

PRE-BUDGET CONSULTATIONS FOR BUDGET 2019 BY THE HOUSE OF COMMONS STANDING COMMITTEE  
ON FINANCE

**PROPOSALS FOR BUDGET 2018 – HIGHLIGHTS**

**Submitted by Jean-Francois Tardif, consultant in international development**

This document provides a summary of proposals for inclusion in Budget 2019. A more detailed description is available on request by contacting [tardifsanchez@gmail.com](mailto:tardifsanchez@gmail.com)

***Recommendations:***

**Recommendation 1:** Foreign aid must at all costs return to 0.5% of gross national income, as it was under the former Liberal administration.

**Recommendation 2:** Canada should use its new international development funding (or reallocate existing funding) to support micro-finance programs and the Platform for Economic Inclusion's expansion of graduation programmes

**Recommendation 3:** Canada should use its new international development funding (or reallocate existing funding) to support nutrition programs in order to build human capital among the world's poorest populations. As the host of the Women Deliver global conference, Canada should give special attention to the human capital of girls and women, including before and during pregnancy.

**Recommendation 4:** Budget 2019 should increase funding for research and development on tuberculosis, especially drug-resistant tuberculosis

**Recommendation 5:** The Government should study the possible introduction of a tax on international financial transactions and the Minister of Finance should report to Parliament on its feasibility

**Recommendation 6:** Canada should demonstrate global leadership on fair taxation and support its trading partners to collectively put an end to abusive tax avoidance practices of multinationals and curb the access to tax havens.

The theme of this year's pre-budget consultations is "Ensuring Canada's Competitiveness."

This submission will establish that government spending in a very specific area, namely international development, will enhance Canada's competitiveness.

As mentioned in my pre-budgetary submission of last year, spending on international development has been shrinking for too long. Of all the government's major expenditure items, this one has recorded the most significant decrease and has been cut by 9% from 2011 levels of spending. A review of these expenditures as a percentage of gross national income reveals that they have declined by almost 50% over the past twenty years, the only situation of its kind that comes to light when we take the time to examine public spending.

The Finance committee did recommend a substantial increase to international development last year, but what the Government tabled in Budget 2018 will not increase the aid budget sufficiently to match the growth of the economy, which means that the downward slope of aid as a percentage of gross national income will continue uninterrupted.

### **Recommendation 1**

**Foreign aid must at all costs return to 0.5% of gross national income, as it was under the former Liberal administration.**

How will a substantial increase in foreign aid increase Canadian competitiveness?

First, we would like to point out that an increase in foreign aid is justified on the sole basis that we have a moral imperative to protect our brothers and sisters at risk who do not have the means to meet their needs. In a year when Canada holds the G7 presidency, Canadian leadership on this issue is crucial.

However, it turns out that a well thought out increase in foreign aid will also ultimately increase the competitive position of our country in at least two subtle but important ways. First, by ceasing to be a laggard on the international development scene, Canada mitigates the reputational risk that comes from being perceived as indifferent to the Global South, where most of the market shares are still up for grabs. In addition, if Canada is simply not present in emerging markets when they are building their capacities, what is the probability that they will want spontaneously to build partnerships with us down the road?

In taking stock of the current international development situation, we note the following.

- A) There are nearly 400 million people living in ultra-poverty and financing is crucial to accelerate proven economic development programs but a key tool, microfinance, has virtually disappeared from Canada's aid program

(see <http://globalpovertysolutions.ca/> and in particular [http://globalpovertysolutions.ca/\\_docs/CIDA%20and%20WB%20Programming%20in%20Micro%20finance\\_FINAL.pdf](http://globalpovertysolutions.ca/_docs/CIDA%20and%20WB%20Programming%20in%20Micro%20finance_FINAL.pdf), [http://globalpovertysolutions.ca/\\_docs/WASH-Ph2-Report-EN.pdf](http://globalpovertysolutions.ca/_docs/WASH-Ph2-Report-EN.pdf) and [http://www.globalpovertysolutions.ca/\\_docs/Canadian%20Funding%20for%20Global%20Education.pdf](http://www.globalpovertysolutions.ca/_docs/Canadian%20Funding%20for%20Global%20Education.pdf))

There are however new opportunities for cost-effective interventions that include the very poor in the mainstream of economic development: graduation approaches (approaches that include asset transfer, time-limited income support, coaching and training) have been shown to graduate very poor families out of extreme poverty on three continents (see [www.ultra-poverty.org](http://www.ultra-poverty.org)). A new multi-donor fund hosted by the Platform for Economic Inclusion at the World Bank is seeking funding to massively scale up these interventions.

**Recommendation 2: Canada should use its new international development funding (or reallocate existing funding) to support micro-finance programs and the Platform for Economic Inclusion's expansion of graduation programmes**

-B) the world is off-course to meet any of its five nutrition targets ([http://165.227.233.32/wp-content/uploads/2017/11/Report\\_2017-2.pdf](http://165.227.233.32/wp-content/uploads/2017/11/Report_2017-2.pdf))

However, econometrics has proven the following:

- 1 - The cost of malnutrition is estimated to be between 4% and 5% of global GDP
- 2 - Children who receive adequate nutrition will increase their production as adults by 20% and are 10% more likely to own their own businesses.
- 3 - A \$1 investment in nutrition delivers a \$16 return

(See in particular: <http://www.fao.org/zhc/detail-events/en/c/238389/> and [https://www.unicef.org/earlychildhood/index\\_40748.html](https://www.unicef.org/earlychildhood/index_40748.html) and Global Nutrition Report 2016)

Conversely, it is clear that more than one quarter of the planet's future labour force is suffering from stunted growth, which results in permanently reduced cognitive capacity and a diminished contribution to the global economy. This situation disproportionately affects the productivity of an open economy like Canada's. It is very detrimental to our economy to have future partners, clients and also suppliers who perform below their potential. This translates into fewer sales, less innovation that could cut our costs, and other impacts.

Already the World Bank has been reacting to build up what it terms "human capital." Canada must follow suit.

**Recommendation 3: Canada should use its new international development funding (or reallocate existing funding) to support nutrition programs in order to build human capital among the world's poorest populations. As the host of the Women Deliver global conference, Canada should give special attention to the human capital of girls and women, including before and during pregnancy.**

-C) It should also be noted that one very specific investment is particularly useful in protecting Canada's productivity: funding the fight against infectious diseases. For a country such as Canada where the flow of visitors, migrants and business collaborators is especially high, infectious diseases such as Ebola or tuberculosis are real threats. We must mention in particular the threat posed by drug-resistant tuberculosis, which is caused by the failure of individuals to complete the full course of treatment for tuberculosis. Drug-resistant tuberculosis is difficult to detect, easily transmitted (a simple cough or laughter in a confined space is sufficient), potentially deadly and each treatment is very long and costs a minimum of tens of thousands of dollars. We all remember the impact of SARS on Toronto's economy. We must take these types of threats very seriously given that there are hundreds of thousands of outbreaks of drug-resistant tuberculosis alone.

For these reasons, the importance of funding research on diagnostics and treatment of tuberculosis was specifically highlighted in the last G7 Health Ministers' Declaration, and it is important for the 2019 budget to act on this declaration, which constitutes to some extent an insurance policy for Canada's productivity.

**Recommendation 4: Budget 2019 should increase funding for research and development on tuberculosis, especially drug-resistant tuberculosis**

-D) Budgets are not only about expenditure decisions, but also about looking at revenue generation. Several countries have already introduced a financial transactions tax and have generated hundreds of millions of dollars in revenue while stabilizing financial transactions and discouraging speculation.

The competitiveness of Canadians, who depend on an economy based on international trade, is undermined by fluctuations resulting from speculation.

Even billionaires such as Bill Gates have recommended that we study the creation of a tax on international financial transactions. This would be a good commitment for the next budget. It is important to remember that under the previous Liberal government, the House of Commons voted specifically on a motion in favour of a tax on financial transactions similar to the Tobin tax.

The tax on financial transactions could be used to fund in part the above-mentioned increases in the international aid budget.

**Recommendation 5: The Government should study the possible introduction of a tax on international financial transactions and the Minister of Finance should report to Parliament on its feasibility**

- E) Tax loopholes allow certain multinationals to shift arbitrary amounts among subsidiaries and transfer their revenues to tax havens. This deprives governments such as Canada's of billions of dollars in revenue and undermines the competitive position of Canadian businesses. Canada must take advantage of the leadership of OECD members and support a coalition of countries to take action that will finally put an end to these abusive practices.

**Recommendation 6: Canada should demonstrate global leadership on fair taxation and support its trading partners to collectively put an end to abusive tax avoidance practices of multinationals and curb the access to tax havens.**