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Chair

Ms. Yasmin Ratansi

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• (1530)

[English]

The Chair (Ms. Yasmin Ratansi (Don Valley East, Lib.)): We'll commence meeting 10 studying the freeze on departmental budget envelopes and government operations.

We have before us, from the Canadian International Development Agency, Mr. David Moloney, the executive vice-president; Mr. Jim Quinn, the chief financial officer, and Ms. Christine Hogan, the vice-president, strategic policy and performance branch.

I understand, Mr. Moloney, you have opening remarks. The floor is yours.

Mr. David Moloney (Executive Vice-President, Canadian International Development Agency): Thank you, Madam Chair and the committee, for this opportunity to address the Standing Committee on Government Operations and Estimates.

As the chair has said, I'm joined today by colleagues from CIDA.

I thought it might be useful for committee members if I took a few minutes at the outset to provide an overview of CIDA's budget—what we're doing with these funds and how we are working to use them more effectively and efficiently.

As committee members know well, CIDA works to achieve our strategic outcome as set out in our main estimates and detailed in our report on plans and priorities; namely, the reduction in poverty for those living in countries where the Canadian International Development Agency engages in international development.

To do so we have approximately 1,950 employees, with roughly 170 of them posted in 49 countries, working with local governments and several hundred Canadian and local partners, as well as international organizations. These people deliver total programming, as proposed to Parliament this year, of \$2.9 billion.

To support our operations both at home and in the field, we count on an operating budget of about \$230 million. The total budget of \$3.2 billion is drawn from the government's international assistance envelope, which Budget 2010 announced would be capped at its 2010-11 level going forward. CIDA currently draws about two-thirds of that envelope.

Looking specifically at our operating budget, 70% of the expenses is for salaries, while 30% is for other costs, including travel, training, and professional services. Like all other government departments, CIDA is reviewing its expenditures in order to do its part to implement the government's three-point plan to return to a balanced budget by 2014-15, as announced in Budget 2010.

In light of the directive to freeze departmental operating budgets at the 2010-11 levels until 2012-13, CIDA will absorb any wage and salary increases established by collective bargaining agreements applying to that full 2010-2013 period.

[Translation]

CIDA employees will receive the planned increase in wages for 2010-2011, which the Expenditure Restraint Act and collective bargaining agreements have set at 1.5%. To cover these salary increases, CIDA will find additional efficiencies within the existing operating budget.

In particular, in order to effectively absorb the wage and salary increases, which we estimate for 2010-2011 at \$2.2 million—against total salary commitments of \$153 million—CIDA will continue to scrutinize and tighten all operating expenditures, which include both salary and non-salary spending.

Reducing operating funds obviously means that we at CIDA will have to be more strategic in how we go about all of our business, ensuring that we are getting the most out of every dollar spent. We believe that we are well-positioned to do so because this is an exercise in which CIDA has already been engaged for quite some time. In fact, we recently launched an ambitious business modernization initiative to transform the agency's operating model as one key element of a more effective, efficient and accountable delivery of Canada's international development program.

Within the context of this initiative, we are decentralizing program responsibilities to the field, which ensures CIDA's operations and associated roles, experts, authorities and accountabilities are located where they will most effectively and efficiently contribute to the agency's mission and mandate.

Other components of our business modernization initiative include the reengineering of our business processes to sharply cut the time we take to develop new programs and projects and to respond to funding proposals. This means gains for our programming partners and recipient countries. It also means higher levels of productivity and value-added from CIDA employees.

We have already achieved very significant improvements in key lines of business and are pressing ahead.

•(1535)

[English]

As I noted, Madam Chair, this initiative is just one part of the government's aid effectiveness agenda to strengthen the focus and effectiveness, efficiency, and accountability of Canada's aid dollars.

Regarding focus, Minister Oda announced in February of last year that 80% of CIDA's bilateral aid would go towards 20 countries, meaning that the bulk of our bilateral programming is now going to areas where it can make the most difference. This is our largest line of business and represents just over one-half of our program dollars. Another third of our funding goes through multilateral organizations, and here too CIDA has refocused funding on institutions that are effective and aligned with the Government of Canada's priorities.

In terms of thematic focus, Madam Chair, last May the minister outlined CIDA's priorities for international development. These are to increase food security, to secure the future of children and youth, and to stimulate sustainable economic growth.

Given the nature of CIDA's business, we must be able to adapt to global circumstances such as natural disasters, economic instability, or geopolitical crises. Our approach in Haiti, for example, had to change fundamentally after this January's earthquake, to move from primarily development objectives to ones of humanitarian assistance, recovery, and reconstruction.

There are also good-news stories of countries that progress to the point of generating their own tax dollars to finance their development and no longer need ours. Development institutions are all in the business of shifting program and operating budget dollars to the areas that require immediate support in light of changing global circumstances. The same logic applies in today's climate of fiscal restraint and specifically with respect to the directives laid out in Budget 2010.

The measures I've outlined here today demonstrate CIDA's commitment to managing its spending well while still realizing successes in the delivery of the Government of Canada's mandate as it relates to international development. CIDA will live within its means.

We're happy to answer any questions the committee may have.

Thank you.

The Chair: Thank you very much.

We will go to the first round of questions.

Mr. McKay.

Hon. John McKay (Scarborough—Guildwood, Lib.): Thank you, Chair, for this opportunity. Thank you, witnesses, for coming.

Mr. Moloney, you said that CIDA would do its part. It seems to me that CIDA is being asked to bear more than its share. I was just looking at page 164 of the budget and it says there are savings measures of about \$17.5 billion, of which \$4.5 billion will come out of international assistance. Based upon your budget of about \$4 billion, give or take, that's a pretty serious amount of money to lose over the next number of years and not be able to spend on international assistance. It seems disproportionate to any other

contribution by any other department or agency. National Defence is contributing \$2.5 billion on a budget of roughly \$100 billion over the same period of time. Containing administrative costs is \$6.8 billion, and I don't even know what that would be. That would probably be well over hundreds of millions of dollars.

Mr. Moloney, this is an enormous amount of money that you are walking away from, of which you, CIDA, are contributing about two-thirds. My first question to you is, can you tell me how that will be portioned between your agency, CIDA, and the other departments? Who else will be asked to share in this "burden" of reducing the \$4.5 billion?

•(1540)

Mr. David Moloney: Certainly I can confirm that CIDA does account for about two-thirds of the international assistance envelope. By way of comparison, the Department of Finance and the Department of Foreign Affairs and International Trade each account for 8% to 10% of that envelope. IDRC, the government's International Development Research Centre, accounts for about 3%, and then a variety of other government departments account for the balance. It would be speculation to say what might have been done should the international assistance envelope have continued to grow beyond the current fiscal year, so I can't comment on the split. Those are the facts as of today.

Hon. John McKay: I'm not asking you to comment on it. In my recollection, the Department of Finance's budget was something in the order of about \$80 billion. DFAIT's budget—I don't remember what that is, and yet their proportion of contribution, particularly with respect to Finance is, relatively speaking, minuscule compared to what CIDA is being asked to contribute to these projected savings. Is that a fair comment?

Mr. David Moloney: I can't offer any comment on the government's decision regarding the program dollars. I can confirm that on the operating side the approach with CIDA is the same as all other departments.

Hon. John McKay: But it is an accurate observation, would you say?

Mr. David Moloney: I'm not going to comment on the program dollars element.

Hon. John McKay: You also indicate that you will be doing some internal savings as well. It looks like your actual spending in the fiscal year 2008-09 was \$414 million, and you're dropping that to \$229 million, roughly \$230 million. That's a very significant drop in your operating budget.

Meanwhile, you're refocusing from, basically, the desperately poor countries in Africa to the slightly less poor countries in South America and Central America. So who gets dropped out of all of this?

Mr. David Moloney: The figures that I believe the member is referring to are not in respect of any of our programming dollars, but rather in CIDA's operating vote. Comparing our operating vote from 2008-09 to the operating vote that's currently in front of Parliament, through the main estimates, for 2010-11, there is a significant decrease from two years ago to this year, which is overwhelmingly due to a one-time technical revaluation of liabilities related to exchange rate adjustments. That amount was in excess of \$163 million.

Hon. John McKay: So when you talked about other subsidies and payments, that's what you were referring to?

Mr. David Moloney: That's right. There were payments owing on the operating side. There is in fact a modest reduction, much more modest—in the range of 5% or so—that has to do with the fact that the government has, for a number of years, in several of the last budgets, been pointing to the need for administrative efficiencies, which, as I alluded to, are part of the aid effectiveness agenda. CIDA has been working hard to be more efficient and to work smarter, but these are much more modest than the amount you were talking about.

● (1545)

Hon. John McKay: In effect, if I add that \$163 million back into 2010 and 2011, it's roughly a status quo situation. Is that fair?

Mr. David Moloney: It's very close.

Hon. John McKay: In reality, therefore, there is no actual reduction in CIDA's operating budget. In reality, therefore, the transfers in the international assistance envelope are being significantly reduced?

Mr. David Moloney: They will not grow against a status quo projection of some considerable increases of the order you mentioned.

Hon. John McKay: That was in the order of about 8% on an annual basis, was it not?

Mr. David Moloney: They have grown 8% for the last 10 years, including this year.

Hon. John McKay: How much further behind our 0.7% does this put us?

Mr. David Moloney: The OECD came out last week and updated Canada's official development assistance relative to gross national income at 0.33%, which is a status—

The Chair: This is the last question for you, Mr. McKay.

Hon. John McKay: I believe this might be the sixth, seventh, or whatever number set of priorities that ministers over the last number of years have had. Yours are food security and children and youth, etc. With respect to the minister's ever-changing set of priorities here, what does this have to do with the only legislative mandate you have, namely the better aid bill, which was passed in 2008? How in heaven's name does this have anything to do with poverty reduction, with taking into account perspectives of the poor, and with our commitment to international human rights?

The Chair: Could we have a brief response, please?

Mr. David Moloney: Very briefly, I'd point to the report that Minister Oda tabled before Parliament prior to September 30 of last year—

Hon. John McKay: Yes, I read it.

Mr. David Moloney:—which indicated how CIDA was living up to the legislation.

The Chair: Thank you.

We now go to *madame Bourgeois pour huit minutes, s'il vous plaît.*

[Translation]

Ms. Diane Bourgeois (Terrebonne—Blainville, BQ): Thank you, Madam Chair.

Good afternoon, gentlemen; good afternoon, madam.

The envelope for international assistance is used to fund CIDA programs as well as other international assistance activities. A number of departments have to share the envelope. I believe that CIDA, the Department of Finance, the Department of Foreign Affairs and International Trade, as well as the International Development Research Centre, receive money from that envelope.

How do you divide up this \$5 billion envelope?

Mr. David Moloney: At the end of the day, that is a cabinet decision, made by all ministers together. Each year, including this year, the budget has provided for an increase of \$364 million. So ministers prepare proposals and present them to their colleagues. The increase in the envelope is distributed according to government priorities.

Ms. Diane Bourgeois: At the moment, the government has no development policy for foreign affairs, if memory serves. If the Minister of Foreign Affairs and International Trade decides to put the priority in such and such a place, CIDA, which partners with all those departments, has to hand over the money and make do with less, because the priority will go to the Department of Foreign Affairs and International Trade.

Is that really what you are telling me? It depends on government priorities?

● (1550)

Mr. David Moloney: No and yes. It means that, in the last few years, ministers had about \$350 million on the table. Departments and ministers had, and still have, the opportunity to put forward their ideas and their projects. The Prime Minister and the other ministers make the final decisions.

Ms. Diane Bourgeois: Okay. I understood that completely.

I just wanted to come back to the goal of 0.7% of GDP that we have to reach in order to match the countries of the G8 and the G20. We know about the millennium goals and that Canada has committed to reach that goal of 0.7% for international assistance.

Given the freezing of expenditures, how is CIDA going to go about making sure that we can reach that goal? At the moment, we are not reaching it. We are now at 0.3% of GDP. That means that there is a decrease from year to year. How are we going to turn that around in order to keep heading towards the goal of 0.7%?

Mr. David Moloney: CIDA's role is to be a good manager, to be as effective and efficient as possible with the sums of money that the government and Parliament provide to us. We cannot talk about percentages; we can only talk about using money well.

Ms. Diane Bourgeois: I have another question related to that. In the last paragraph of your introductory text, you said that you would "shift...operating budget dollars to the areas that require immediate support."

I have sat on this committee for 10 years and I know that you have done an excellent job in certain countries where you have planted the seed for future development. This means that you are no longer going to do that, but you will be dealing with emergencies in the immediate term.

Do you not believe that moving forward with medium and long-term projects is changing CIDA's primary mission, the mission in which it once excelled? How can you live with that, you who have been with CIDA for all these years? It is going to detract from what you have been putting in place for a number of years.

Mr. David Moloney: As I mentioned, more than half the CIDA budget is identified for bilateral programs that, for the most part, are aimed at long-term sustainable development. But the CIDA budget also contains a significant percentage earmarked for emergency humanitarian assistance. Earthquakes happen sometimes. In 2008-2009, there was an earthquake in China, a cyclone in Burma; already this year, there have been a number of earthquakes and storms. So there are sometimes urgent, immediate, humanitarian needs at the same time as the long-term needs. Everything always has to be balanced, according to what is happening around the world.

Ms. Diane Bourgeois: Basically, if I am not mistaken, your budget, the one you operate with normally, will be chopped by more than half if you are absorbing a bunch of other expenses, say, in the next few years. Is that correct?

Mr. David Moloney: There are no cuts in our—

Ms. Diane Bourgeois: There are no cuts in your budget, but it is going to be chopped, because you are going to have to absorb salary increases for the employees and a bunch of other things. How many billion dollars are you going to lose over the long term? Am I wrong?

• (1555)

Mr. David Moloney: Our operational budget—

[English]

The Chair: This is your last question.

[Translation]

Ms. Diane Bourgeois: Yes.

Mr. David Moloney: Salary increases account for 1% of our operational budget each year. That has absolutely nothing to do with our program budget, which is the other 93%. Those \$2.2 million refer to an operational budget which is in excess of \$200 million.

[English]

The Chair: Thank you.

We'll now move to Mr. Warkentin for eight minutes.

Mr. Chris Warkentin (Peace River, CPC): Thank you, Madam Chair.

Mr. Moloney, welcome to our committee. This isn't the first time you've been here, but it's the first time in this capacity. Thank you for coming. We appreciate your testimony whenever you come.

I was sharing with you before the committee started that I spent some time in Kenya last summer and had an opportunity to see the folks on the ground. I was there in a private capacity with a local organizing group from my community to alleviate some of the poverty that had developed as a result of a two-year famine that has stretched over a good portion of Kenya and some of the surrounding countries. We saw folks on the ground and the effect of services they were providing.

It was interesting, when I had an opportunity to meet with some of the CIDA officials at the high commission there. At that point I think they were negotiating a partnership with other countries to alleviate some of the hunger that had been developing. We heard the announcement shortly after we returned to Canada that an allocation of about \$30 million was going toward immediate alleviation of hunger by feeding those people. I can't express to you enough my thanks for those dollars.

We actually witnessed young kids who were starving to death. We were working to do our part, but when CIDA was able to come forward with those funds and the partnership that was developed with other countries, it truly made the difference. I heard from the folks on the ground, who were still there after we left, that the food came at the right time and many lives were saved. So we salute the folks in CIDA for their foresight and ability to manoeuvre when the time presents itself.

I think one of the most important things I gained from your testimony was when I heard there was going to be a reduction in the time CIDA was going to take to facilitate some of these agreements and different things. I wonder if you could speak specifically to the effort being made to sharply cut down on the time allocated to make the decisions to get this aid out, and exactly how that will affect the service CIDA is able to provide for people on the ground.

Mr. David Moloney: Thank you. It's an excellent question. We're glad to talk about it. Jim and I especially spend a lot of every week on this.

I think the very last part of your question is important. We're trying to ensure that we're able to move in a more timely way to respond to needs.

For the past two or three years, the part of CIDA that works specifically with Canadian NGOs and civil society organizations has undertaken a major review of its business processes—literally, who does what, steps one, two, three, and four. It has gone through and cut down very sharply the number of steps, the number of approvals, and the amount of paperwork. It has reduced the time by somewhere between 50% and 60%, measuring from when a proposal is received. This is responsive programming, so an NGO applies for funding, and the time to get a yes or no answer has been reduced by over half. That allows our partner organizations to be able to move in something closer to real time.

We've now taken that same approach and moved it over to the larger program areas. We're working more country to country, which takes up more than half of our budget. We have just officially launched four pilot projects, after a year and a half of work. We've gone through what we call directive programming, where CIDA comes up with a project and works it up. We put out requests for proposals for bids from NGOs, private sector organizations, or international organizations to implement a specific project. A current example, which Minister Oda recently spoke to in Port-au-Prince, is to build a hospital in Gonaïves to replace one that was destroyed two years ago.

With this kind of programming we think we can take out 60% of the time and 65% of the signatures of the approvals of the documentation required. This allows us to be more responsive to needs, more timely, and to take out some overhead costs at the same time.

• (1600)

Mr. Chris Warkentin: In terms of the priorities of CIDA, I know there have been some questions surrounding them today, but I certainly want to commend CIDA for the focus on the three points, the increased assurances of food security, the issue of going after protecting the futures of youth and children.... Certainly, that's foundational to a lot of these countries turning around and the survival of their communities. Then, of course, there's the sustained work to provide a sustainable economic future for these areas as well. I certainly want to commend you on those.

In terms of the current budget, it was referenced across the way that it was \$4 billion. My understanding is that it's closer to \$5 billion. Is that accurate?

Mr. David Moloney: Just to review the numbers again, the government has proposed in its budget that it would increase the international assistance envelope to \$5 billion. As I mentioned, CIDA counts specifically for about two-thirds of that. So yes, in the main estimates before Parliament, CIDA's proposed budget would be \$3.2 billion. There are some portions of that envelope not yet allocated. In most years, CIDA ends up with two-thirds, 70%, of that total amount. As other members were saying, there are several other departments that draw from that envelope.

Mr. Chris Warkentin: Right.

In terms of the issue of partnerships and moving forward with those, I know there are the 20 countries of focus we are working towards helping. Only 80% of the money is going towards those 20 countries of focus. Is that correct? I know that Kenya actually isn't one of the countries of focus, but I continue to see the work, even last summer.

I think there are some questions surrounding these countries of focus and how other countries may or may not be left out. My understanding is, that's for 80% of the budget; 20% continues to go out to priorities in other countries. Is that correct?

Mr. David Moloney: Right. It is. If I could offer a little more detail, it is complicated and there are a lot of numbers here.

I spoke to how a little over half of our budget is focused on specific country programs; 80% of that amount is going now to 20 particular countries of focus, chosen for aid effectiveness and

alignment with government priorities. The balance of that, the other 20%.... About 10% of our total budget is going to some other countries in smaller amounts.

In addition to that, where we work with Canadian NGOs in a responsive way, some of those funds are not as closely aligned or as closely restricted, so you could have a Canadian NGO coming in through a partnership branch working in Kenya or another country. Then, of course, with that one-third to 40% of our budget that's going through the multilateral organizations, significant amounts would be helping any of the poorest countries through, in that case, the African Development Bank, the global fund for AIDS and malaria...quite a variety.

The Chair: Thank you.

Mr. Martin for eight minutes.

Mr. Pat Martin (Winnipeg Centre, NDP): Thank you, Madam Chair.

Welcome, witnesses. Thank you for being here.

I'd like to continue somewhat in the vein that I think my colleague Mr. McKay from the Liberals was going. The purpose of our exercise today is to study the impact of this freeze on departmental budgets such as yours, and to try to gauge the impact on your ability to carry out your mandate. In your case, your mandate is very special in terms of elevating the standard of living for people overseas and eliminating poverty, etc.

I can't see how the cuts outlined in your report and in our research are possible without a real and dramatic impact in your ability to do that laudable work.

Let me start with questioning something from your own piece you introduced today, Mr. Moloney. You tell us you have approximately 1,950 employees in total, and roughly 170 of them are posted abroad in 49 countries. I was at first quite surprised to learn there are only 170, as I've travelled extensively and met an awful lot of them. It seems like they're all over the place. So I'm a little disappointed, frankly, to learn there are only 170.

The question I have, in the interests of belt tightening and reducing your budget...it must cost a lot more to keep somebody in the field than it costs to keep them living in Kanata and working in downtown Ottawa. Is there a contemplated reduction in the people you support in the field?

• (1605)

Mr. David Moloney: No, there isn't. To the contrary, the government has been clear that...*c'est Gatineau, pas Ottawa*. The government has judged, and certainly other organizations have suggested to us, including the OECD, which looks at aid effectiveness on behalf of all of the donors.... There is a strongly shared judgment that while there are costs—and I'll come back to that—aid effectiveness is certainly benefited by having more staff in the field. Why? It is so we can truly understand the circumstances, so that we can—

Mr. Pat Martin: The experience doesn't really bear that out, though, Mr. Moloney, with all due respect. Out of 1,950 employees, you have only 170 of them in the field. I'm not being critical of your organization, but I can't imagine. For an aid organization, it seems like a disproportionate number of them are taking the bus to work in Ottawa or Gatineau instead of... Anyway, I have to move on as time is limited.

It strikes me, in listening to this presentation, that there is a contradiction I'd like to ask your view on. We're borrowing money to give \$15 billion worth of tax cuts to the most profitable corporations in the country at the same time as we are cutting and hacking and slashing the budget for CIDA to alleviate world poverty. I don't think anybody argues that it was the unbridled greed and the wretched excess of the corporate community that caused the economic downfall, that caused all the stimulus spending, and that has now caused all the cutbacks. Yet we are borrowing money, \$15 billion, to reward that bad behaviour, in terms of giving further tax cuts.

Do you share my criticism of this seeming contradiction, this pretzel logic?

Mr. David Moloney: The one part of that I would speak to is simply to say that I do not share the view that CIDA's budget is being slashed. The international assistance envelope is being capped. It is growing this year. It will not grow for the next two years, and our operating budget is remaining whole.

Mr. Pat Martin: But your transfer payments are 92.7% of your total budget, so your aid, which is admirable, is very cost effective. I love to see most of the money going to aid and as little as possible going to administration. But our figures here are the actual spending as audited by the public accounts committee in 2008-09. Transfer payments were \$3.169 billion. Projected spending for 2010-11 will be \$2.924 billion. That's a significant drop of a couple of hundred million dollars, is it not? Or am I not reading this correctly?

Mr. David Moloney: You are reading it correctly. What I'd like to point out is that the main estimates are an initial proposal to Parliament. Last year, for example, between the main estimates and the additional supplementary estimates (A), (B), and (C), CIDA received from Parliament an additional \$500 million. So if one looks at main estimates this year compared to main estimates last year, there is actually an increase. And last year's main estimates were larger than the year before.

Mr. Pat Martin: That's very helpful. Thank you.

Getting down to the smaller portion of your budget, which is your total operating expenses, you are contemplating a drop in the total cost of your operating budget from \$414 million in 2008-09 to \$229 million in 2010-11. Are you trying to make that up in that same \$500 million extra transfer in the supplementary estimates, or do you somehow have to tighten your belt and find \$184 million to cut out of your operating budget?

Mr. David Moloney: The answer is no. Again, that was an amount that was an accounting amount after the fact. The \$160 million of that apparent decline reflects an exchange rate revaluation. In fact, our operating budget this year is extremely close to the operating budget of last year. It is within a couple of million dollars.

•(1610)

Mr. Pat Martin: I think I heard you make reference to the exchange rate in answering a previous question. I didn't quite understand that.

Let me ask you a question about personnel, then.

The Chair: This should be your last question, Mr. Martin.

Mr. Pat Martin: Do you intend to have a hiring freeze as part of your strategy to cope with the budgetary freeze?

Mr. David Moloney: No, we certainly do not.

CIDA, in fact, currently has a turnover rate of around 10%. That reflects, currently, 3.5% or so of employees who are eligible to retire, although CIDA employees do not retire right away.

Mr. Pat Martin: Do they just keep on working?

Mr. David Moloney: They love their work.

Even if we are unable to find any efficiencies on the non-salary side, which as I've tried to lay out we're quite confident we can, CIDA certainly needs to hire each year, and we do.

Mr. Pat Martin: Thank you.

The Chair: Thank you.

We'll go to the next round of questions. We'll have Ms. Hall Findlay for five minutes.

Ms. Martha Hall Findlay (Willowdale, Lib.): Thank you, Madam Chair.

And thank you for being here today.

I understand that using this \$163 million for other subsidies and payments was unusual and that therefore the budget from 2008-09 and 2009-10, which we don't have the specific numbers for, and the numbers projected for 2010-11 are actually relatively similar.

I have two comments. First, I am still not at all clear where such an extraordinary amount of money just lumps into being "Other subsidies and payments". At some point, I would be very interested in having the details on that. That's a big number to just come under "other". And we're not at all clear that this sort of thing might not happen again. If there is a freeze, there's no guarantee that a freeze wouldn't also have to include unusual circumstances, and other things would actually have to then be cut from an operating budget.

I would also point out that there are a number of departments that have had significant increases over the last two years, so on a relative basis, CIDA has had less than other departments in terms of an ability to do what it does.

I am very proud of the fact that Canada has a history of thoughtful diplomacy and balance such that we have been able to in fact involve ourselves in development in ways that may have been easier or better for us to do because of that general impression we've made internationally. Anybody can write a cheque. And we're awfully proud, as Canadians, that we are very fortunate to be as affluent and as advanced as we are. I'm proud of the fact that we've tried to do something. But it's not just about writing a cheque. I am concerned that these decreases in CIDA's budget over the last two years, and then a freeze, are indicative of a reduction in that Canadian effort.

Having said all that, do you have any analysis, so far, of where you are going to deal with the freeze? When you have inflation, which we expect will increase somewhat, and economic growth, which we know will happen, and population growth, a freeze is not a freeze; it is a cut. You are going to have to cut certain things to address the freeze.

Of those things CIDA does that we feel are important, what are you planning on cutting?

I know you said that we are already engaged in efficiencies. That's all wonderful, but it's not going to actually deal with the numbers we're talking about. I'd also argue that if you've already done it, you have that much less room to actually improve even more.

What's the analysis? Where are you going to end up having to cut?

Mr. David Moloney: I think there are three or four things I can very quickly respond to.

First of all, on this amount of \$163 million in 2008-09 under "other", I would propose, if the committee likes, that we provide a written explanation. I must detail, however, that this was not a cut; it was a one-time charge added on, for accounting reasons, to our normal O and M budget.

If I could, I'll read two numbers to the committee from the main estimates. Our operating vote 25 this year is proposed at \$203,363,000, which is only \$305,000 less than the \$203.7 million of 2009-10. That number was quite similar the year before, leaving aside this charge. Those are two points.

The third point, and you're quite right, is that we do actually have to find \$2.2 million to pay our employees, and we need to find those efficiencies.

The point of my earlier emphasis on our business processes is that we believe we can actually deliver the same or better effectiveness by being more efficient. But yes, absolutely, we will have to do with less non-salary expenditure than otherwise, or we will have to replace slightly fewer employees than we would normally replace, given that turnover rate I spoke to.

•(1615)

The Chair: You may ask a very brief question if you have one. If not, we'll proceed to the next one.

Ms. Martha Hall Findlay: I will only point out that keeping the same budget is significantly different from other departments having significant increases.

Thank you.

[*Translation*]

The Chair: Mr. Nadeau, you have the floor for five minutes.

Mr. Richard Nadeau (Gatineau, BQ): Thank you, Madam Chair.

Good afternoon, madam.

Good afternoon, gentlemen.

For four years, and again since the budget was tabled, I get the impression that I have been watching a demolition derby with CIDA as the prime target. Here we are with CIDA, whose role, in a sense, is to be a kind of Canadian Mother Teresa—my apologies if my analogy offends anyone—helping third world countries, countries that are experiencing extreme difficulties, to become developing countries, or, at least, to improve the standard of living of their people.

There are cuts of 25% in professional services, for example. No matter which department or agency, their strength lies in the expertise of those who make that expertise available in order to improve the lot of the people. Now we have to cut those professional services, and transportation and communication, which are all essential elements in providing assistance of any kind.

You will tell me that the effect on grants and contributions is minimal. But it is also the heart of the matter. The people who work for this department or that one make up the heart of that department. You can invest large amounts in equipment. But if you do not have the expertise to allow CIDA people to pass their knowledge to people in the field, so that they in turn can pass it on to their own people, you are going to run into serious difficulty.

How can you say, for example, that CIDA people can work at the level that the mandate demands when there are such major cuts?

Mr. David Moloney: As I mentioned before, we are talking about a cut of 1%. The 1.5% is the increment, the increase, of our salaries, the salary of an average employee—

Mr. Richard Nadeau: Excuse me, Mr. Moloney. You know how things work here, we do not have a lot of time, and such.

There are 25% cuts in professional and special services. You may say that, if you consider the big picture, the reductions are not so big. But, in the contribution made by people, the contribution of human knowledge—I am not talking about artificial intelligence or computers, but human intelligence—the amounts of money in those envelopes is much less. In my opinion, those envelopes make up the very heart of CIDA.

•(1620)

Mr. David Moloney: I must make it clear that there is no question of an envelope for each of our components. In fact, the president and the minister responsible for CIDA are free to look at the way the money is distributed between the various components. They can add money or change the way it is distributed.

For us, the issue is finding the best way to deliver our program. As I mentioned earlier, we are right in the middle of a decentralization project. You mentioned the need to have expertise and experienced staff in the field. As Minister Oda has announced, we are reorganizing our staff and our operational budget.

Mr. Richard Nadeau: Do you have links with the others?

You mentioned 170 people in the field, for all of planet Earth. Yet we know that seven-eighths of the people of the planet live in extreme difficulty. The help they need from us is huge.

Will there be more Canadian government employees, from other departments, who will step up to the plate without cutting into CIDA's budget?

Mr. David Moloney: Some of those officers are, in fact, full-time employees in other departments, but part of the same deployment. It depends on the needs. If CIDA people have the expertise needed, they go. Sometimes, people are hired in the field. At other times, they are employees seconded from the Department of Health or the Department of Finance. We hire and deploy people according to specific needs.

[English]

The Chair: Thank you.

We now go to Mr. Brown for five minutes.

Mr. Patrick Brown (Barrie, CPC): Thank you, Madam Chair.

I'm curious about the international context Canada finds itself in. I understand that we're at our highest levels of funding for CIDA thus far, but given the global recession, have other countries taken steps to reduce their international aid? I think I read a report that international aid was actually reduced in the U.K., whereas Canada is maintaining the same high levels.

Do you have any information you could share with us on that from your conversations with other international aid branches of different governments?

Mr. David Moloney: Certainly it's impossible to predict or look ahead to see how individual governments and individual countries will respond to their financial and fiscal circumstances, but also their priorities.

What I can share with the committee is that the OECD published on April 14 their review of official development assistance in 2009. They mentioned that net ODA rose in a number of European countries. In percentage terms, the largest increases were in France, at 16%; the U.K., 14%; and Finland, 13%. There were also some very significant aid decreases in other European countries, many of them double digit decreases. There were also some major increases outside of Europe—by Korea, for example—and some significant decreases in countries like Australia and New Zealand.

Certainly, individual countries' circumstances and choices generate quite a variety of movements year to year, and of course there are special circumstances as well that show up in these numbers.

• (1625)

Mr. Patrick Brown: And do you know how we measure up compared with other countries in terms of aid as a percentage of our budget?

Mr. David Moloney: Our ratio is 0.3%.

Is the member asking about other countries?

Mr. Patrick Brown: Yes. First, I was wondering if other countries have curtailed their international aid spending because of the global economic recession, and the second question is, how do we measure up, given our current contributions as a percentage of our budget?

Mr. David Moloney: Based on the 2009 data, Canada ranked 10th out of the 23 development assistance committee members in terms of our ODA volume, down from 9th place in 2008. On the other hand, in terms of the ODA to GNI ratio, Canada increased, moving up a place, from 15th to 14th.

Mr. Patrick Brown: Have there been lessons that have been learned from the last recession in the early 1990s? What was Canada's response during the last recession? Did we see decreases in international aid spending during 1993, 1994, and 1995?

Mr. David Moloney: Well, the last very short recession that Canada had was just prior to the commitment to double aid. Aid did not grow during that recession; it started to grow the next year.

Mr. Patrick Brown: But during the actual downturn, were there any cuts made to CIDA? It's always important, I guess, to learn from the past, to see how things were dealt with then and how adverse the consequences were.

Mr. David Moloney: As I said, we would have to check the record going back to the 1990-91 recession, but we could provide that.

Mr. Patrick Brown: Thank you.

The Chair: I know the clock says it's 4:27, but I have something to clarify with Mr. Moloney.

In response to the question by Madam Hall Findlay, you promised to give us a breakdown? Is that what you said? We're trying to figure out if you said you would give us a breakdown of the \$163,745,000, comprising 39% of your total operating budget? Is that what you said?

Mr. David Moloney: That's correct. In 2008-09, within these other subsidies and payments, there's a significant charge. What's shown is the \$163,745,000. We will provide the breakdown and explain the extraordinary charge.

The Chair: Fair enough.

Mr. Brown.

Mr. Patrick Brown: Madam Chair, would it be possible to get documents distributed to the committee about CIDA aid levels during previous recessions?

The Chair: What years are you asking for, Mr. Brown?

Hon. John McKay: How about 1988 to 1993?

Mr. Patrick Brown: The most recent ones, 1988 to 1995.... We weren't in a recession in 1988.

The Chair: Mr. Moloney, we're not trying to be difficult, but if you have figures showing the trend in the curve of development assistance and if those would help the committee, we would appreciate it.

Mr. David Moloney: We certainly can, and we'll use Statistics Canada's definition of recessions.

The Chair: Fair enough. Thank you very much.

I'd like to thank you for being here. As you know, this is the study on the freeze of spending envelopes and how it's affecting different departments. We thank you for coming here.

Yes, Mr. Holland.

Mr. Mark Holland (Ajax—Pickering, Lib.): Madam Chair, I'm sorry, I don't know the process because I'm normally not a member of this committee, but I have a motion to move.

The Chair: We're going to go into committee business as soon as I hit the gavel. I will give a 45-second reprieve, and when we go into committee business—

Mr. Mark Holland: Can I move it then?

The Chair: Yes, and the first order of business I want to set about is to finish the report.

Thank you. We will have a 45-second suspension.

[Proceedings continue in camera]

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