

**2009 FEDERAL BUDGET
CCIC PRE-BUDGET BACKGROUNDER
DECEMBER 2008**

The 2009-10 Federal Budget provides the Conservative government an excellent opportunity to announce its own long-term plans for the future growth of Canadian aid. What is CCIC looking for in this Budget?

- ❑ A timetable to increase Canadian Official Development Assistance (ODA) over the next ten years to reach the UN aid target of 0.7% of Canada Gross National Income (GNI), a goal endorsed in June 2005 by all parties in the Canadian Parliament;**
- ❑ Increases to the International Assistance Envelope (IAE) that are targeted to ODA components of the Envelope;**
- ❑ A ten-year budgetary plan to increase Canadian ODA by at least an average of 15% a year for the next ten years, to achieve 0.35% of Canadian GNI by 2010, 0.54% by 2015; and the UN target of 0.7% by 2018.**
- ❑ Increases to the portion of the IAE devoted to aid by at least \$610 million in 2009-10, \$700 million in 2010-11 and \$800 million in 2011-12. Each of these amounts should be added to the base for future calculations of aid increases.**
- ❑ A renewed long-term commitment to address growing poverty in Sub-Saharan Africa, with increased resources at least equal each year to the growth of the IAE, and with total resources for Sub-Saharan Africa equal to at least 50% of CIDA's bilateral and multilateral disbursements.**

WHAT IS THE INTERNATIONAL ASSISTANCE ENVELOPE?

The International Assistance Envelope (IAE) contains the budgetary allocations by the federal government to programs for international cooperation. The IAE includes allocations to CIDA, Foreign Affairs Canada, and the Department of Finance and other departments. As of the 2005 Federal Budget, the Envelope has been divided into five components (development, international financial institutions, peace and security, crisis fund and development research). Some of the new components of the IAE, such as some disbursements for peace and security (de-commissioning of nuclear warheads in the former USSR), are not considered eligible for ODA (as determined by the Development Assistance Committee of the OECD). Official Development Assistance (ODA) includes all of the IAE eligible for ODA as well as other amounts allocated by Canadian governments that the DAC allow to be included in ODA – costs for the first year of refugees from developing countries in Canada, provincial governments' spending on aid, bilateral debt forgiveness, costs for developing country students studying in Canada etc. The latter items are not included in the IAE as they are allocated through other government expenditures (refugee costs), are non-budgetary (debt forgiveness) or are imputed values (students studying in Canada).

THE FEBRUARY 2008 THIRD CONSERVATIVE BUDGET: CANADIAN ODA PERFORMANCE FOR 2008-09

After three consecutive budgets, it is clear that the Conservative government has failed to live up to its 2006 election promise to move Canadian aid performance towards the OECD DAC's average donor spending levels¹ for aid (currently 0.45% of Gross National Income). At an estimated 0.31% in 2008-09, Canadian aid performance has in fact fallen over the past three years, from 0.34% in 2005-06, the last year of the Liberal government. Having assumed many of the previous Liberal government's financial commitments, the Conservative government now has an excellent opportunity in the 2009-10 budget to announce its own long-term plans for the future growth of Canadian aid.

In reviewing the commitments made in 2001 at the UN Monterrey Financing for Development Conference, both the Liberal and Conservative governments have maintained the 8% compounding increases to Canadian aid, promised by Prime Minister Chrétien at that time. The Harper government in its 2008 Budget repeated this commitment to double Canadian aid between 2001 and 2010 through increases to the International Assistance Envelope. The government must not allow recent challenges emerging from the global financial crisis to affect its stated commitment; Canada's adjustments to recession and other impacts from the crisis should not be made on the backs of the poor overseas or in Canada. The UN Secretary General and the World Bank President have warned that the impact on developing countries of both the financial crisis and potential renegeing on donor promises will significantly hurt the poor and undo any recent advances in reducing global poverty.

Where does Canadian ODA stand now?

- ❑ CCIC's estimate of Canadian ODA for 2008-09 is \$4,830 million, compared to \$2,900 million in 2001-02. The 2008-09 figure includes a one-off addition of \$100 million for Afghanistan on top of the planned 8% increase to the IAE.
- ❑ Under current Conservative policies to honour the 8% increases to the IAE and double international assistance by 2010, CCIC projects that Canadian ODA will grow by about \$330 million in 2009-10 (compared to CCIC's estimate of \$610 million needed in the first year of a 10-year plan to reach 0.7%). Canada's aid performance for 2009-10 is expected to remain unchanged at 0.30% of Canadian GNI.
- ❑ By 2010, when Canadian ODA is committed to have doubled from \$2,900 million in 2001, Canada's aid performance will have to increase to \$5,800 million and an estimated 0.35% of GNI. However, current CCIC projections of aid increases as a result of the 8% growth of the IAE (see below) suggest that this performance will not reach \$5.8 billion and will be at best 0.32% in 2010.

¹ The Development Assistance Committee (DAC) at the OECD establishes the reporting rules for ODA and collects statistics from 23 official donors. The average donor spending is the average of all ODA over total GNI, not weighted by the GNI of individual donor countries. The performance ratio for all donors in 2007 was 0.45% of GNI.

WHAT'S INCLUDED IN ODA: THE REALITY OF CANADIAN AID

The global Reality of Aid Network (of which CCIC is a member) has recently analyzed the *reality* of donor aid reaching poor countries.² What are Canada and other donors counting as ODA? How much aid actually is available to benefit people living in poverty, and how much is artificially inflated by additions that never actually leave the donor countries?

Debt cancellation is very important for the long-term sustainability of developing countries' finances for their development priorities. However, the benefits of cancellation (payments of principal and interest not paid in a given year by a government) are spread over many years, sometimes decades. Nevertheless, donors are permitted to include the full face value of debt cancelled in the year that agreement is reached to cancel this debt. In recent years, donor ODA has been inflated significantly by very large agreements to cancel the debt of Iraq and Nigeria. In addition most donors include in ODA government support for refugees from developing countries for their first year in the donor country. ODA can also include an imputed amount for the expenditures in donor countries for students from developing countries studying at donor country universities.

Canada is no exception. Removing from Canadian ODA debt cancellation, support for refugees, and support for developing country students, lowers our performance ratio even further – to 0.28% of GNI in 2008-09 and 2009-10. *Real Canadian Aid* capable of targeting people living in poverty will remain below 0.30% in 2010 at current projections!

The allocation of Canadian aid has also been affected by foreign policy considerations in recent years. In the year 2000, Canada, along with the international community, signed on to the Millennium Declaration in which we agreed to “spare no effort” in ending poverty and later committed to the rather more modest objectives for the Millennium Development Goals (MDGs). Progress has been slow, particularly for Sub-Saharan Africa. This should not be surprising. According to DAC figures, increases to Canadian aid since 2000 resulted in more than \$2 billion in **new** aid resources (over and above what were available 2000). But when one accounts for increased debt cancellation, increased emergency assistance, assistance targeted to Afghanistan and Iraq, less than 30% of this \$2 billion was even available to target the MDGs in developing countries.

In June 2008 the government of Canada promulgated the Canadian ODA Accountability Act. This legislation will require the Minister for International Cooperation to confirm that Canadian aid disbursements are targeted exclusively to poverty reduction, taking into account the perspectives of people living in poverty, and consistent with international human rights standards. These will be the new tests for Canadian aid commitments resulting from Budget 2009.

² See the review of Global Aid Trends and the Canada chapter in the Reality of Aid Report 2008: Brian Tomlinson, “Overview: Unmet Promises and No Plans to Increase Canadian ODA”, Canadian Council for International Co-operation, accessible at <http://ccic.ca/e/002/aid.shtml> and www.realityofaid.org.

KEEPING OUR PROMISES?

1. Doubling Aid by 2010-11

The 2008 Budget Plan states that

“Canada is committed to double international assistance by 2010-11 from 2001-02 levels. Budget 2008 delivers on this promise. It ensures that the funding is in place to bring Canada’s total international assistance to \$5 billion by 2010-11.”
[page 181]

CCIC’s best estimate of current projections, using the 8% increase to the IAE, would put Canadian ODA at approximately \$5.2 billion in 2010-11, about \$600 million short of the target of \$5.8 billion required to double aid from 2001-02 levels.

Table One below points out that only by adjusting aid increases over the next two years to CCIC’s timetable to reach the UN target of 0.7% by 2018 will the government be able to reach \$5.8 billion and 0.36% of GNI by 2010-11, its own stated goal in the 2008 Budget statement (doubling aid of \$2.9 billion in 2001-02).³

| TABLE 1 | | | | |
|--|------------------------------------|---------------------------------|--|---------------------------------|
| Year Million Cdn \$ | ODA, Government 8% Increases | ODA Performance ODA / GNI | ODA, CCIC 10-Year 0.7% Timetable | ODA Performance ODA / GNI |
| 2006-07 | \$4,590 | 0.32% | \$4,590 | 0.32% |
| 2007-08 | \$4,190 | 0.28% | \$4,190 | 0.28% |
| 2008-09 | \$4,830 | 0.31% | \$4,830 | 0.31% |
| 2009-10 | \$4,835 | 0.31% | \$5,110 | 0.33% |
| 2010-11 | \$5,165 | 0.32% | \$5,775 | 0.36% |
| Canadian ODA in 2001-02 was \$2,900 million, giving a target of \$5,800 million for 2010-11. | | | | |
| All figures are CCIC estimates based on current information available from Finance Canada. | | | | |

The recently completed OECD Development Assistance Committee (DAC) peer review of Canadian aid performance commended the government for sustaining its 8% increases, but also proposed that the government “draw up a timetable for achieving the UN 0.7% ODA / GNI target”.⁴ To date, the government has not announced any intentions for overall aid increases beyond the goal set by the Liberals in 2001 to double aid by 2010. CCIC calls for a timetable in the 2009-10 Budget outlining an affordable and gradual increase of aid over ten years to regain our credibility as a generous aid donor, joining a number of European countries, including the United Kingdom, to meet the UN target of 0.7%.

³ One-off aid allocations in the 2010-11 Federal Budget could also narrow this gap and perhaps achieve the target for that year alone.

⁴ See Brian Tomlinson, “Highlights: Canada, Development Assistance Committee Peer Review”, October 2007, accessible at www.ccic.ca/e/docs/002_aid_2007-10_dac_peer_review_hilites.pdf.

2. Adding \$425 Million in New One-Off Aid Spending Between 2006 and 2010

In the 2005 federal election, the Conservatives promised to keep the existing Liberal commitments to aid increases and on top of these add \$425 million in one-off new aid spending by 2010. So far, with the \$100 million addition for Afghanistan in the 2008 Budget, the Conservatives have added \$230 million, slightly more than half of this commitment. With Supplemental Estimates so far in 2008-09, the government has added about \$230 million and has now met this election pledge.

3. Reaching the OECD DAC Average Donor Performance by 2010

During the 2005 election, the Conservatives promised “to move towards the average level among Organization for Economic Cooperation and Development (OECD) [donors]” by 2010 [Conservative 2005-06 Election Platform]. At the time of the election, this average performance was 0.42%, and it was 0.45% in 2007, in the most recent DAC statistics. As noted above, the government’s ODA performance is unlikely to exceed 0.32% by 2010!

4. Calculating Canadian Official Development Assistance (ODA) and “International Assistance”

ODA is a measure of international assistance that has been determined since the late 1960s by consensus by all 23 donors meeting in the Development Assistance Committee of the OECD. While this determination of ODA is controversial with civil society organizations such as CCIC (see above), it remains the only commonly accepted international definition of aid or international assistance.

In recent years various donors, including Canada, have attempted at the DAC to broaden what can be counted in ODA to include some aspects of donor military assistance in peace operations in developing countries. CSOs as well as other donors have resisted this broadening of the scope of ODA, arguing that whatever the merits of peace operations, opening the door to military expenditures seriously dilutes the purpose of ODA to address the humanitarian and development needs of poor and excluded people. The DAC could not reach consensus on these issues at its meeting of Ministers in 2007 and to date such expenditures by donors cannot be included in the calculation of international assistance measured by ODA.

In correspondence with CCIC, officials at CIDA have confirmed, however, that CIDA will be reporting Canadian aid disbursements its annual Statistical Report using a broad definition of “international assistance”. This will likely include non-ODA military-related expenditures such as Canada’s contributions to the Africa Union peacekeeping efforts in the Sudan and perhaps some aspects of its military Provincial Reconstruction Team operations in Kandahar, Afghanistan. While Canada will still not be permitted to report many of these expenditures to the DAC as Canadian ODA, the government may attempt to use these additional amounts of “international assistance” to distort public perceptions of Canadian aid and make up the difference for its commitment to double “international assistance” by 2010.

CCIC will expect that CIDA’s annual Statistical Reports, now required by the Canadian ODA Accountability Act, will be transparent **at the country level** about the inclusion of non-ODA international assistance. All aid-intended increases to the International Assistance Envelope in the 2009-10 budget must fall within the DAC definition of expenditures allowable for the calculation of ODA.

5. Doubling Aid to Sub-Saharan Africa

The Conservative government reaffirmed the Liberal government's promise to double aid to Africa between 2003-04 and 2008-09. Both the government and the recent DAC Peer Review of Canada assert that Canada is on track to meet this commitment. Aid to Africa in 2003-04 was \$1,050 million, giving a target of \$2,100 million for 2008-09.⁵

The government says that it will meet this commitment this fiscal year, but has consistently referred to the commitment as one that doubles "international assistance" for Africa and it plans to include non-ODA items such as peacekeeping contributions for Sudan.⁶ Since there are no verifiable statistics for Canadian aid to Africa beyond 2005-06 it is impossible to confirm that ODA will or will not be double 2003-04 levels in 2008-09. Canadian CSOs will monitor closely disbursements that are included as the government confirms this commitment. At the G7 meeting in Gleneagles, the G7 countries committed to double **ODA** to Africa. Canada has seemingly set out to ignore DAC guidelines by counting in its commitment non-ODA items. However, by making such pledges on the international stage, the international community will judge Canada's performance against the only agreed definition of international assistance, the DAC guidelines on what can be included in ODA.

Ultimately for the 2009-10 Budget, this is a false debate. What is important is what comes next for Canada in Africa. The government to date has given no indication of its intentions for aid to Africa post-2008-09. The 2009-10 Budget should renew a long-term commitment to address growing poverty in Sub-Saharan Africa with increased resources at least equal each year to the growth of the IAE, and with total resources for Sub-Saharan Africa each year equal to at least 50% of CIDA's bilateral and multilateral disbursements.

⁵ The 2005 Federal Budget, in outlining this commitment, over-estimated the actual disbursements of aid for Africa in 2003-04, giving a figure of \$1,380 million and therefore a target of \$2,760 million. But the commitment has always been to double the actual aid disbursements for Africa in 2003-04, i.e., \$1,050 million.

⁶ The 2008-09 Plans and Priorities for CIDA (<http://www.tbs-sct.gc.ca/rpp/2008-2009/inst/ida/ida-eng.pdf>), published in March 2008, states

- "Canada will meet its G8 commitment to double aid to Africa, reaching investments of \$2.1 billion this fiscal year." (page 1)
- "Canada's commitment to double its aid to Africa by 2008-09 from 2003-04 levels, to reach \$2.1 billion, confirmed by the Prime Minister at the 2007 G8 Summit in Germany, will be met. DFAIT, through its support for the African Union's peace support operations in Sudan, for example, contributes to this commitment, as does the Department of Finance, as the Government's lead with the World Bank and the International Monetary Fund, and the International Development Research Centre, which has focused much of its research support in African countries. Canada will be first amongst G8 countries to meet its commitment to Africa and will be able to proudly take on its role of host of the 2010 G8 Summit." (page 7)

WHAT TO WATCH FOR IN THE 2009 BUDGET

- ❑ Will the 2009 Budget acknowledge and set out a plan to achieve the United Nations target for ODA of 0.7% of GNI over the next ten years, by 2018-19?
- ❑ Will the Budget present a plan to reach the Conservative's often-forgotten 2006 election promise to reach the OECD average donor performance of 0.45%?
- ❑ Will the 2009 Budget retain the 8% increases for the IAE and focus it on IAE components devoted to ODA and not the broader notion of "international assistance" (which will require a larger overall increase to the Envelope to cover non-ODA items)?
- ❑ Will the Government acknowledge the urgent development needs of Sub-Saharan Africa, and announce new Canadian commitments for long-term aid to this region?
- ❑ Will the Budget add any new one-off aid resources to 2008-09 or 2009-10, beyond the 8%? Previous year-end additions by both the Liberals and Conservatives have been one-off, with no impact of future increases for aid.
- ❑ Will the Budget indicate how the government plans to implement the Canadian ODA Accountability Act, which establishes poverty reduction as the exclusive goal of Canadian ODA, consistent with Canada's human rights obligations, and directed to the needs of people living in poverty?
- ❑ Will the Government announce its choice of priority countries for Canadian aid based on criteria related to need and potential for poverty reduction, rather than mathematical formulae? Recent Conservative Budgets proposed that priority countries would be determined by the positioning of Canada among the top five donors for the country of choice. This implies that the choice of priority countries for Canada may be determined not by the government, but by the actions of other donors, with aid resources much larger than Canada.

Brian Tomlinson
CCIC Policy Team
December 2008