

0.7% BACKGROUND

What is the 0.7% target?

Developed nations around the world have committed to spending 0.7% of their gross national income (GNI) on official development assistance (ODA).

What is Official Development Assistance (ODA)?

This is an official term used by the Organization for Economic Cooperation and Development's (OECD) Development Assistance Committee (DAC) of which Canada is a member. The DAC is a forum for consultation among 22 donor countries and the European Commission. The DAC sets the definitions and classifications for reporting on aid financing internationally and produces a statistical report on international aid flows annually.

The DAC defines ODA as grants or loans to countries and territories on Part I of the DAC List of Aid Recipients (developing countries) and multilateral institutions which are undertaken by the official sector (government) with promotion of economic development and welfare as the main objective and which are provided in concessional financial terms (meaning if it is a loan, it has a grant element of at least 25 percent). Grants, loans and credits for military purposes are excluded.

Along with overseas transfers of funds and supplies, ODA also includes some of the first year's financial support to refugees in Canada, debt cancellation and some support to foreign students in Canada.

What is Gross National Income (GNI)?

The value (in U.S. dollars) of a country's final output of goods and services in a year. The value of GNI can be calculated by adding up the amount of money spent on a country's final output of goods and services, or by totalling the income of all citizens of a country including the income from factors of production used abroad. Prior to 2001, the GNI was called GNP (gross national product) by the World Bank.

Who developed the 0.7% target?

In September 1969, Lester B. Pearson, the former Prime Minister of Canada, unveiled a report for the World Bank entitled "Partners in Development". The report was the outcome of a commission headed by Pearson which was formed to review the previous 20 years of development assistance, assess the results and make recommendations for the future. The outcome report of what became known as the Pearson Commission stated that there was a great need to increase the amount of resources flowing into developing countries. The Commission recommended that resources equivalent to a minimum of 1% of the GNP of developed nations should flow to developing countries. This 1% would be made of up official development assistance, other official flows from the government, and private sector flows. A further recommendation was made that the official development assistance component of the 1% commitment be equivalent to 0.7% of GNP.

In October 1970, the United Nations General Assembly adopted Resolution 2626, *The International Development Strategy for the Second United Nations Development Decade*. Through the resolution, developed countries like Canada agreed to increase their resource flows to developing countries to a level equivalent to 1% of their GNP and that a minimum of 0.7% of GNP would be made up of official development assistance and to work to reach these goals by 1975.

Have there been any recent international promises to reach the 0.7% target?

Since the signing of the resolution in 1970, industrialized nations have continued to reaffirm their commitment to achieving ODA levels of 0.7% of GNI. In March 2005, the Commission for Africa, led by Prime Minister Tony Blair released a report entitled “Our Common Interests”. Canada’s then-Minister of Finance Ralph Goodale was a member of the Commission and helped to write the report. The report begins by stressing the importance of meeting the recommendations of the Commission’s report: “The measures we propose constitute a coherent package for Africa. They must be delivered together. 2005 is the year to take the decisions that will show we are serious about turning the vision of a strong and prosperous Africa into a reality.” The report then goes on to make over a dozen references to the need to commit to the 0.7% target and particularly the need for countries to set a timetable for achieving that goal.

What percentage of Canada’s GNI currently goes to ODA?

In 2005, Canada committed 0.34% of its GNI to ODA¹. The average DAC member contributed 0.47%.

Has Canada ever reached the 0.7% commitment?

The closest the Canadian government has ever come to meeting this goal was in 1975, when 0.53% of GNI was committed to ODA according to Government of Canada statistics.

Have any other countries reached their 0.7% commitment?

Denmark (0.85%), Luxembourg (0.83%), Netherlands (0.73%), Norway (0.87%) and Sweden (0.78%) have all met their 0.7% commitment. (2004 percentages)

How did Canada’s ratio of ODA to GNI changed while the Liberals were in power?

When the Liberals came to power in 1993, ODA made up 0.44% of the GNI. With the aim of balancing the budget, Canada’s ODA received drastic cuts over the next decade, hitting its lowest point in 2001 at 0.22%.

Has Canada agreed to a timetable for achieving the 0.7% target?

The Government of Canada has not agreed to a timetable to reach an ODA/GNI ratio of 0.7%. Under the Liberals, the Government of Canada agreed to increase ODA by 8% annually until 2010. At that point, Canada would still be well below the 0.7% target and likely, still below the DAC average. The Liberals argued that it would not be responsible for them to agree to a

¹ All ODA/GNI percentages reflect DAC data. These figures may differ slightly from the figures being reported by the Government of Canada because the DAC reports by calendar year and the Canadian Government uses the Canadian fiscal year of April to March. DAC figures are used in order to allow for comparisons with other countries.

timetable that they might not have been able to keep, given that their promise of balanced budgets might have hampered their ability to make significant increases in ODA.

What is the position of the Conservatives on reaching the 0.7% target?

The Conservative Platform states: “The Conservative Party will increase spending on Overseas Development Assistance beyond the currently projected level and move towards the OECD average level.” In the past the Conservatives have expressed support for reaching the 0.7% commitment by 2015 but were unwilling to provide details on how they will reach this goal.

In the most recent budget, the Conservative Government continued with the Liberal promise of increasing ODA by 8% annually. It also made a one time commitment of \$320 million living up to the deal made earlier between the NDP and the Liberals which called for an increase in spending over two years of \$500 million (Bill C-48). In this budget there was no money for ODA that had not been previously planned for – despite a multi-billion dollar surplus.

What is the position of the other major political parties on reaching the 0.7% target?

All the major political parties have expressed support for providing 0.7% of Canada’s GNI to ODA. In June 2005, the House of Commons unanimously adopted a motion to commit Canada to reaching the 0.7% target by 2015. This has not however come to fruition.

What countries have agreed to a timetable to reach 0.7%?

Six countries have announced plans to achieve the 0.7% commitment by 2015 or before. These are the United Kingdom (2013), France (2012), Germany (2015, subject to new sources of finance), Finland (2010, subject to economic circumstances), Spain (2012), and Belgium (2010).

Glossary of Related Terms

GDP (gross domestic product). The total value of final goods and services produced within a country's borders in a year. It is one of the measures of national income and output. GDP differs from gross national income (GNI) in excluding inter-country income transfers, in effect attributing to a territory the product *generated* within it rather than the incomes *received* in it.

Official AID: Flows which meet the conditions of eligibility for inclusion in Official Development Assistance, except that the recipients are on Part II of the DAC List of Aid Recipients (more Advanced Developing Countries and Central and Eastern European countries).