required to meet the MDGs is estimated to be 3%, based on Canada's share of the donors' total gross national income in 2001. CCIC calculated Canada's fair share based on 3% of ODA at US\$100 billion annually, cumulating the necessary increases over the 14 years up to 2015. Canada's fair share of this annual total is CAN \$3.9 billion for each year or a cumulative total of CAN \$70 billion (assuming an inflation rate of 2.5%).

Canadian CSOs are deeply concerned that increases in Canadian aid will be diverted according to urgent foreign policy pressures. The March 2004 Budget announced new commitments to Afghanistan and Iraq. These two countries have been the top two aid recipients in 2003 and 2004, with commitments of more than \$900 million up to 2008. By comparison, the commitment to devote half of the 8% aid increases to Africa, a continent with growing poverty, will amount to about \$1.2 billion in new money in these same years.

## **A Plan of Action to meet Canada's international commitments**

*CCIC and its members call upon the government to set out a specific plan to reach the UN target of 0.7% by 2015 as a signal to its development partners and other donors that this country is committed to meet its obligations to the MDGs.*

- ✓ **Increase aid by 12% in the next three years, 2005/06, 2006/07 and 2007/08 rather than the current commitment of 8%**

This will require an investment of \$2.6 billion in the next three years, compared to \$1.6 billion in Prime Minister Martin's 8% plan. The government is currently committed in the 2004 budget to add \$250 million for 2005/06. CCIC is seeking at least \$385 million (a 12% increase) as part of a long-range plan.

- Such increases are feasible and have been achieved in recent years – between 2000/01 and 2001/02 actual Canadian ODA increased by 12% and by 14% between 2001/02 and 2002/03. The IAE for 2004/05 is 13.3% higher than the IAE for 2003/04.

- ✓ **Commit to an affordable and specific plan in the 2005 Budget to achieve the goal of 0.7% by 2015**

CCIC's calculations suggest that the goal is achievable with increases of 12% in the International Assistance Envelope from 2005 to 2007, and 15% thereafter to 2015.

- The cumulative addition to ODA in the years 2003 to 2009 would be \$10.6 billion compared to \$7.4 billion in the government's 8% plan, a difference of only \$3.2 billion over these seven years.
- Under this plan, Canada will contribute its fair share of the aid increases required for the Millennium Development Goals by 2013. Additional increases to 2015 to reach the 0.7% target will assure that those living in poverty will still benefit, despite other donors who fail to live up to the international obligations.

- ✓ **Continue to focus aid on key areas for poverty eradication**

CIDA has developed experience in several niche areas—gender equality, basic services such as education, agriculture, capacity building and civil society strengthening—that should guide its priorities for allocating new aid resources. A sustained commitment to long-term engagement with enhanced resources for Africa is critical.

Building on the policy framework already in place for aid effectiveness and targeted sectors for poverty reduction, the government should develop in partnership with Canadian civil society organizations and our partners overseas, a strategy to ensure effective roles for civil society in Canadian development cooperation.

A focus on poverty eradication requires a balanced approach in the allocation of Canadian ODA between long-term development partnerships in countries where the majority of poor people live and humanitarian emergencies as they arise. The government must also resist pressures to allocate ODA resources according to Canadian foreign policy interests unrelated to poverty eradication.

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## **Endnote #1**

### **International Assistance Envelope**

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

The 2003 Budget Plan added to the IAE Canada's commitment to up to \$100 million each year for the "Global Partnership Against the Spread of Weapons and Materials of Mass Destruction," much of which cannot be included in ODA. ODA includes the following:

- all of the IAE eligible for ODA
- other amounts allocated by Canadian governments that the Development Assistance Committee of the Organization for Economic Cooperation and Development (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.

CCIC must estimate these latter amounts for a given year until CIDA publishes its official ODA statistics for that year. The last year that these official statistics are available is 2002/03.

**Endnote #2**  
**CCIC's Annual Canadian Aid Targets up to 2015**

Year	IAE	IAE %age Increase	\$ Increase	ODA	ODA/GNI
Million Cdn \$					
2001/02	\$2,280	*		\$2,900	0.27%
2002/03	\$2,312	*	\$32	\$3,303	0.29%
2003/04 **	\$2,818	*	\$505	\$3,213	0.27/ 0.24%
2004/05	\$3,194	8%	\$375	\$3,410	0.28%
2005/06	\$3,580	12%	\$385	\$3,880	0.30%
2006/07	\$4,000	12%	\$430	\$4,305	0.32%
2007/08	\$4,490	12%	\$481	\$4,790	0.34%
2008/09	\$5,160	15%	\$675	\$5,460	0.37%
2009/10	\$5,935	15%	\$775	\$6,235	0.40%
<b>2010/11</b>	<b>\$6,825</b>	<b>15%</b>	<b>\$890</b>	<b>\$7,125</b>	<b>0.44%</b>
2011/12	\$7,850	15%	\$1,025	\$8,150	0.48%
2012/13	\$9,025	15%	\$1,180	\$9,325	0.53%
2013/14	\$10,380	15%	\$1,355	\$10,680	0.58%
2014/15	\$11,935	15%	\$1,560	\$12,235	0.64%
<b>2015/16</b>	<b>\$13,845</b>	<b>15%</b>	<b>\$1,910</b>	<b>\$14,145</b>	<b>0.70%</b>

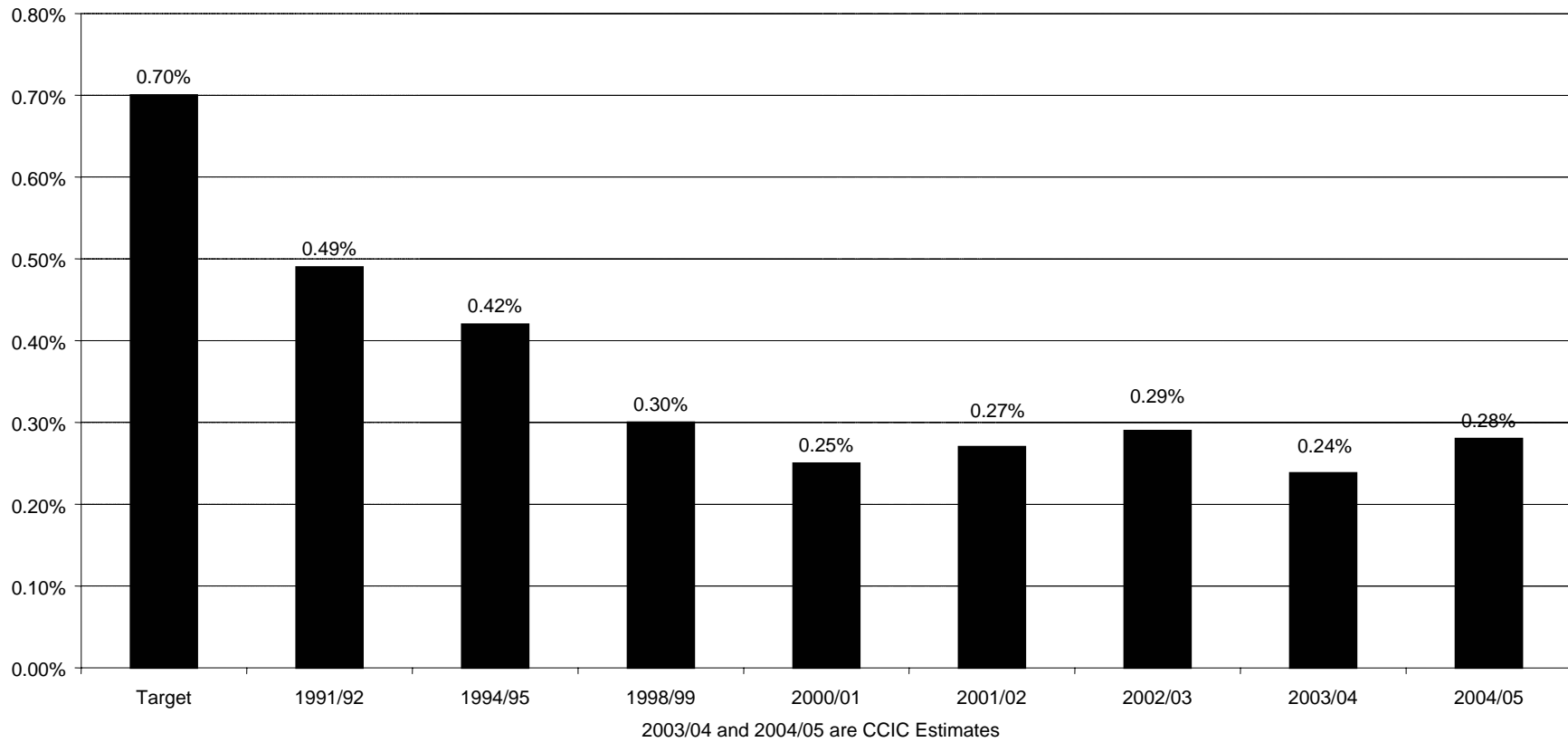
All calculations, CCIC Policy Team, September 2004

\*\* Actual ODA increased by 12% and 14% respectively in 2001/02 and 2002/03, the last year for which official statistics are available. The IAE for 2003/04 increased by 18% over the IAE for 2002/03 when supplementary estimates are included. ODA for 2003/04 above discounts a one time payment by India on all ODA debt owed to Canada of approximately \$400 million. Including this repayment of the ODA loan, actual ODA for 2003/04 will be \$2,813 million and the ratio will be 0.24%.

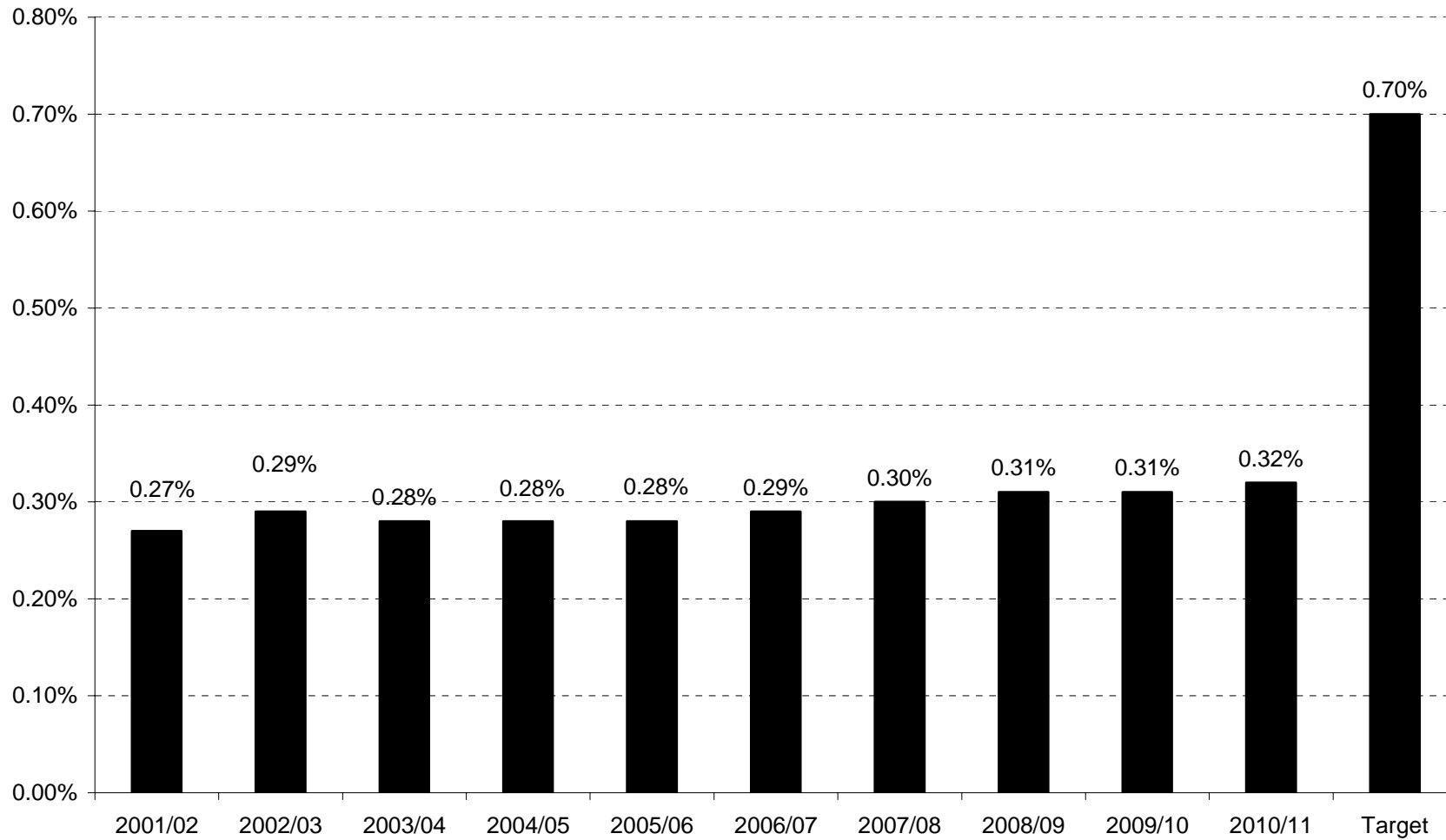
Assumptions:

- Increases are applied to the current International Assistance Envelope (as set out in the March 2004 Federal Budget), including approximately \$100 million devoted to Eastern Europe and FSSU that are not eligible for ODA.
- Annual growth in Gross National Income is estimated at 4.5%, including inflation at 2.5% per year and real growth at 2%. If growth is higher on average up to 2015, the target of 0.7% will not be reached without additional increases in the IAE.

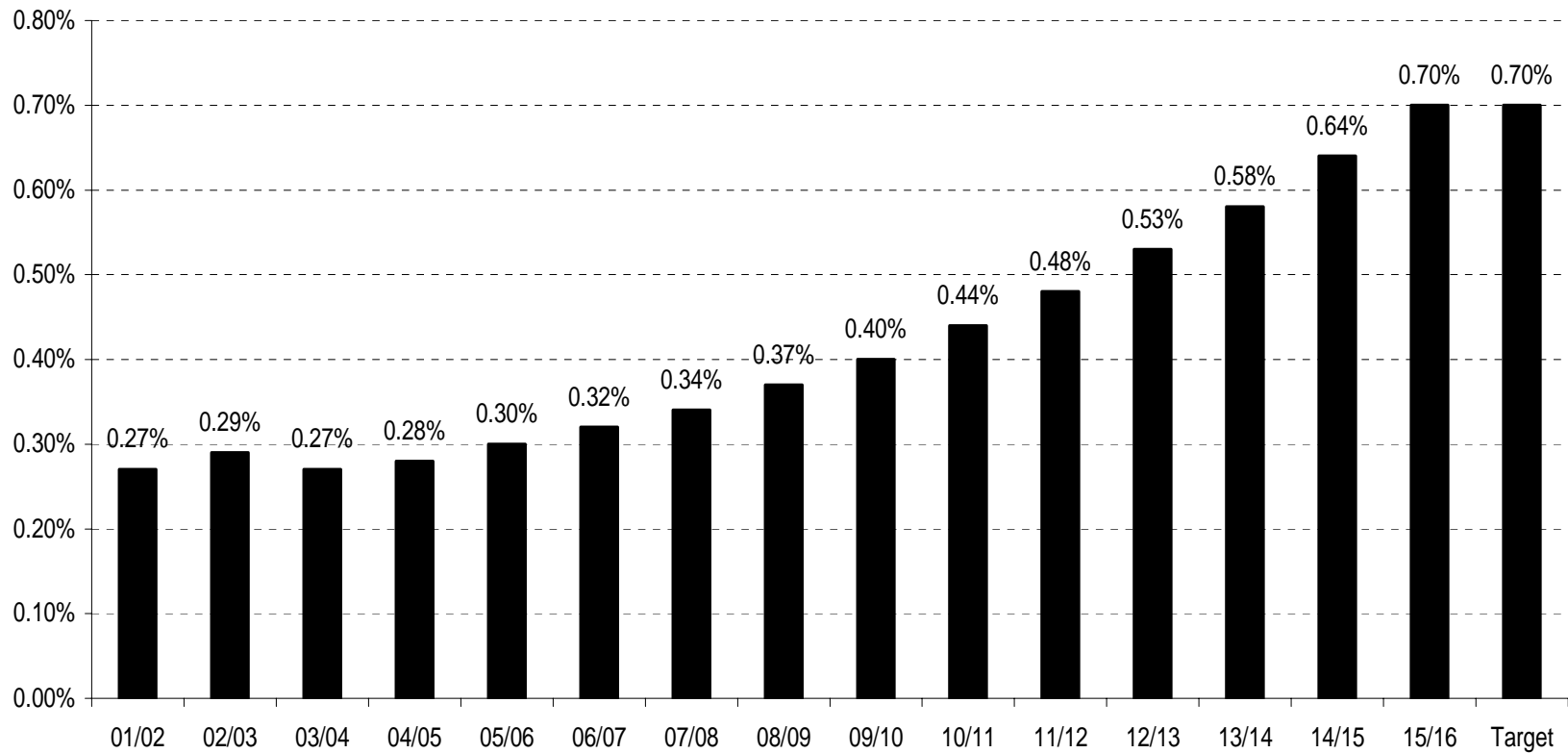
### Canadian Official Development Assistance, Aid Generosity as a Percentage of GNI, 1991/92 to 2004/05



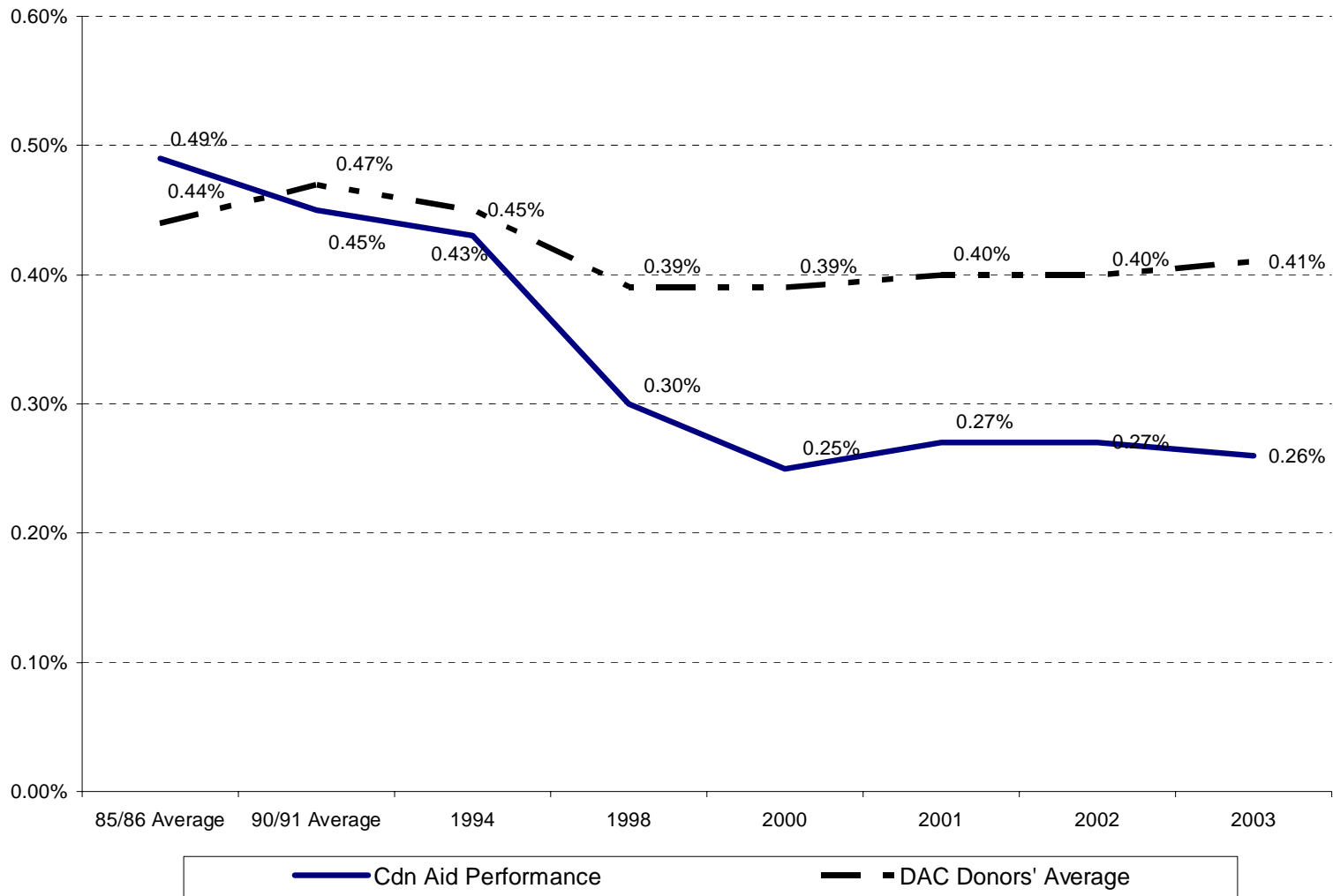
### Canadian Aid Performance with 8% Growth in Canadian Aid, 2002 to 2010



**Canadian Aid Performance, Achieving 0.7% of GNI by 2015,  
With 12% to 15% Increases in the International Assistance Envelope to 2015**



### Canadian ODA/GNI Performance Compared to the DAC Donors' Average Effort



**Changes in Canadian ODA and in Overall Federal Program Spending,  
1994/95 = 100**

