



## CANADA'S AID POLICY:

Follow up to letter from **DEVELOPMENT AND PEACE** to Minister Julian Fantino

### KEY TALKING POINTS FOR DISCUSSIONS WITH MEMBERS OF PARLIAMENT

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DEVELOPMENT AND PEACE is concerned by [recent comments made by the Minister of International Cooperation](#) that Canadian foreign aid will be increasingly directed towards private-sector initiatives. Minister Fantino's keynote address to the Economic Club of Canada titled "Reducing Poverty – building tomorrow's markets" on November 23, and subsequent comments made while in Haiti reinforced the message that CIDA plans to align itself more closely with the Canadian corporate sector by using official development assistance (ODA) budgets to promote Canadian corporate interests in developing countries, with priority given to the resource extraction sector.

In response to these announcements, DEVELOPMENT AND PEACE sent a letter to Minister Fantino in December expressing our concerns and those of our partners in the Global South, who witness daily the often negative impacts of foreign direct investment on their countries, in particular in relation with extractive industries.

Many members of DEVELOPMENT AND PEACE have expressed the desire to follow up the points raised in the letter with discussions with their own members of Parliament. To date, the Canadian government has not indicated any readiness to review or change its policy directions and priorities for Canadian aid. We nevertheless believe it is important for Canadian citizens to continue sharing their concerns and engaging in dialogue with elected representatives from all political parties in the interests of transparency, accountability and fulfilling our mission of educating the Canadian population about the causes of poverty and mobilizing Canadians towards actions for change.

The members who have met with their elected representatives have raised some or all of the following **key concerns regarding Canada's aid directions**:

- A) **POOR USE OF LIMITED PUBLIC FUNDS:** Especially in the context of the Government of Canada's reductions in overall aid spending, using the limited resources dedicated to official development assistance to subsidize the activities of corporations in the highly profitable resource extraction sector is a mis-use of limited public funds.
- B) **COMPLIANCE WITH CANADIAN LAW:** The **ODA Accountability Act**, which came into force in June 2008, applies to all federal departments providing official development assistance and lays out three conditions that must be satisfied for international assistance to be considered as official development assistance. **These conditions are that assistance: contributes to poverty reduction; takes into account the perspectives of the poor; and, is consistent with international human rights standards.** We question how the policy directions announced by

Minister Fantino can be in compliance with all three of the requirements of the ODA Accountability Act, given the lack of evidence that foreign investment in resource extraction contributes to poverty reduction (the opposite has been demonstrated in almost every resource rich country of the Global South); the documented cases of human rights violations linked to foreign investment in resource extraction; and the lack of evidence that the perspectives of the poor in developing countries have been considered in this policy shift.

- C) **SUPPORT FOR A FAILED MODEL OF DEVELOPMENT:** We are also concerned about the development model that underpins the policy to use ODA to stimulate and subsidize foreign direct investment in the resource extraction sector. This model assumes that such investment will stimulate the economic growth that will bring about poverty reduction. However, this claim has yet to be proven. In fact, dependency on the export of primary commodities and import of manufactured goods remains a central obstacle to transforming the economies of developing countries that now consign the majority to destitution. What is needed to diversify economies, create decent jobs, and reduce poverty and inequality are supportive conditions for the **local** private sector to flourish, and national and regional development strategies that use the resources generated from resource extraction to improve public infrastructure and services to the entire population, not just the specific, local communities. For developing countries to genuinely benefit from the wealth of their resources, much more than observance of basic corporate responsibility is needed. This is not a new concern and has been at the heart of many of the struggles for development and the democratization of public policy for many years.

The new African Vision for Mining, adopted by the African Union Heads of State in February 2009 is an example of aspirations to bring about more fundamental changes by “(integrating) mining much better into development policies at local, national and regional levels (by) thinking about how mining can contribute better to **local** development by making sure workers and communities see sustainable benefits from large-scale industrial mining and that their environment is protected (and) making sure that **nations** are able to negotiate contracts with mining multinationals that generate fair resource rents and stipulate local inputs for operations. And at **regional** level, it means integrating mining into industrial and trade policy. Most of all it’s a question of opening out mining’s enclave status so that Africa can move from its historic role as an exporter of cheap raw materials to a manufacturer and a supplier of knowledge-based services.” (<http://www.africaminingvision.org/about.html>) Canada could offer its assistance to such an agenda.

- D) **WEAKENING OF DEMOCRATIC INSTITUTIONS IN DEVELOPING COUNTRIES:** While we should insist on high standards of corporate practice (especially by Canadian companies) we do not believe that our aid policy should encourage developing countries to rely on foreign NGOs to meet the needs of specific “beneficiary” populations, rather than implementing policies and programs that meet the needs and respect the rights of their citizens. Corporate Social Responsibility (CSR) public/private partnerships are by nature short-term, piece-meal, and unsustainable. They also run the risk of shifting accountability for the critical issues of social services, regulation, environmental protection, labour conditions and revenue sharing from local and national governments to foreign NGOs and corporations, thus undermining democratization and the strengthening of local institutions of governance.