# Written Submission

# Pre-Budget Consultations in Advance of the 2019 Budget

# Canadian Council for International Co-operation (CCIC)

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# List of Recommendations

### *Part I: Competitive Economy, Sustainable Society*

**Recommendation 1:** That the Government focus on revenue generation and stability in federal revenues through progressive fiscal policy reforms.

**Recommendation 2:** That the Government launch a national commission to generate a comprehensive, costed, whole-of-Canada action plan to align government policy with the Sustainable Development Goals (SDGs), and establish a coherent whole-of-government framework of indicators for meeting and measuring Canada's SDG priorities at home and abroad.

### *Part II: Effective Charities*

**Recommendation 3:** That the Government implement the first three recommendations of the Consultation Panel on the Political Activities of Charities.

**Recommendation 4:** That the Government develop a process for the charitable sector and government to jointly identify and recommend actions for broader legal and regulatory reform for the charitable sector.

### *Part III: Global Leadership*

**Recommendation 5:** That the Government increase Canada's spending on global development and humanitarian assistance over 10 years, through predictable 15% annual increases to the International Assistance Envelope (IAE).

**Recommendation 6:** That, starting in 2019-20, the Government dedicate 50% of bilateral aid to least developed countries (LDCs), low-income countries (LICs) and fragile contexts.

**Recommendation 7:** That, by 2022-23 and in the context of implementing Recommendation 5 above, the Government dedicate 0.12% of Canada's gross national income (GNI) to development co-operation for LDCs.

**Recommendation 8:** That the Government dedicate at least 50% of Canada's international climate finance to investments in adaptation, in the context of increasing climate finance and reaching Canada's fair share.

**Recommendation 9:** That the Government, through Global Affairs Canada, establish a new international assistance effectiveness action plan, with clear targets in line with international aid and development effectiveness commitments.

**Recommendation 10:** That FinDev Canada allocate half of its investments to initiatives that reduce gender inequality, such as through women-led small- and medium-sized enterprises (SMEs) in low-middle income countries (LMICs) and LICs.

## *Introduction*

Budget 2019 represents an opportunity for the Government of Canada to increase Canada's competitiveness by creating enhanced conditions for sustainable economic growth, including through revenue generation and policy coherence. In doing so, the government should signal that its support for growth extends to all sectors of the economy, including the charitable sector.

Sustainable economic growth is more than an end in itself – it is also an opportunity to advance transformative change. Budget 2019 should therefore include robust commitments to use the benefits of current and future economic growth to enhance Canada's global leadership in sustainable development and humanitarian assistance, as a key element of its reputational and competitive advantage.

## *Part I: Competitive Economy, Sustainable Society*

### *Recommendation 1: That the Government focus on revenue generation and stability in federal revenues through progressive fiscal policy reforms.*

Decades of tax cuts have severely constrained the federal government's ability to be nimble during economic downturns, invest and expand public services and government programs, and reduce income inequality – thereby impacting negatively on Canada's overall economic competitiveness. According to one analysis, in 1992, the five-year average of total government expenditures as a share of GDP was 48.6 percent. In 2016, the five-year average was 40.1 percent. In the context of today's $2 trillion economy, the difference represents $170 billion annually in government investments that never happen. Budget 2019 should include fiscal measures that begin to restore the federal government's capacity to invest in a more competitive economy and a more sustainable society.

In addition to restricting revenues, regressive and poorly designed fiscal policies can exacerbate income and gender inequality. Budget 2019 should specifically aim to change tax, social and macro-economic policies and frameworks that aggravate income inequality and/or are biased against women.

Fiscal measures that directly or indirectly subsidize production and use of fossil fuels distort markets, give inappropriate price signals, and discourage investments in renewable energy and energy efficiency. Budget 2019 should initiate the elimination of all fossil fuel subsidies, and create incentives for a just transition to a low-carbon economy – in line with G7 commitments in 2016 and 2018.

***Recommendation 2: That the Government launch a national commission to generate a comprehensive, costed, whole-of-Canada action plan to align government policy with the Sustainable Development Goals (SDGs), and establish a coherent whole-of-government framework of indicators for meeting and measuring Canada's SDG priorities at home and abroad.***

The new SDG Unit at Employment and Social Development Canada should establish a new multi-stakeholder national commission to engage the three levels of government, Indigenous authorities, civil society, the private sector and other Canadians.

Working with the SDG Unit, the national commission should be mandated to generate a comprehensive, costed, whole-of-Canada SDG action plan, including integrating government commitments to Canada's Indigenous Peoples. This action plan should outline an inclusive process for developing a national framework of indicators, engaging provinces, territories and municipalities, and working with them to collect subnational data, disaggregated by age, race, ethnicity, and gender, among other things. The action plan must support alignment of Canadian policy with the 2030 Agenda principle of "Leave No One Behind," which requires prioritizes the multi-dimensional character of poverty and the structural barriers to reducing inequality.

## *Part II: Effective Charities*

Canada's competitive advantage includes the strength of its charitable sector. Canada's charities employ approximately two million Canadians and represent $135 billion or 8.1% of GDP. Moreover, they represent a core element of Canada's national identity. When Canadian not-for-profit organizations are empowered to do their best possible work, it benefits Canadian society as well as the Canadian economy. A precondition of this, however, is a legislative and policy environment that is fully conducive to charities realizing this full potential. CCIC therefore proposes two recommendations to substantively improve the regulatory and legislative environment for Canadian charities.

***Recommendation 3: That the Government implement the first three recommendations of the Consultation Panel on the Political Activities of Charities.***

The first three recommendations of the independent Consultation Panel on the Political Activities of Charities speak to the need for legislative and regulatory reform by the Canada Revenue Agency to ensure that charities are enabled, in the words of the report, "to fully participate in public policy dialogue and development." These recommendations are echoed and strengthened in the recent Ontario Superior Court of Justice ruling in the case of *Canada Without Poverty v. AG Canada*. While the prohibition on partisan activity by charities should be maintained, existing guidance is vague and inconsistent. It needs to be improved and clarified to ensure that charities can maximize their contribution to Canada's society and economy.

***Recommendation 4: That the Government develop a process for the charitable sector and government to jointly identify and recommend actions for broader legal and regulatory reform for the charitable sector.***

Canadian charities are currently governed by common law interpretations of an antiquated statute. The time for a thoughtful and comprehensive reform is now. The United Kingdom, Australia, Ireland, and New Zealand, have recently modernized their frameworks. Canadian charities, including CCIC, are eager to work with the government and parliamentarians to develop a vision for a 21st-century Canadian regulatory and legislative framework for the charitable sector. This recommendation supports the fourth recommendation of the Consultation Panel on the Political Activities of Charities and the mandate letters of the Ministers of Finance and National Revenue.

## *Part III: Global Leadership*

By taking the above measures to strengthen Canada's economic competitiveness and enable its charities to be more effective, Canada will position itself for enhanced global leadership. In doing so, Canada will build its global reputational and competitive advantage and contribute to a more stable and predictable multilateral system which benefits everyone, including Canadians. One area in which Canada is notably well-placed to increase its engagement is development cooperation and humanitarian assistance. In poll after poll, Canadians have said that helping others around the world is part of what makes us Canadian, and that they want their government to make development cooperation and humanitarian assistance a priority in Canada's foreign policy. The following recommendations identify specific ways to increase and sustain Canada's contribution to a fairer, more sustainable, and safer world.

***Recommendation 5: That the Government increase Canada's spending on global development and humanitarian assistance over 10 years, through 15% annual increases to the International Assistance Envelope (IAE).***

Official Development Assistance (ODA) provides a key resource in fragile and conflict-affected contexts that struggle to attract other sources of financing. ODA is essential to realizing the core poverty and inequality goals of the 2030 Agenda to leave no one behind. Yet Canada currently invests just 0.26% of gross national income (GNI) in international development and humanitarian assistance – below the average of OECD countries, and below Canada's own historic average contribution. If current funding and growth levels are sustained, by the end of this government's first mandate in 2019 it will have the lowest average commitment to ODA as a percentage of GNI of any Canadian government in half a century.

Annual 15% increases (including projections outlined in the 2018 federal budget) would take the IAE from $5.5 billion in 2018-19 to $6.3 billion in 2019-20, $7.3 billion in 2020-21 and $8.4 billion in 2021-22. This is consistent with the recommendation in last year's Finance Committee

Pre-Budget Consultation Report that Canada "[i]ncrease its official development assistance with the goal of allocating 0.7% of gross national income to the International Assistance Envelope by 2030, with 3 year rolling targets." The House of Commons Committees on Finance and Foreign Affairs and International Development made similar recommendations in 2016. A recent peer review of Canada by the OECD also recommended that Canada establish a timeline to realize the global standard of committing 0.7 percent of GNI to ODA.

This "fiscal escalator" will generate predictable annual increases in the aid budget, double the IAE in five years, and allow partner countries to absorb increases effectively and in accordance with their priorities. As the IAE increases, a proportionate amount should be allocated to the core humanitarian budget (prevention, response, relief and recovery), to bring it in line with typical year-end expenditures, including multi-year and standalone gender-in-emergencies funding.

These additional resources should be accompanied by new, flexible, diverse and responsive funding mechanisms suitable for a variety of civil society partners.

***Recommendation 6: That, starting in 2019-20, the Government dedicate 50% of bilateral aid to least developed countries (LDCs), low-income countries (LICs) and fragile contexts.***

***Recommendation 7: That, by 2022-23 and in the context of implementing Recommendation 5 above, the Government dedicate 0.12% of Canada's gross national income (GNI) to development co-operation for LDCs.***

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***Recommendation 9: That the Government, through Global Affairs Canada, establish a new international assistance effectiveness action plan, with clear targets in line with international aid and development effectiveness commitments.***

***Recommendation 10: That FinDev Canada allocate half of its investments to initiatives that reduce gender inequality, such as through women-led small- and medium-sized enterprises (SMEs) in low-middle income countries (LMICs) and LICs.***

These five measures will strengthen Canada's ability to facilitate a truly transformative feminist international assistance agenda that responds to the needs of women's rights organizations, meets the ambitious gender programming targets in the Feminist International Assistance Policy, and ensures that gender equality and women's empowerment are truly at the heart of Canada's international assistance programming. More broadly, they will help ensure that a predictable and significant portion of Canada's development dollars targets some of the poorest people in the poorest countries – in accordance with principles of aid and development effectiveness and at no additional cost. By taking these measures, Budget 2019 will fill key financing gaps to help meet the needs of people living in poverty.

*The Canadian Council for International Co-operation (CCIC) is Canada's national coalition of civil society organizations (CSOs) working globally to end global poverty and promote social justice and human dignity for all. The Council's 80-plus members include many of Canada's leading international development and humanitarian assistance CSOs — from faith-based and secular groups to labour unions, cooperatives and professional associations.*