

**CANADIAN COUNCIL FOR INTERNATIONAL CO-OPERATION (CCIC)
2010/11 PRE-BUDGET BRIEF
OCTOBER 2009**

The 2010/11 Federal Budget will be the final year for the committed aid increase of 8% in the International Assistance Envelope (IAE). Originally a Liberal commitment, the 8% increases have been honoured by the Conservative government and are to lead to the doubling aid from 2001/02 to 2010/11. The Conservative government, however, has made no commitment to aid increases beyond 2010/11. The upcoming budget provides an excellent opportunity for the government to announce a long-term plan for the future growth of Canadian aid to achieve the United Nations target for aid spending of 0.7% of Gross National Income (GNI).

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 GNI. This goal was endorsed in June 2005 by all parties in the Canadian Parliament. Reaching this target will require:**
 - **An average increase to Canadian ODA of 14% per year over the next 10 years. With these increases Canadian ODA, as a percentage of GNI, will be 0.48% by 2015/16 and 0.7% by 2019/20.**

In dollar terms, an average increase of 14% translates, for the first three years, into increases to the ODA-portion of the IAE of:

- **At least \$615 million in 2010/11, \$700 million in 2011/12 and \$790 million in 2012/13. Each of these amounts should be added to the base for future calculations of aid increases.**
- ❑ **Indications on how Canada plans to meet its commitment to double aid by 2010/11. To double aid from 2001/02 to 2010/11, total ODA for 2010/11 would have to be of \$5,800 million up from \$2,900 million in 2001/02. A current CCIC estimate for 2010/11, taking into account the government's 8% increases, suggests that ODA will only be \$5,115 million or more than \$600 million short of the doubling target.**
- ❑ **A renewed long-term commitment to address growing poverty in Sub-Saharan Africa. Resources for Sub-Saharan Africa should increase each year by an amount equal to the percentage increase to the IAE. Total resources for Sub-Saharan Africa should be equal to at least 50% of CIDA's bilateral and multilateral disbursements combined.**

THE FEBRUARY 2009 FOURTH CONSERVATIVE BUDGET: CANADIAN ODA PERFORMANCE FOR 2009/10

After four 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 levels for aid (currently 0.47% of donor's Gross National Income [GNI])¹. At an estimated 0.32% of GNI in 2009/10, Canadian aid performance has in fact fallen over the past three years, from 0.33% in 2005/06. Although the Conservative government has honoured the previous Liberal government's commitment to 8% annual increases to aid with the aim of doubling aid between 2001 and 2010, this government has, so far, failed to announce its own long-term plans for the future growth of Canadian aid.

In the last Federal Budget, the government repeated this commitment to double Canadian aid by 2010 through increases to the International Assistance Envelope. The government must not allow recent challenges emerging from the global financial crisis to affect this 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 and the World Bank have demonstrated that the impact on developing countries of the financial crisis, the food crisis, and potential renegeing on donor promises will significantly hurt the poor and may undo any recent advances in reducing global poverty.

Where does Canadian ODA stand now?

- ❑ CCIC's estimate of Canadian ODA for 2009/10 is \$4,785 million. Unlike previous years, there have been no "one-off" additions in 2009/10 for Afghanistan or other government aid priorities. These "one-off" additions are, of course, on top of the 8% increase to the IAE.
- ❑ With the 8% budget increases to the IAE in 2010/11, CCIC projects that Canadian ODA will grow by about \$365 million in the next fiscal year. This amount falls short of the CCIC estimate of \$615 million needed in the first year of a 10-year plan to reach 0.7%. Canada's aid performance for 2010/11 is expected to be 0.33% of GNI, an increased performance due, in large measure, to expected modest growth of the Canadian economy in 2010.
- ❑ According to CIDA's annual Statistical Report, Canadian ODA in 2001/02 was \$2,900 million, which gives a target of \$5,800 million for doubling of aid in 2010/11. However, even with the planned increases, CCIC projects Canadian ODA in 2010/11 will only be \$5,115 million, \$685 million short of the target for doubling aid. The government can make up this difference through one-off additions in 2010/11 in the February 2010 Budget or in Supplementary Estimates during the fiscal year.

¹ The Development Assistance Committee (DAC) at the OECD establishes the reporting rules for ODA and collects statistics from 22 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 2008 was 0.47% of GNI.

OFFICIAL DEVELOPMENT ASSISTANCE VS. INTERNATIONAL ASSISTANCE ENVELOPE: THE IMPACT OF THE CANADIAN ODA ACCOUNTABILITY ACT?

The International Assistance Envelope (IAE) contains the budgetary allocations by the federal government to programs for international assistance. The IAE includes allocations to CIDA, Foreign Affairs Canada, and the Department of Finance and other departments. Some of the components of the IAE, such as some disbursements for peace and security (de-commissioning of nuclear warheads in the former USSR or support for peacekeeping missions), are not considered as ODA by the Development Assistance Committee (DAC) of the OECD.

Canadian 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 – e.g. 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 for their first year in Canada), are non-budgetary (debt forgiveness) or are imputed values (students studying in Canada).

Since the passage of the Canadian ODA Accountability Act in May 2008, the government may only report as Canadian ODA disbursements that meet all of the Act's three tests – reduces poverty, takes account the perspectives of the poor, and is consistent with international human rights standards. The government's first Report to Parliament, as required by the Act, in September 2008, indicates that a reduced amount for refugees were counted as ODA in 2008/09 and an imputed value for students was not indicated, even though it is eligible under DAC rules. If these practices continue, even greater additions to the IAE may be required in 2010 to reach the doubling of the aid target.

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. 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.

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. These trends will be updated in the 2010 Global Report which will be released in the fall of 2010.

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 about 0.30% of GNI in both 2009/10 and 2010/11. *Real Canadian aid* performance, that is aid which is capable of targeting people living in poverty, could even be below 0.30% in 2010 if Canadian economic growth (i.e. GNI) is stronger than predicted.

The Canadian ODA Accountability Act requires the Minister for International Cooperation and other Ministers allocating ODA 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. The government's first Report to Parliament, required by the Act, mostly listed ODA activities by Department, with little rationale as to how they meet the three tests of the Act. Budget 2010 should demonstrate how ODA in the International Assistance Envelope meets these tests and increases *real Canadian aid*.

KEEPING OUR PROMISES?

1. Doubling Aid by 2010-11

While there was no mention of aid in the 2009 Budget Plan, the Budget Plan for 2008 stated 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]

The target for doubling aid, however, is not \$5 billion but \$5.8 billion (double ODA of \$2,900 million in 2001/02) and CCIC's best estimate of current projections, using the 8% increase to the IAE, would put Canadian ODA at less than \$5.2 billion in 2010/11.

The 2007 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”.³ To date, the government has not announced any intentions for overall aid increases beyond the goal set in 2001 to double aid by 2010. CCIC calls for a timetable in the 2010/11 Budget outlining an affordable and gradual increase of aid over ten years. Setting a timetable will help Canada regain its credibility as a generous aid donor, joining a number of European countries, including the United Kingdom, in meeting the UN target of 0.7%.

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 committed to an additional \$425 million in one-off new aid spending by 2010. The government has exceeded this commitment.

³ 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.

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 most recent DAC statistics have the average performance at 0.47% in 2008. With ODA performance unlikely to exceed 0.33% by 2010, the government will clearly not meet this 2005 election promise.

4. Calculating Canadian ODA and “International Assistance”

ODA is a measure of international assistance that has been determined, since the late 1960s, by consensus by all 22 donors meeting in the Development Assistance Committee (DAC) of the OECD. While civil society organizations (CSOs), such as CCIC (see “real aid” section above), question what can be included in ODA, 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 and 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 marginalized 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.

Starting with its 2006/07 annual Statistical Report CIDA has been including disbursements that fall into a broad definition of “international assistance”. This includes 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 is not permitted to report 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 some of the difference for its commitment to double “international assistance” by 2010.

So far CIDA’s Statistical Report, now required by the Canadian ODA Accountability Act, has been transparent **at the country level** about the inclusion of non-ODA international assistance. All intended increases for ODA in the 2010/11 International Assistance Envelope must fall within both the DAC definition of expenditures allowable for the calculation of ODA and meet the three-part test of the ODA Accountability Act.

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. The government has asserted 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 2008-09.⁴ While no detailed official aid statistics have been published for 2008/09 to verify this assertion, the first Report to Parliament for 2008/09 ODA asserts that the target has been met. Supplementary expenditure estimates, published by the government for 2008/09, also outlined one-off new aid allocations for Sub-Saharan Africa with an explicit rationale that these resources are needed to meet this doubling target for Africa.

The government, however, has consistently referred to the commitment as one that doubles “international assistance” for Africa and said that it plans to include non-ODA items such as peacekeeping contributions for Sudan.⁵ At the G7 meeting in Gleneagles, G7 countries committed to double **ODA** to Africa by 2010. Canada has seemingly set out to ignore DAC guidelines by counting non-ODA items in its Gleneagles commitment. 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.

Beyond this 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 beyond the 2008/09 commitment and has stated its priority for the Americas. In early 2009, the government released its list of priority countries. Among the 20 priority countries for Canadian aid, the number of priority countries in Africa fell from 14 to 7.

The 2010/11 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 percentage increase of the IAE. Total resources for Sub-Saharan Africa each year should also be equal to at least 50% of CIDA’s bilateral and multilateral disbursements combined.

⁴ 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.

⁵ 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 2010 BUDGET

- ❑ Will the 2010 Budget acknowledge and set out a plan for the next 10 years to achieve the United Nations target for ODA of 0.7% of GNI by 2019/2020?
- ❑ Will the 2010 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 than 8% 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 as a priority for its 2010 G8/G20 initiatives?
- ❑ Will the Budget add any new one-off aid resources to 2010/11, beyond the 8%, in order to achieve the actual target of \$5,800 million for doubling Canadian aid?
- ❑ Will the Budget indicate how the government aid allocations are consistent with the Canadian ODA Accountability Act, which establishes poverty reduction as the exclusive goal of Canadian ODA, consistent with human rights standards, and directed to the needs of people living in poverty?

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