

PRE-BUDGET CONSULTATIONS FOR BUDGET 2020 BY THE HOUSE OF COMMONS STANDING COMMITTEE
ON FINANCE

PROPOSALS FOR BUDGET 2020 – HIGHLIGHTS

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This document provides a summary of proposals for inclusion in Budget 2020. A more detailed description is available on request by contacting tardifsanchez@gmail.com

List of Recommendations:

Recommendation 1: Foreign aid must return to 0.5% of gross national income by 2024, as it was under former Liberal and Conservative administrations, through annual increases of at least 15%.

Recommendation 2-A: 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 + micro-insurance

Recommendation 2-B: Canada should use its new international development funding to support increased nutrition programming up to levels seen earlier in the decade.

Recommendation 2-C: Canada should support immunization in two ways. First it should provide its share of campaign to eradicate polio, \$215 million. Second, it should support Gavi, the global alliance for vaccines, by increasing its pledge to the global immunization effort.

Recommendation 3: Budget 2019 should increase funding for research and development on tuberculosis, especially drug-resistant tuberculosis

Recommendation 4: 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 5: Canada should demonstrate global leadership on fair taxation and support its trading partners to collectively put an end to abusive tax and environmental responsibility avoidance practices of multinationals and curb the access to tax havens.

Foreword

This submission will focus on addressing the climate emergency, the focus of this year's pre-budget consultations. It will explain why government spending in a very specific area, namely international development, will enhance Canada's response to the climate emergency.

The reasoning is rather straightforward and well known: as behavioral psychologist Eldar Shafir has demonstrated, populations in destitution develop a "tunnel vision", they will do whatever is required to meet the short term needs of their families. In particular, they will burn forests to plant food crops. Sustainability is not an element that they factor in. Rather, their longer term strategy is to have large families (contraception is often not an option anyway) in the hope that several of the children survive and can take care of them in old age. Of course, demographic expansion has major consequences on the environment. And as all of us are now aware, environmental pressures in the Global South mean unsustainability for all of us.

1. The Need for an Increase to the Aid Budget

Canadians like to think of themselves as generous. While 94% of them say that it's important to improve health, education and economic opportunity for the world's poorest people, the reality is somewhat less positive, as shown in the following table:

Canadian Official Development Assistance, Millions of Cdn Dollars and as % of Gross National Income ¹

	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
ODA	5483	4965	5841	5430	5607	6098
As % GNI	0.316%	0.275%	0.241%	0.280%	0.261%	0.264%

The rows in the table do not cover identical time periods: the first row covers the Canadian government's fiscal year (April to March) whereas the second row, compiled by the OECD, covers calendar years. This explains why there would be a decrease in ODA between 2014-15 and 2015-16, but an increase in ODA as a proportion of Gross National Income.

Overall, the trends are however very consistent. In nominal terms, ODA was roughly static for five years followed by a spike in the last year. Even if the last year is not an anomaly, the total increase over six years is 11%, which barely covers inflation. In real terms, ODA remained stagnant while the Canadian economy was growing.

As a result, as a proportion of GNI, aid is on a downward slope, despite minor adjustments two years ago. The richer Canada got, the stingier it became. Not surprisingly, Canada is below the donor average and on its way to the bottom third of donor nations for generosity. Another even less positive way to put it: Canada ranks 16th in the list of the 20 most generous nations....

This trend has obviously to stop and it is beyond time we reversed it. At a minimum, aid has to be restored to 0.5% of GNI under the next government as it was under earlier governments of both political

¹ Source: Government of Canada Statistical Reports on International Assistance and OECD Calculations

stripes, and there needs to be a clear year-by-year schedule to reach it. This should correspond to at least a 15%/year increase in the International Assistance Envelope.

The Finance committee did recommend a substantial increase to international development in the past two years, and it is time this call was heard.

This is indispensable to make a dent in global destitution.

Recommendation 1

Foreign aid must return to 0.5% of gross national income by 2024, as it was under former Liberal and Conservative administrations, through annual increases of at least 15%.

2. The need to properly target an aid budget increase

As mentioned above, reducing the prevalence of destitution worldwide will help reduce environmental pressures. Yet, not any increase to aid will reduce destitution. Here are some targeted ways to reduce economic and social despair, and as a consequence, the environmental footprint of survival at all costs.

- A) Provide economic development tools for the very poor

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/_docs/CIDA%20and%20WB%20Programming%20in%20Micro finance_FINAL.pdf](http://globalpovertysolutions.ca/_docs/CIDA%20and%20WB%20Programming%20in%20Micro%20finance_FINAL.pdf), http://globalpovertysolutions.ca/_docs/WASH-Ph2-Report-EN.pdf and 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). 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-A: Canada should use its new international development funding to support micro-finance programs and the Platform for Economic Inclusion's expansion of programmes for graduation out of poverty.

-B) Increase Support to Nutrition Programs

A household who is food insecure is a household who will not hesitate to burn forest to plant crops, regardless of the longer term consequences. Yet 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)

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 and Global Nutrition Report 2016)

Despite these facts, Canada has been spending less and less on nutrition:

GAC Funding for Basic Nutrition, in Millions of Canadian Dollars and as % of GAC's Aid Program

	2012-2013	2013-2014	2014-2015	2015-2016	2016-1017	2017-2018
CAD\$M	168.34	174.46	184.61	91.25	118.94	125.62
% of Cdn Aid	4.88%	4.64%	4.93%	2.31%	2.85%	2.85%

ODAAA Statistical Reports, Government of Canada

Moreover, according to the OECD, Canada, who used to be a global leader, providing nearly half of nutrition aid, is now down to 17% of the world's nutrition aid. This trend must be reversed.

Given that one quarter of the planet's future labour force is suffering from stunted growth, which results in permanently reduced cognitive capacity and a life of environmentally disastrous despair, urgent action is needed.

There will precisely be an opportunity for Canadian leadership in 2020 with the Tokyo Nutrition for Growth Summit. Donor and recipient countries will come together to make policy and financing commitments to end malnutrition in all its forms by 2030. Canada must at least return to the amounts it was providing in previous years.

Recommendation 2-B: Canada should use its new international development funding to support increased nutrition programming up to levels seen earlier in the decade.

-C) Ensuring Children Have Full Access to Immunization

One very specific investment is particularly useful in protecting against demographic expansion: funding the fight against infectious diseases. Thanks to simple vaccines, millions of children are alive today that would otherwise be dead. Vaccines make parents in destitution confident that their children will survive and that they need not have more children as an insurance policy. Canada should support immunization in two ways. First, it should provide its share of campaign to eradicate polio, \$215 million. Second, it should support Gavi, the global alliance for vaccines, by increasing its pledge to the global immunization effort.

Recommendation 2-C: Canada should support immunization in two ways. First it should provide its share of campaign to eradicate polio, \$215 million. Second, it should support Gavi, the global alliance for vaccines, by increasing its pledge to the global immunization effort.

3. The need for R&D on Tuberculosis

The fight against global destitution is not only about aid. It is also about science that benefits the North as well as the South. For a country such as Canada where the flow of visitors, migrants and business collaborators is especially high, infectious diseases are real threats. We must mention in particular the threat posed by tuberculosis (the leading infectious killer in the South), especially 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. For these reasons, the importance of funding research on diagnostics and treatment of tuberculosis was specifically highlighted in the 2018 G7 Health Ministers' Declaration, and it is important for the 2020 budget to act on this declaration.

Recommendation 3: Budget 2019 should increase funding for research and development on tuberculosis, especially drug-resistant tuberculosis

-4) Study the possible introduction of a tax on international financial transactions

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.

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 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 to the international aid budget and to fight climate change directly.

Recommendation 4: 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

- 5) Ending Tax Loopholes

Tax loopholes allow certain multinationals to shift arbitrary amounts among subsidiaries and often transfer their operations to countries with weak environmental safeguards and their revenues to tax havens. This deprives governments such as Canada's of billions of dollars in revenue and undermines the fight for environmental sustainability. 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 5: Canada should demonstrate global leadership on fair taxation and support its trading partners to collectively put an end to abusive tax and environmental responsibility avoidance practices of multinationals and curb the access to tax havens.