



A DEVELOPMENT POLICY FOR CANADA

Poverty: A Global Challenge

Eliminating poverty is one of today's greatest global challenges. It is the core goal of the 2030 Agenda for Sustainable Development, adopted by Canada and all 192 other members of the UN General Assembly. It is commonly observed that the number of people living in absolute poverty has fallen dramatically in recent years. The statistics, however, are deceptive. As a *percentage* of the world's population, the number has indeed fallen, with major gains in China and India. But even there, data is misleading. While in many places the number of people living on less than \$1.25 a day has decreased, the number living on less than \$2 a day has often *increased*. In other words, the move out of absolute to "mere" poverty is largely one of a few dollars – or semantics. However, in sub-Saharan Africa, the numbers living in absolute poverty *increased* between 1995 and 2010 by 63 million to a total of 414 million.

It has become fashionable among aid agencies to say, because of the reduced *proportion* of those living on less than \$1.25, that great strides have been made. This is justified in some ways, but the stark fact is there are as many people living in abject poverty today as there were in 1980: a billion or more.

The UN goal of ending extreme poverty by 2030 is almost certain to fail unless more concerted action is taken. Foreign aid and, more broadly speaking, "development cooperation" will be essential to achieving the goal (*see box, this page*).

Relevance to Canada

Ending poverty is the right thing to do. Countries cannot develop if their people are hungry, sick and uneducated. Investors have little interest in unstable countries where the human resource base is weak. Growth, if it takes place at all, is stunted and skewed.

Poverty contributes to political instability, violence and conflict. It is a breeding ground for pandemics and increasingly unmanageable population shifts. It exacerbates international environmental problems. It can spawn and nurture terrorism.

What's in a Name?

Official development assistance (ODA) is a term coined by the OECD Development Assistance Committee (DAC) to define and measure *foreign aid*. *Humanitarian assistance*, a subset of ODA, refers to assistance for natural disasters and complex emergencies. *Development cooperation* is a broader term which includes ODA, but it can also include trade, security and immigration policies that may have an important bearing on a country's development and well-being.

The McLeod Group works to strengthen Canada's contribution to a better world.

The McLeod Group is made up of professionals with many years of experience in government, civil society and academia, working across the fields of international development, diplomacy and foreign policy. We work with others who value human rights, inclusion, equality and sustainable development to advance Canadian policy and action on international cooperation and foreign affairs.

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Ending poverty is of primary strategic importance to Canada and Canadians. It is in our own long-term self-interest. It should not be treated as an optional, low-priority policy area. It should be a key part of Canada’s overall foreign policy, taken into serious consideration in our development, trade, investment, environment and military policies.

Importantly, under its universality principle, the UN’s Agenda 2030 applies to developed as well as developing countries, Canada included. This gives substance to the idea of global partnership and recognizes that all countries have a shared responsibility for change. Our government now needs to create its own agenda of policies and public programs directed to fostering the well-being of our own disadvantaged and neglected citizens, as well as prioritizing poverty reduction in our foreign policy efforts.

Canada: A Diminished International Actor

Canada’s proud history of international leadership as a voice of reason and a consensus builder has been squandered over the last decade. Our disengagement accelerated dramatically with the Harper era. Our development cooperation perspective narrowed in favour of satisfying short-term domestic constituencies and commercial opportunism, especially in the extractive sector. The government also ignored the ODA Accountability Act (*box, page 5*). Many international organizations and donors no longer find Canada a credible partner due to our ideological stances and non-reliability.

Calendar Year	2011	2013	2014
ODA USD billion	5.93	4.95	4.42
ODA/GNI Ratio	0.34%	0.28%	0.24%

The recent trend in our ODA performance is summarized in the above table. This paints a rather grim picture in absolute amounts and relative generosity – ODA as a percentage of national income (GNI). The picture is even worse when we compare

recent figures with the Canadian aid effort in the 1970s and 1980s, when ODA always exceeded 0.40% of GNI, peaking at 0.54%.

Initial indicators as to whether the Liberal government will reverse these worrisome trends are mixed. On the one hand, the first Trudeau budget did not commit Canada to a plan that would restore, and eventually increase further, Canada’s ODA. However, the Development Minister’s mandate letter called on her to “Refocus Canada’s development assistance on helping the poorest and most vulnerable, and supporting fragile states.” It also outlined a consultative process for determining a new development policy and funding framework.

The merging of CIDA into the new DFATD in 2013 was nominally justified as improving “policy coherence”. However, it has yet to achieve that goal. There is no obvious evidence of a close and coordinated dialogue between the different sections of what is now called Global Affairs Canada (GAC, as DFATD was renamed). It is important to create a more level playing field and establish a working mandate that ensures trade and political considerations are conditioned by the perspectives of the developing countries that are Canada’s global partners. There is also merit in examining whether, within a merged structure, the CIDA name and brand, well known throughout the world, can be restored.

A Changing World

The New Global South

Emerging economies such as Brazil, India and China are changing the global landscape. They are now key players in global trade and investment and they are becoming game-changing bilateral donors. They are Canada’s new political and economic rivals, as well as important markets and partners. Many countries in the South, however, as noted above, remain desperately poor.

A Changing World for Donors

Aid effectiveness is essential. An international aid effectiveness agenda has been refined in recent years in a series of high-level multilateral meetings that culminated in the Busan Partnership for Effective Development Cooperation in 2011.¹ Busan brought together all the key stakeholders: traditional and new emerging economy donors, recipient governments, civil society organizations and the private sector. The focus was broadened into “development effectiveness”, moving beyond traditional aid to a multi-dimensional perspective, including elements such as trade, investment, and intellectual property rights.

True partnership remains several steps away. However, key principles have been established: **country ownership** – effectiveness, not just sovereignty, demands that developing countries set and drive their own development agenda; donors agreed to **align** their programs with the recipient’s agenda and **harmonize** their approaches to avoid wasteful duplication; **mutual accountability**, shared challenges and trust are to replace paternalism; **managing for results** and **transparency** are also essential ingredients.

A critical new pro-poor framework will soon shape global development programming, the UN’s **2030 Agenda for Sustainable Development**. It builds upon the **Millennium Development Goals**, but has created a much more complex and inclusive agenda with 17 thematic **Sustainable Development Goals (SDGs)**, ranging from updated versions of the original MDGs to broader themes such as equity, inclusiveness and sustainability. In addition to the key goal of eliminating extreme poverty by 2030, it now covers cities, infrastructure and climate, and even core societal principles such as human rights, gender equality, peace and justice.

Remittances and the Role of the Private Sector

People living outside their countries of birth sent \$511 billion home in 2013. These remittances, while

very important for families, are unfocused, irregular and skewed, and they are not a substitute for development assistance. Almost half of all remittances go to four countries: India (\$71 billion), China (\$60 billion), Philippines (\$26 billion) and Mexico (\$22 billion). Among the top ten recipients of remittances are France, Germany, Belgium and Spain. Only 6% of the total goes to low-income countries.²

Foreign Direct Investment (FDI) in developing countries is rising, and can be an important part of a country’s growth and development, just as it is in Canada. But FDI, episodic and heavily weighted towards the extractive sector, is also prone to tax avoidance. FDI to Africa in 2012 totalled \$56.3 billion, but this was heavily concentrated in a relatively small number of countries.³ And FDI moves in two directions: FDI *outflows* from Africa almost tripled in 2012 to \$14 billion.⁴

FDI is sometimes confused with the term “private sector development”. FDI may help with local private sector development if it adds value locally or creates spinoff industries. But FDI and private sector development are far from synonymous. FDI can be a source of economic distortion and can actually reduce employment. Local private sector development needs distinct and dedicated promotion, and this can be most effectively targeted at the small and medium enterprise (SME) sector. SMEs are the biggest contributors to employment worldwide, and this is especially true in developing countries where they also have the highest employment growth rates.⁵

Elements in a Better Way Forward for Canada

Poverty reduction should become a central plank in Canadian foreign policy, ensuring that development *cooperation* policies extend beyond development assistance, making the merger of DFAIT and CIDA into GAC work for Canada’s *overall* foreign policy and not simply its trade and diplomacy agendas. The McLeod Group recommends the following measures.

Development Assistance

- Reverse the downward trend in foreign aid; recommit to the 0.7% target with annual increases of 0.1% until it is met; move to multi-year budgeting to improve predictability;
- Substantially increase the volume and share of ODA going to low-income countries and fragile states and ensure that all is on a grant basis; press for similar shifts in UN agencies and international financial institutions;
- Oppose international efforts to dilute the definition of ODA;
- Halt the merry-go-round of ever-changing “focus” countries;
- Halt the use of ODA funding for Canadian commercial purposes;
- Continue Canada’s commitment to maternal and newborn health initiatives, but include national mechanisms that promote gender equality and strengthen women’s capacity to attain their sexual and reproductive rights;
- Continue Canada’s commitment to food security and nutrition;
- Support programs that strengthen *local* private sectors in developing countries, with an emphasis on SMEs;
- Allocate 1% of the ODA budget to a communications plan that engages Canadians and deepens their understanding of development challenges;
- Rebuild the responsive program for co-financing partnerships with NGOs;
- Implement a Canadian national action plan on the issues of women, peace and security in relation to UN Security Council resolution 1625 which deals specifically with this topic;
- Increase support for lesbian, gay, bisexual and transgender (LGBT) rights and organizations through concrete actions at the international level;

- Prioritize a focused and intentional approach to enhanced climate change financing, through bilateral and multilateral mechanisms.

Multilateralism

- Recommit to the global multilateral system, pay Canadian dues on time, and ensure that Canada provides at least two thirds of its funding as un-earmarked core support for multi-year commitments;
- Canada, absent from UN peacekeeping since the 1990s, should re-engage meaningfully;
- Press for greater “voice” from the South in international financial institutions, the G20 and elsewhere.

Trade and Investment

- Apply a consistent development perspective, including a pro-poor bias, to all Canadian policy formulation. Mandate the development section of GAC to lead the promotion and monitoring of this commitment inside cabinet;
- Establish priorities where Canada can lead in multilateral trade barrier reduction, agricultural and industrial liberalization and anti-dumping policies that will benefit low-income countries;
- Support low-income country efforts to strengthen *their* human, institutional and regulatory capacities in trade policy and trade negotiations in areas such as market entry and access, tariffs, customs, competition, investment and technology, and regional integration;
- Create special windows for preferential access to Canadian markets for producers and manufacturers in least-developed countries;
- Ensure accountability for Canadian corporate behaviour abroad, in Canadian courts, regardless of the location of an alleged abuse.

The ODA Accountability Act

The 2008 Official Development Assistance Accountability Act requires the Minister to “be of the opinion” that Canadian aid meets three criteria:

- contributes to poverty reduction;
- takes into account the perspectives of the poor; and
- is consistent with international human rights standards.

Assistance to alleviate the effects of a natural or artificial disaster or other emergency occurring in an ODA-eligible country is exempt from the three criteria.

Source: Government of Canada, Justice Laws Website, <http://laws-lois.justice.gc.ca/eng/acts/O-2.8/FullText.html>.

NOTES

¹ The current path started with the Monterrey Consensus (2002), then the Paris Declaration (2005) and the Accra Agenda (2008). Busan was followed by the Global Partnership Forum in Mexico City in April 2014.

² Pew Research Center, “Top-10 Remittance Receiving Countries by Country Income Group, 2013”, www.pewsocialtrends.org/2013/12/17/changing-patterns-of-global-migration-and-remittances/sdt-2013-12-17-global-migration-04-02/.

³ UN News Centre, “Global foreign direct investment rises to pre-crisis levels, UN reports”, www.un.org/apps/news/story.asp?NewsID=47029#.U7V7fvldV8E and Development Initiatives, *Investments to End Poverty*, Bristol, 2013, p. 140.

⁴ UNCTAD, “Foreign direct investment to Africa increases, defying global trend for 2012”, <http://unctad.org/en/pages/PressRelease.aspx?OriginalVersionID=136>.

⁵ Asli Demirgüç-Kunt, “Generating Jobs in Developing Countries: A Big Role for Small Firms”, World Bank Blog, December 6, 2011, <http://blogs.worldbank.org/allaboutfinance/generating-jobs-in-developing-countries-a-big-role-for-small-firms>.

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