Group of 78 Annual Policy Conference 2007
Global Stewardship: A Vision for Canada and the World

Panel: Principles and Goals for a Progressive Canadian Foreign Policy
September 29, 2007

Speaking notes for Molly Kane on Poverty and Development

We are starting today with the premise that things are not working well in the world: inequality is increasing and poverty is deepening. Nearly half of the world's population live in such poverty that up to one third of their children die before they reach the age of five, and this at a time of unprecedented wealth among the world's rich. Between 1990 and 2003, 18 countries, with a combined population of 460 million people, dropped in the UNDP Human development index rankings.

And, of course, inequality is as much about over-consumption as impoverishment.

- In 2002, human demands on the planet transmitted through our growth-based economies, exceeded the biosphere's regenerative capacity by more than 20%...as the world economy grows, so does its footprint, taking us even further from living within our environmental means and the target of real sustainability. In per capita terms, the footprint of the developed countries has grown much faster than that of the developing countries. The foot print per person in the former grew from 3.8 global hectares per person in 1961 to 5.4 in 1981 and 6.4 in 2001 – an overall increase of 68%. In developing countries, the increase over the same period was just 7%, one 10th as much and the footprint actually decreased between 1981 and 2001.
- According to the Red Cross World Disasters Report, the frequency and cost of natural disasters will increase due to a combination of environmental degradation, climate change, urban population growth and economic globalization. (IFRC, 1999) and according to World Bank, of all deaths from natural disasters, 96% occur in developing countries.(WB, 2004)

So, as the British economists, David Woodward and Andrew Simms have said, "while rich countries are disproportionately causing environmental problems, it is poor countries and especially the poor people within them, who suffer the most serious consequences… As a result the pursuit of poverty reduction through economic growth quickly becomes perverse: the already wealthy become both relatively and absolutely wealthier, while the poorest both slip further behind economically and have their well-being and prospects further undermined by environmental degradation." [i]

The moral outrage to this gross inequality and denial of basic rights is reflected in polls and citizen movements such as the Make Poverty History campaign. A poll released last year (March 2006) by Gallup international – and in Canada Leger and Leger – showed that Canadians identified the global gap between rich and poor as the world's number one problem by more than two to one over any other problem.

And yet, the assumptions underpinning the policies adopted by our government (and those of other OECD countries) do not seem to have been fundamentally shaken by this state of affairs.

It is time for bold leadership, to tackle the challenge that **if things must change, then things must change.** If we are to change the state of affairs in the world, then we must be prepared to change our own policies and practices in meaningful, consistent and coherent ways. And to that we must be willing to examine more critically what have come to treat as immutable and outside our influence and control, and to listen more carefully to voices of those who are marginalized from powerful global institutions (the impoverished and even more broadly the citizens of most of the world, including ourselves) who do aspire to have a world of peace, justice, dignity and the flourishing of life.

In the "development project" of which many of us have been working for decades, there are some assumptions that seem to survive all evidence of their failure. It is remarkable that in spite of the evident destructive impact of neo-liberal economic policies on developing counties since the 1980s, our official development efforts, whether through aid frameworks, debt conditionality, or trade policies, continue to reproduce inequality and vulnerability – all in the name of development. Given the policy coherence of the international financial institutions and the official donors, Joseph Stiglitz's characterization of the IMF, easily applies to much of the current development enterprise: This is a hospital that makes the patient sick.

Recent policy trends among official donors in response to critics of aid appear as a sort of collective apologia for the errors of the past. However, this apologia has not actually opened much space for a fundamental challenge to the orthodoxies of the development institutions, and certainly not to the power relations that underpin thoseinstitutions.

This uniformity finds its most recent expression in the Paris Declaration on Aid Effectiveness, an agreement of the High Level Forum of the OECD Development Assistance Committee, held in Paris in March 2005. The Paris High Level Forum included all of the major bi-lateral and multilateral aid donors, as well as representatives from the governments of 64 recipient countries. The Declaration asserts: "More than a statement of general principles, the Paris Declaration lays down a practical, action-orientated roadmap to improve the quality of aid and its impact on development. The 56 partnership commitments are organised around the five key principles: ownership, alignment, harmonisation, managing for results, and mutual accountability.[ii]

It is still too soon to assess the efficacy of the Paris Declaration in reforming the practices of aid institutions. There is no doubt merit in agreements to improve the implementation of development assistance for aid dependent countries. Some aspects of the Paris Declaration, such as the untying of aid, and the explicit principle of aid being judged ultimately on its contribution to poverty reduction are welcome.

However, to the extent that these "high-level" agreements by-pass broader democratic processes – commitments to "local ownership" notwithstanding – they still serve to limit policy space, thus reproducing social inequality and constraining the necessarily contentious exploration of the alternatives required to address the interests of the historically disenfranchised in the governance of their societies. Official donor commitments to local ownership and harmonization, as reflected in the Paris Declaration, now acknowledge the importance of accountable governments as both a requirement and a goal of democratic development. They also acknowledge that Structural Adjustment Programs of the 1980s went "too far" in weakening the state. However the core economic prescriptions of the structural adjustment period (liberalization, privatization, and deregulation) remain in force today as part of debt restructuring through the World Bank's Highly Indebted Poor Country initiative (HIPC), and the Poverty Reduction Strategy processes that serve as the basis of the donor alignment and harmonization now promoted by the Paris Declaration. And Canada currently does not stray from this consensus. So while we may have cancelled bi-lateral debt, our adherence to the debt cancellation policy conditionality for our own aid programs, and the positions we have taken at the World Trade Organization to thwart the aspirations of developing countries, implicate us in the reinforcement of these economic and political straightjackets.

Aid conditionality is justified by the global aid institutions as being essential for promoting good governance and economic growth leading to poverty reduction. As both a goal and a requirement for official development assistance, "good governance" is defined within narrow parameters of strengthening the capacity of governments to be transparent and accountable and to promote open and "free" markets, creating favourable environments for investment which leads to growth, which will lead to poverty reduction…or so the story goes.

That story has a few key problems, which have been readily identified by significant sectors of societies in developing countries; not the least being that there is no evidence to date that it has been successful in eradicating poverty. The monetary and fiscal policies of debt restructuring agreements imposed by donor states through the World Bank and International Monetary Fund, critically curtail access of indebted countries to other sources of financing for development, such as import tariffs and corporate taxation. They also render countries disastrously feeble against the unfavourable terms of trade and investment defended by donor states. The costs of these policies to African countries are not negligible. The U.K charity, Christian Aid, calculated that over the past two decades:

> "Africa lost in income terms the equivalent of over $270 billion from the negative growth effects of trade liberalization. This amount alone more than matches the accumulated value of grants, loans and net FDI channelled into the continent. Add losses due to tax competition, tax evasion and tax avoidance. Taxation which has served developed countries well as a means of redistribution and source of investment capital but which has been undermined through the enforced de-regulation which has promoted tax competition, tax avoidance and tax havens. As a result, whereas government revenue from taxation in developed countries averaged 30% between 1990 and 2000, in sub-Saharan Africa this has declined over the years to an average of 17.9% of GDP. Between 1970 and 2000 whereas Africa received about $100 billion dollars in aid (including loans) it lost $274 billion in capital flight induced by debt, trade mis-invoicing and imputed interests… Africa was made to reduce rates of protection three times as fast as the countries of the OECD." [iii]

The resulting reliance on external aid to sustain national budgets reinforces the accountability of national governments to their external funders, rather than to their own constituencies and institutions of governance. Critically, donor-led consultative processes such as the Poverty Reduction Strategy Papers (PRSP), do not include examination of these imposed policies and their impact on revenue generation and livelihoods; they are imposed as a necessary fiscal framework within which the allocation of spending priorities may be debated.

Walden Bello, Director of Focus on the Global South has said: "It is in fact questionable that even if one could conceive of a globalization that takes place in a socially equitable framework, this would in fact be desirable. Do people really want to be part of a functionally integrated global economy where the barriers between the national and international have disappeared? Would they not in fact prefer to be part of economies that are susceptible to local control and are buffered from the vagaries of the international economy? Indeed the backlash against globalization stems not only from the inequalities and poverty it has created but also in the sense of people that they have lost all semblance of control over the economy to impersonal international forces".

So what about Canada? What about our special identity as non-colonial power (at least externally)? We rarely break from the consensus of the former colonial powers. The vision that is needed has been lost to dangerously short-term, partisan expediency.

Bold leadership is required. Here are a few suggestions to get started.

- Support the democratization of global institutions – and the political space for development alternatives; acknowledge that the global consensus regarding development does not exist and that the one claimed by the OECD countries has not demonstrated success in terms of constructing viable life sustaining economies and democratic institutions and political culture.
- Enact legislation that requires Canadian corporations operating outside Canada to meet and be accountable to international human rights, labour and environmental standards in all their operations worldwide. Ensure transparent corporate reporting against these standards and make Canadian public support to corporations contingent upon compliance.
- Demonstrate leadership within global financial institutions to put a brake on the imposition of neo-liberal policies of liberalization, de-regulation, privatization and commercialization of land and resources on fragile economies.
- Promote local investment, strengthen public finances and allow more progressive tax systems through coordinated measure to control capital flight, tax havens, and tax competition.
- Ensure that royalties and other payments from extractive industries reflect the full cost of natural resource depletion.
- Contribute our fair share of public funds for wealth re-distribution to re-invest in public infrastructure destroyed by structural adjustment programs, and in poverty reduction and social development to favour sustainable livelihoods and local and regional economies.

What is our fair share? In the year 2000, Canada, along with the international community signed on to Millennium Declaration in which we agreed to "spare no effort" in ending poverty. This was followed by commitment to devote aid resources to achieve the rather modest objectives for the Millennium Development Goals. When one takes into consideration increased debt cancellation, increased emergency assistance, assistance to Iraq and Afghanistan, less than 30% of Canada's $2 billion in aid commitments since 2000 was even available to target MDGs. Globally, only 3.5% of the $69 billion of new aid resources since 2000 could actually have been added to precious aid allocations for the MDGs; much of the remainder was debt cancellation and aid to Afghanistan, and particularly to Iraq.

CCIC now is asking for a budgetary plan to increase Canadian ODA by at least 15% a year for the next ten years, to achieve .4% of Canadian GNI by 2010, .6% by 2015 and the UN target of .7% by 2017. Note that total ODA is estimated by CCIC to remain unchanged in 2007/08 at $4.6 billion, but Canada's aid performance, as measured as a proportion of our Gross National Product, will fall from .33% in 2006/07 to .32% in 2007/08. This is not even half of the UN target of .7% to which other donors have committed. Currently Afghanistan is Canada's largest aid recipient at about $145 million per year. In the 2005 federal election Stephen Harper pledged to add $425 million in new aid spending, in addition to the 8% increases and the Liberal/NDP commitment to $500 million. So far in the 2007 budget, the Conservatives have added $130 million, less than a third of this pledge. The Conservatives also pledged during the last election to "move towards the average level among OECD donors by 2010, which at the time of the promise was .42% of GNI. The latest DAC ODA figures for 2006 now put the average performance at .46%. On the current track of 8% annual increased, Canadian aid performance in 2010 is expected to reach only .33% of Canadian GNI. Note that these figures, as modest as they are, do not reflect the "reality" of aid. For instance, Canadian ODA figures have included $950 million in debt cancellation in 3 years since 2005; support for refugees in first year in Canada; and support for developing country students. CCIC estimates that up to 35% of Canadian aid might be considered "phantom aid" that never reaches poor people in developing countries.

CCIC is also calling for legislation which establishes poverty reduction as exclusive goal for Canadian ODA. This legislation is in the Senate and will be dealt with when Parliament re-convenes (since it is a private member's bill, it did not die). The legislation will require the minister for International Cooperation to confirm that Canadian aid disbursements are targeted exclusively to poverty reduction, in the context of Canada's human rights obligations, taking into account the perspectives of people living in poverty.

---

[i] See Woodward and Simms, Growth is Failing the Poor: the Unbalanced Distribution of the Benefits and Costs of Global Economic Growth, DESA Working Paper No. 2.

[ii] For full text and background on Paris Declaration see:
http://www.oecd.org/document/18/0,2340,en_2649_3236398_35401554_1_1_1_1,00.html

[iii] See Charles Abugre: A Leaking Ship: The Role of Debt, Aid and Trade, from a paper presented to Global Call to Action Against Poverty, Harare, November, 2005,