



Oxfam Recommendations for Federal Budget 2012

Executive Summary

945 million people around the world will go to bed hungry tonight. By 2012, millions more will join the ranks of the hungry, pushing the total to over one billion people. A crisis of this magnitude requires bold action, and Canada is well placed to lead. Below are Oxfam's three priority recommendations on how Canada can demonstrate its continued commitment to global food security in the Federal Budget 2012.

Recommendation 1: Unfreeze Canada's aid budget

Given Canada's healthy levels of economic growth, the Government of Canada should show leadership by unfreezing its aid budget. Oxfam recommends that the Government of Canada earmark \$5.6 billion for Official Development Assistance in the 2012 Budget, an 8 % increase from Budget 2011. This modest increase would make a crucial difference in the lives of people living in poverty, in particular for the rising number women and men, girls and boys suffering from hunger around the world. The 2012 Budget also provides an excellent opportunity for the Government of Canada to announce a long-term plan for achieving the UN aid target of 0.7 % of Gross National Income, a goal endorsed in June 2005 by all parties in the Canadian Parliament.

Recommendation 2: Phase out fossil fuel and biofuel subsidies

Climate change is a major driver of the global food crisis because of the havoc it wreaks on agriculture, especially in poor countries. As one of the world's top greenhouse gas emitters, Canada has a responsibility to play its part in the fight against climate change. Oxfam is calling on the Government of Canada to honor its G20 pledge to phase out costly subsidies to the oil and gas industry that encourage wasteful consumption and drive up emissions. By doing so, Canada would reap significant fiscal revenue which could be reinvested in renewable energy technologies and in global climate financing. Oxfam also recommends that the Government of Canada phase out its support for second generation biofuels (tax breaks, subsidies and mandates for minimum ethanol content in gasoline). Support for biofuels is not only costly, it has not proven to be an effective way to reduce emissions, and it fuels the global rise in food prices by diverting food for fuel.

Recommendation 3: Contribute Canada's fair share of global climate financing

To fulfill the commitment it made in Copenhagen, the Government of Canada should invest at least \$400 million in Budget 2012 to help poor and vulnerable countries reduce their greenhouse gas emissions and adapt to changes already underway. These funds should be over and above Canada's aid budget, and at least 50 % should be provided in the form of grants for climate change adaptation in poor countries. The Government of Canada should also outline its plans to increase its climate financing contributions beyond 2012, after the "fast start" period of the Copenhagen Accord has ended.

To fund Recommendations 1 and 3, Oxfam encourages the Government of Canada to consider two innovative sources of funding: a tax on global financial transactions (known as the Robin Hood Tax) and a tax on international shipping.



Oxfam Recommendations for Federal Budget 2012

945 million people around the world will go to bed hungry tonight. By 2012, millions more will join the ranks of the hungry, pushing the total to over one billion people¹. A crisis of this magnitude requires bold action, and Canada is well placed to lead.

In recent years, the Government of Canada has taken many positive steps to respond to the global food crisis, from untying food aid to reinvesting in aid for smallholder agriculture and speaking out against food export restrictions. When the food crisis hit East Africa this year and famine was declared, Canada showed true leadership by acting swiftly and contributing generously to humanitarian relief.

Today Oxfam believes that Canada can, and must, do more.

The Federal Budget 2012 is the opportunity for Canada to demonstrate its continued commitment to global food security. With this budget, the Government of Canada can contribute to tackling both the root causes of hunger and the drivers of food price volatility at home and abroad. This document details Oxfam's three priority recommendations on how the Government of Canada can do so, along with specific proposals on how to increase revenue to fund additional budget allocations.

Recommendation 1: Unfreeze Canada's aid budget

The global economic crisis is causing many donor countries to reduce their Official Development Assistance (ODA) even as poverty, hunger and climate change further cripple poor developing countries. Several countries that had committed to achieving the United Nations target of spending of 0.7 % of their Gross National Income (GNI) on aid are contemplating temporary cuts due to budget constraints. After having reached the 0.7 % target, The Netherlands have begun reducing their Official Development Assistance this year, whereas Spain, which had once pledged to achieve the target, has begun to cut its aid budget and is falling further behind. Others such as Australia and the United Kingdom², on the other hand, have committed to honoring their long-term aid commitments, proving it is possible to stay on track despite global economic uncertainty.

Given its healthy levels of economic growth and its strong commitment to global food security, the Government of Canada should step up to the plate and show leadership by unfreezing Canadian aid. If the Government of Canada were to maintain its freeze on the aid budget, Canada's aid performance as

¹ *Growing a Better Future: Food justice in a resource-constrained world* (Oxfam International, June 2011)
http://www.oxfam.ca/sites/default/files/Oxfam%20report%20-%20Growing%20a%20Better%20Future_0.pdf

² The United Kingdom government has committed to reaching the 0.7 % aid target by 2013.
<http://www.number10.gov.uk/news/pms-speech-on-aid-trade-and-democracy/>

measured against its GNI would continue to decline, putting Canada among the world's least performing donor countries despite its relatively enviable economic situation.³

Oxfam recommends that the Government of Canada earmark \$5.6 billion for Official Development Assistance in the 2012 Budget, which would represent an 8 % increase from Budget 2011. While it would not suffice to get Canada back on target for spending 0.7 % of GNI on aid, an 8 % increase would make a crucial difference in the lives of people living in poverty, in particular for the rising number of women and men, girls and boys suffering from hunger.

The 2012 Budget also provides an excellent opportunity for the Government of Canada to announce a long-term plan for achieving the UN aid target of 0.7 %, a goal endorsed in June 2005 by all parties in the Canadian Parliament. Oxfam believes that Canada must strive to make this goal a reality.

Recommendation 2: Phase out fossil fuel and biofuel subsidies

Climate change is a major driver of the global food crisis because of the havoc it wreaks on agriculture, especially in poor tropical and sub-tropical countries. As one of the world's top greenhouse gas emitters, Canada has a responsibility to dramatically reduce its emissions. In 2009, Canada and other G-20 countries pledged to phase out inefficient fossil-fuel subsidies that encourage wasteful consumption and drive up emissions. Oxfam is calling on the Government of Canada to live up to this promise by significantly reducing its support to the oil and gas industry. By doing so, Canada would not only reduce national greenhouse gas emissions, it would also reap significant fiscal revenue, some of which could be reinvested in renewable energy technologies (such as solar, wind and geothermal energy) and in global climate financing (see Recommendation 3). The Department of Finance itself has estimated that removing tax preferences to the oil and gas industry could save the Government of Canada over \$760 million a year⁴.

Oxfam also recommends that the Government of Canada phase out its support for second generation biofuels (ethanol and biodiesel). Support for biofuels throughout the supply chain is very costly and has not proven to be an effective way to reduce greenhouse gas emissions. Tax breaks and subsidies for biofuels represent lost revenue and tax-payer dollars that could be better spent. Canada's requirement for minimum ethanol content in gasoline also diverts massive amounts of corn from the world market, contributing to driving up the price of this basic food commodity. Oxfam believes that Canada should phase out minimum mandates for ethanol, and support the G20 proposal to suspend these mandates entirely when global food prices are high.

Recommendation 3: Contribute Canada's fair share of global climate financing

The Government of Canada should invest at least \$400 million in Budget 2012 to help poor and vulnerable countries reduce their greenhouse gas emissions and adapt to changes already underway.⁵

³ *Federal Budget 2011 - Pre-Budget Backgrounder* (CCIC, March 2011)

http://www.ccic.ca/files/en/media/2011_pre_budget_backgrounder_e.pdf

⁴ Memorandum from Michael Horgan to Minister of Finance, 18 March 2010, Subject: G-20 Commitment – Fossil Fuel Subsidies. <http://pubs.pembina.org/reports/department-of-finance-subsidies-memo.pdf>

⁵ *The Case for Helping Poor Countries Adapt to Climate Change* (Oxfam Canada, Oxfam Quebec, The Pembina Institute, December 2009)

<http://www.oxfam.ca/sites/default/files/the-case-for-helping-poor-countries-adapt-to-climate-change.pdf>

These funds should be over and above what Canada has committed to Official Development Assistance, as required by the Copenhagen Accord which the Government of Canada supports⁶.

Last year, Oxfam applauded the Government of Canada's decision to contribute \$20 million to the LDC Fund, which is designed to help the world's Least Developed Countries prepare and implement national adaptation programs of action. However, only 11 % of Canada's total climate financing in 2010-2011 went to adaptation. To ensure a proper balance between climate change mitigation and adaptation strategies, half of the \$400 million climate finance budget for 2012-2013 should be designated for climate change adaptation in poor countries. All Canadian adaptation funds should be provided to developing countries in the form of grants, not loans. The Canadian International Development Agency should also ensure that women, and in particular women smallholder farmers, have access to and can benefit from these adaptation funds.

Looking beyond 2012, the Government of Canada should begin making plans to increase its contribution to global climate financing once the "fast track" period of the Copenhagen Accord has ended. It should also increase transparency by reporting to Parliament on its annual climate financing contributions.

Increasing revenue to fund additional budget allocations

Oxfam recognizes that the recent economic recession and the need to reduce the accompanying fiscal deficit have limited the Government of Canada's spending capacity. However, Oxfam also believes that Canada shouldn't be solving its deficit on the backs of the world's most vulnerable people, who need Canada's support more than ever to fight poverty, end hunger and adapt to climate change. For this reason, Oxfam wishes to make two specific proposals for ways in which revenue can be raised from innovative sources of financing to cover recommended additional budget allocations:

➤ Taxing financial transactions

Oxfam believes that an innovative and sustainable way for Canada to finance new spending would be to support a Financial Transaction Tax, also known as the "Robin Hood Tax". This modest tax on all transactions between large financial institutions could help fund the global fight against poverty and climate change. As it is currently conceived, the Robin Hood Tax would apply a 0.05 % levy to the buying and selling of currencies, stocks and derivative financial products by banks, brokerages and hedge funds. This promising initiative already has the support of several G20 countries such as France and Germany, as well as Nobel-prize winning economists Joseph Steiglitz and Paul Krugman. Oxfam believes the Robin Hood Tax is worthy of Canada's support.

The Robin Hood Tax could help the Government of Canada fund Oxfam's Recommendations 1 and 3.

➤ Taxing international shipping

Canada must do its part to help poor and vulnerable developing countries adapt to the impacts of climate change and control their greenhouse gas emissions. However, the scale of this challenge is so great that budget contributions alone will not suffice in the long run. To ensure that Canada can provide

⁶ Environment Canada News Release, "Government of Canada Makes Major Investment to International Climate Change" (June 23, 2010). Available at <http://www.ec.gc.ca/default.asp?lang=En&n=714D9AAE-1&news=FD27D97E-5582-4D93-8ECE-6CB4578171A9>.

international climate financing on a greater scale, more predictably and without the risk of diverting funds from Canada's aid budget, supplementary sources of climate financing must be found.

Oxfam believes that Canada should endorse the idea of an International Shipping Tax as a means of raising funds for the new Green Climate Fund established in the Copenhagen Accord. Putting a price on the greenhouse gas emissions from ships (for example through a fuel levy) could generate billions of new and additional revenue for climate financing. It is estimated that by 2020, an International Shipping Tax could raise between 10 and 15 billion dollars a year for the Green Climate Fund.⁷ Champions are rapidly emerging in support of this tax – from France and Germany to the group of Least Developed Countries. Oxfam believes it is time for Canada to get on board.

The International Shipping Tax could help the Government of Canada fund Oxfam's Recommendation 3.

Contact:

Lauren Ravon, Oxfam Canada, lauren.ravon@oxfam.ca
Lina Holguin, Oxfam Québec, holguinl@oxfam.qc.ca

⁷ For information on how an International Shipping Tax could raise funds for climate financing, see *Turning Carbon into Gold: How the international community can finance climate change adaptation without breaking the bank* (Oxfam International, December 2008).

http://www.oxfam.org/sites/www.oxfam.org/files/bp123_turning_carbon_into_gold.pdf