

Honouring Canada's
International
Commitments





Highlights

Budget 2010 fulfills Canada's commitment to double international assistance by:

- ✓ Increasing the International Assistance Envelope, the principal means by which Canada allocates foreign aid, by \$364 million, bringing it to \$5 billion in ongoing annual support.
- ✓ Providing a further \$800 million of loan resources and \$40 million in subsidy resources to support concessional lending to the poorest countries through the International Monetary Fund's Poverty Reduction and Growth Trust.



Canada is a global leader and continuously demonstrates this by honouring its international commitments. The importance of accountability for promises will be a defining feature of Canada's G8 and G20 Summit year. Budget 2010 delivers on promised resources, and the Government will ensure Canada's contributions effectively address global challenges including the economic crisis, immediate and long-term recovery in Haiti, maternal and child health, as well as food security.

International Assistance

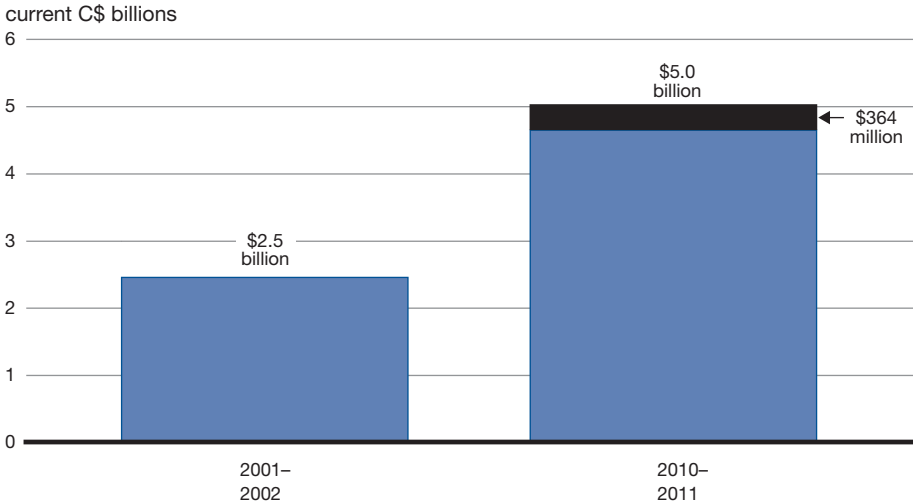
In 2002 Canada committed to double international assistance by 2010–11. Budget 2010 fulfills this commitment by increasing the International Assistance Envelope (IAE) by \$364 million or 8 per cent, in 2010–11, bringing it to \$5 billion (see Chart 3.5.1). There is no new fiscal impact from this measure. Furthermore, Canada has already met its commitment to double aid to Africa.

For planning purposes, the Government had provisioned for annual growth in the IAE of 8 per cent. With the achievement of the \$5-billion aid target, future IAE spending levels will be capped at 2010–11 levels and will be assessed alongside all other government priorities on a year-by-year basis in the budget. Relative to the planning track in the September 2009 Update of Economic and Fiscal Projections, which assumed automatic ongoing growth for international assistance spending of 8 per cent per annum, this results in savings of \$438 million in 2011–12, rising to \$1.8 billion in 2014–15.



Canada has fulfilled its commitment to double aid

Chart 3.5.1
International Assistance Envelope



Economic Crisis Recovery Efforts

The global economic crisis has had a serious impact on the poor, threatening to reverse years of development progress. At their Summits in Washington, London and Pittsburgh, G20 Leaders agreed to a range of measures to promote economic recovery, including a Framework for Strong, Sustainable and Balanced Growth. Under the Framework, G20 members will assess the mutual consistency of their policies and economic projections. The medium-term economic forecast submitted by Canada for this exercise is in Annex 4. Leaders also committed to ensuring that international financial institutions on the front lines of the crisis have the resources necessary to help developing countries.

Canada did its part and more. We have made available over US\$22 billion to core institutions since January 2009. This includes:

- US\$10 billion to the International Monetary Fund (IMF) to support additional balance of payments assistance in developing countries.



- US\$4 billion in temporary capital to the Inter-American Development Bank (IDB) to help the bank bridge through the economic crisis. This innovation allowed the bank to immediately increase lending capacity by 45 per cent.
- Building on the success of its work with the IDB, Canada tripled its capital at the African Development Bank to US\$2.6 billion for five years, allowing lending levels to increase by 75 per cent compared to pre-crisis forecasts. Along with other shareholders, Canada also agreed to triple its capital base at the Asian Development Bank to US\$5.3 billion.
- Providing US\$200 million as the anchor donor to the International Finance Corporation's Global Trade Liquidity Program, a multi-award-winning initiative that supports small and medium-sized enterprises' access to trade finance in the developing world.

In addition, Canada will provide a further \$800 million in loan resources and \$40 million in subsidy resources to support concessional lending to the poorest countries through the IMF's Poverty Reduction and Growth Trust. To follow through on our promise made at the G20 London Summit, the necessary resources will also be set aside within the IAE for upcoming capital and concessional resource increase negotiations at the World Bank and regional development banks.

Increased uncertainty resulting from the economic downturn has highlighted the need for countries to maintain open markets to ensure that a global recovery takes hold. This is why the G20 countries have committed to refrain from erecting new trade barriers and to promote open markets. The Government has done more than its part in respecting these important commitments by taking concrete actions to further open global markets. Canada's strong leadership in this area includes: unilateral tariff relief actions to support our manufacturers as well as global trade; the launch of ambitious trade and economic negotiations with the European Union; and the successful conclusion of free trade agreements with the European Free Trade Association, Colombia, Peru, Panama and Jordan.



Maternal and Child Health

Each year, more than 500,000 women lose their lives from causes related to pregnancy and childbirth and nearly 9 million children die before their fifth birthday. Despite the global community's promise to address these issues, as set out in the United Nations Millennium Development Goals, we are far off track. Many solutions are simple and affordable: training for health workers, vaccines, better nutrition and clean water. Canada will use its leadership at the 2010 G8 Summit in Muskoka to focus the world's attention on maternal and child health and will work to secure increased global spending on this priority.

Global Food Security

The global economic crisis has exacerbated the problem of food scarcity and price instability. In 2009, over 1 billion people were undernourished, more than at any time since 1970. At the G8 Summit in L'Aquila, Italy in July 2009, Leaders pledged to deliver a comprehensive package to address food security. Reinforcing Canada's reputation as a world leader in this critical sector, Canada was the first to announce a clear commitment with a three-year \$600-million agriculture package—a doubling of our existing spending in this area. Of the total, \$260 million is being provided through the World Bank to its Global Food Crisis Response Program and its new Global Agriculture and Food Security Program. Canada's contribution provides resources to enhance agricultural productivity and to improve long-term food security for poor and vulnerable populations.

Haiti

Canada has a long-standing and close relationship with Haiti. There are more than 100,000 people of Haitian origin living in Canada, and an estimated 6,000 Canadians were living in Haiti before the January 12 earthquake struck. Canadians were deeply affected by the tragedy, and they responded generously with personal donations to help victims begin to rebuild their shattered lives. Canadian civil society organizations also undertook significant emergency humanitarian efforts. The Government supported this response and immediately agreed to match eligible funds raised by private donations, estimated to be close to \$130 million.

The Government took unprecedented action in responding to the crisis. Our rapid response mechanisms, including the dedicated Disaster Assistance Response Team, allowed us to get urgently needed relief supplies to Haiti, to deploy personnel to UN humanitarian agencies, and to provide cash contributions to key humanitarian partners in the immediate aftermath of the disaster. This was an important boost that assisted the overall Canadian and international response.



Recognition should in particular be given to the exemplary efforts of those Canadians deployed directly to Haiti and the Dominican Republic, including our aid officials and consular staff based in Port-au-Prince, over 2,000 Canadian Forces personnel, and members of the Royal Canadian Mounted Police.

Two weeks after the earthquake, Canada hosted the Montréal Conference with the Government of Haiti, where world leaders set in motion a joint approach to Haiti's reconstruction and development. Canada will continue to play a leadership role in the humanitarian and long-term response to the earthquake in Haiti. Our support includes a strong emphasis on the need for clear accountability of resources and results.

In 2009, Canada and others took action to cancel Haiti's bilateral debts. It is clear, however, that the country still faces an onerous debt burden with over \$825 million owed to various international financial institutions. To address this issue, at the recent G7 Finance Ministers Meeting in Iqaluit, Canada led a consensus to forgive all Haitian debts to these institutions as soon as possible. G7 Ministers also agreed that reconstruction assistance should only be provided in grant form so as not to compromise the success of the country's long-term development efforts.

In order to sustain the Haitian economy during the reconstruction phase, the Government will take steps to ensure that trade is not unduly impacted. As such, the Government will ensure that Haitian exports to Canada continue to be eligible for tariff-free treatment.