

Is CIDA on the right path?

Recently, Minister Oda held a round-table discussion on “how the Canadian private sector’s engagement in international development can help make Canada’s international assistance more effective” with selected leaders of major financial, manufacturing, and service industries, as well as non-profit organizations. Following on the heels of last September’s announcement that “CIDA is supporting Canada’s Corporate Social Responsibility (CSR) Strategy for the Canadian International Extractive sector with initiatives that will contribute to sustainable economic growth, create jobs and long-term poverty reduction”, the round-table discussion has rekindled concerns regarding CIDA’s growing involvement with the export interests of “big” business.

Take for example reports on IAMGOLD Corp’s \$7.5 million partnership with CIDA and Plan Canada. Is this an appropriate use of development funds? Is it really likely that, in the absence of CIDA funding to support the skills training and capacity building of prospective employees and improve life in nearby settlements, the financial viability of the proposed projects would be in doubt and cash-rich mining companies would be unable to train their local staff or meet their Corporate Social Responsibilities (CSR)? Is there a market failure that CIDA’s funds are mitigating, which would otherwise prevent an investment with the potential to create jobs for poor local people? Or is it simply that by openly funding a parallel NGO activity in support of a major privately-funded Canadian business, CIDA can increase the host government’s “comfort” level and hasten, if not guarantee, approval?

Traditionally, development assistance and overseas trade & investment have been seen as potentially complementary but opposite sides of the same government coinage. Like coins, their effectiveness depends on the integrity of the core.

To quote the World Trade Organization’s introduction to the OECD’s ‘Aid for Trade’ initiative: *“Trade promotes economic growth, alleviates poverty and helps countries reach their development goals. However, developing countries - in particular the least developed – face difficulties making trade happen and turning trade into economic growth. Aid (for Trade) initiatives help unlock the potential of developing countries to benefit from trade, and foster a transparent and mutually beneficial relationship.”* Thus, Aid for Trade initiatives have typically focused on helping developing countries build their internal capacity to benefit from trade and to manage transparent and mutually beneficial relationships.

The difference between ‘aid’ and ‘trade’ can be likened to the difference between “we’re here to help you” and “have we got a deal for you!”. One is concerned primarily with the well being of the beneficiary country and the other is concerned with the well being of the Canadian business. To avoid the inherent conflicts of interest that might emerge, ‘aid’ and ‘trade’ are best administered separately. There is nothing wrong with them being close enough to share mutually beneficial intelligence and connections, as long as it doesn’t compromise Canada’s relationship with the host country.

This is not to denigrate the growing commitment of the business community to responsible development and to collaboration with those experienced in international development, including the commendable Devonshire initiative linking big business with non-profit organizations. However, a distinction does need to be made between involving the private sector in development, which many donors are doing successfully, and the use of aid to promote exports. When the distinction is blurred, as it is in the case of CIDA’s implied support for the mining industry, it understandably raises concerns regarding the appropriate use of development funds.

To be fair, the provision of financial assistance to businesses is not at variance with CIDA's current mandate, at least as set out on the Agency's website "About CIDA":

- To manage Canada's support and resources effectively and accountably to achieve meaningful, sustainable results
- To engage in policy development in Canada and internationally, enabling Canada's effort to realize its development objectives

Nor is Canada alone in using aid funds to support commercial interests: for example US-AID reportedly does so quite often, even though both countries subscribe to the International Aid Transparency Agreement (IATA) and to OECD's guidelines for Socially Responsible Investment and the sound management of public funds!

This apparent contradiction is at the root of concerns being expressed by many consultants that have worked closely with national and international agencies and with the governments and businesses of developing countries, assisting in the establishment and governance of private sector development and international trade and in the alleviation of poverty.

While there is certainly nothing wrong with Canadian companies pursuing whatever investment and trade opportunities they can to make an honest buck and seeking all the help they can muster from the Canadian government, there are other, broader issues at stake – and it is these issues that are of concern.

For example, there is the fear that if CIDA's funds are judged to have been misappropriated to artificially boost competitive advantage, it could well compromise the companies' and Canada's position in world markets – a concern that may shortly be brought into focus by the World Trade Organization's expected ruling on allegedly unfair subsidies to Boeing and Airbus.

Times change but not always for the best!

In the past, there was a clear separation between CIDA's role and that of other departments providing support to Canadian exporters and investors. CIDA's priority was to help improve the 'lot' of the host country, advising and assisting policy development, funding feasibility studies and demonstration projects (such as matchmaking) to guide the preparation of appropriate plans and specifications, and supporting the subsequent promotion of opportunities for trade and investment. Requests for financial assistance by Canadian firms interested in bidding for identified opportunities were dealt with separately by the Department of Foreign Affairs & International Trade, Industry Canada, the Canadian Commercial Corporation, and/or Export Development Canada – along with available Provincial support.

For instance, the development assistance program might help the host country to determine and specify the regulations and requirements that should attach to any proposals for industrial development, such as the obligatory financing/provision of related infrastructure and housing, along with the required performance standards for social & environmental sustainability and human rights, whereas it would be up to the trade & investment/export program to provide market intelligence and respond to any requests for financial support from prospective bidder/s.

The importance of clearly separating responsibility for these two programs is perhaps best illustrated by the mining industry – an industry which is reportedly the third largest component of Canadian direct investment abroad and the generator of significant associated exports. Understandably, the Government wishes to do all it can to support the industry's pursuit of

opportunities elsewhere. The question is whether such support is in the best interest of the target countries or whether it could be better directed to more forward-looking, environmentally friendly industries - a timely question in the case of coal mining following the announcement earlier this month by Tata Power Co., India's biggest, that it prefers to invest in wind and solar farms over coal-fired projects which have become "impossible" to develop and when, as quoted recently in the Star, "the coal 'dragon' has been slain in Ontario".

It is difficult to see how Canada's development assistance program can remain impartially focussed on helping host countries to identify and implement what in their best interest are the most appropriate ways forward, if it is also involved in handling potentially conflicting requests for financial assistance by Canadian exporters! Or is this perhaps a brief aberration, as CIDA returns to the tried and proven track of focussing on the needs of the host country, in line with Canada's commitment at the 2011 Busan Forum on Aid Effectiveness to support partner countries in their efforts to achieve sustainable and inclusive development?

Certainly, it is encouraging and re-assuring to see that CIDA's latest strategy will provide renewed support for private sector development through the promotion of entrepreneurship for micro., small- and medium-sized enterprises and for women, with a focus on finance and financial services and on developing the skills and knowledge they need to innovate and grow.

While the substance of the strategy is still under discussion, the associated policies and programs will ideally take into account the experience and know-how gained during the eighties and nineties by those working with and for CIDA in reviewing and advising on trade and investment policies in Asia and, more recently, in close collaboration with other donors in the Caribbean. The Asia program was one of CIDA's private sector success stories - planning, demonstrating and evaluating effective ways to assist private sector development through skills training, market experience, and the "matching" of opportunities for collaboration between Canadian and host country businesses, policy research centres, and government agencies.

On the face of it, CIDA is still on track with a renewed commitment to the International community to support effectively and transparently the economic, social and environmental advancement of developing countries. There is however an urgent need to respect the cautionary signals and carefully evaluate the appropriateness and downside risks of some of the current activities – and, in doing so, to take full advantage of the accumulated knowledge, advice and assistance of appropriately experienced Canadian consultants and traders.

"Reflections by Brian Helm on some of the ideas, thoughts and comments aired recently during a series of informal discussions with international development consultants. Recently retired, Brian is a long-time associate and friend of CAIDC with some fifty years of experience advising and assisting Canadian and foreign governments and businesses regarding private sector development, infrastructure planning, and capacity building."