

**A COMMENTARY ON**  
***EXPANDING OPPORTUNITIES:***  
***FRAMEWORK FOR PRIVATE SECTOR DEVELOPMENT***  
**A CIDA CONSULTATION DOCUMENT**

Submitted by

**Canadian Labour Congress**  
**Canadian Council for International Cooperation**

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## **ACRONYMS**

CSO	civil society organization
CSR	corporate social responsibility
DFAIT	Department of Foreign Affairs and International Development
DFID	Department for International Development
FDI	foreign direct investment
ICFTU	International Confederation of Free Trade Unions
IFI	international financial institution
LDC	least-developed country
MEA	multilateral environmental agreement
MED	microenterprise development
MFD	microfinance development
PSD	private sector development
SMEs	small- and medium-sized enterprises
UNDP	United Nations Development Programme
WTO	World Trade Organization

## RECOMMENDATIONS

### ***Recommendation 1***

CIDA's adoption of a pro-poor lens for determining its private sector development (PSD) priorities is commendable, but the final policy should more adequately reflect this lens in its analysis of the choices and dilemmas faced by CIDA in advancing PSD, in its suggested areas for effective interventions and in its choice of innovative partnerships.

### ***Recommendation 2***

CIDA should conduct a review of intervention models, resources and partners in SME (small and medium enterprise) projects with a goal to improving the effectiveness of such interventions for poverty reduction.

### ***Recommendation 3***

CIDA's PSD policy should require that any support for foreign direct investment (FDI) be based on thorough analysis of its impact on the livelihoods and rights of those living in poverty, and be accompanied by specific measures such as support for education and training to improve its impact on low-skilled workers.

### ***Recommendation 4***

CIDA's PSD policy should include public guidelines for its own response to "Public-Private Partnerships". These should include a requirement for its own evaluation of whether consultation processes with affected citizens, and most particularly with organizations of the poor and workers' organizations, has been adequate.

### ***Recommendation 5***

CIDA's PSD policy should elaborate and incorporate a sustainable livelihoods approach to poverty reduction

### ***Recommendation 6***

To promote greater coherence with Canada's international human rights obligations, CIDA's PSD policy should be informed by a rights-based approach which proactively seeks programmes that promote the progressive realization of social, economic and cultural rights.

### ***Recommendation 7***

CIDA's coding and analysis of its PSD programme should be developed to provide better tools for analyzing its poverty reduction impacts, including analysis of expenditures in LDCs.

### ***Recommendation 8***

CIDA's PSD policy and related programmes should be explicitly and exclusively focused on poverty reduction, eliminating all specific mandates to serve Canadian economic interests. Until such time as poverty reduction becomes the exclusive goal for all activities undertaken through Canadian ODA, any projects or programmes intended to serve Canadian economic interests should be clearly identified, with requirements built into contracts and contribution agreements for transparency and disclosure regarding the project design, execution and funding.

***Recommendation 9***

CIDA's PSD programme should increase its support to southern trade unions, NGOs and other civil society organizations with a view to strengthening their capacity to bring the needs of people living in poverty into the process of developing appropriate strategies for PSD.

***Recommendation 10***

Canada should untie technical assistance for private sector development so that developing country entities, or at a minimum, entities in LDCs and sub-Saharan Africa, can compete for contracts. It should also consider sole source contracts that prioritize developing country organizations, and the establishment of special funds in CIDA and through donor pools to support developing country organizations in providing technical assistance for private sector development.

***Recommendation 11***

The PSD policy should direct CIDA to gather information from all relevant sources, including unions, NGOs and other civil society organizations with country-based experience, and all relevant multilateral institutions including the International Labour Organization (ILO), to inform policy and programme choices arising from the business, governance and pro-poor lenses.

***Recommendation 12***

The PSD policy in implementing its pro-poor lens should take into account analyses of the impact of structural adjustment policies as they affect private sector development for people living in poverty and in so doing should support the capacity of local civil society organizations and think tanks to critique macro-economic policies put forward by International Financial Institutions and multi-donor groups.

***Recommendation 13***

CIDA's PSD policy should identify critical conditions for determining appropriate multi-stakeholder partnerships against which specific proposals would be assessed.

***Recommendation 14***

CIDA's PSD policy should direct its corporate social responsibility (CSR) promotional initiatives with sufficient budget resources to build capacity among developing country civil society and workers' organizations to "ratchet up" the standards of an industry sector through campaigns focused on industry leaders and government.

***Recommendation 15***

The PSD policy should recommend the inclusion of a clause in contribution and procurement contracts to promote adherence with the ILO Declaration on Fundamental Principles and Rights at Work and in the case of Canadian companies, require adherence to the OECD Guidelines for Multinational Enterprise.

***Recommendation 16***

The PSD strategy for CIDA should promote close collaboration with other departments of the Canadian government to develop a range of facilitative, incentive and coercive measures to govern the human rights conduct of Canadian companies abroad.

***Recommendation 17***

The PSD strategy should commit CIDA to a broad consultation process on trade capacity building involving Canadian and southern unions, NGOs and other civil society organizations, the private sector and partner governments. As background for the consultation process, CIDA should provide an independent review of its trade capacity building programmes to see whether or how they address strengthening developing countries capacities to advance their trade interests in the service of national development strategies and poverty reduction. The review should include:

- assessment of the impact of multilateral programmes and funds such as the Integrated Framework for Trade-Related Technical Assistance to Least-Developed Countries, the Joint Integrated Technical Assistance Programme for Selected Least Developed and other African Countries (JITAP) and the WTO Doha Development Fund on locally owned trade capacity building and its potential for poverty reduction;
- identification of best practices in pro-poor trade capacity building by other bilateral donor programmes.

***Recommendation 18***

The PSD strategy should include support for an effective breadth of institutional actors in trade capacity building programming, giving priority to:

- increasing the use of developing country organizations as implementing agencies for Canadian and multilateral trade capacity building programmes;
- increasing support (both as recipients and delivery agents) for multilateral and southern unions, NGOs and other civil society organizations who bring diverse approaches to developing country trade strategies in the service of national development strategies and poverty reduction.

## INTRODUCTION

The Canadian Council for International Cooperation (CCIC) and the Canadian Labour Congress (CLC) welcome the opportunity to comment on CIDA’s consultation document, *Expanding Opportunities; Framework for Private Sector Development*. While the short time available for consultations on the draft has limited our capacity to generate more systematic discussion within our membership on the draft policy statement, we are convinced that many of the comments and messages below reflect issues that others upon reflection on the policy would raise. In the end, the CCIC did not have time to receive feedback from other members of the Council and consequently the following analysis and recommendations are solely those of the CCIC Secretariat and the Canadian Labour Congress.

Our remarks are made in the context of our earlier responses to CIDA’s *Canada Making a Difference in the World: A Policy Statement on Strengthening Aid Effectiveness*.<sup>1</sup> There is much to commend in the draft PSD policy. In particular, we very much appreciate the pro-poor framework and lens for assessing the contribution of economic growth to CIDA’s overarching goal of poverty reduction and sustainable development and for setting CIDA’s private sector development (PSD) priorities. The challenge is to use the lens consistently and systematically in setting PSD priorities and implementing these priorities—this will require further work.

We also appreciate the broad conceptualization of the private sector to include the informal sector, rural sector, and cooperatives engaged in market activities. This allows for exploration of pro-poor PSD that goes beyond the “trickle down” hopes for PSD, often associated with the rationale for directing support to businesses, firms and corporations. This broad conceptualization of the private sector is accompanied by a thoroughly integrated gender equality perspective, essential to any pro-poor analytical framework for PSD.

As with the pro-poor lens, the challenge lies in maintaining this broader understanding of the private sector in the PSD framework. CIDA acknowledges this difficulty with respect to chapter 5, “Innovative Partnerships” (56, footnote 1) where the reference to “private sector” typically refers to the corporate business sector. This more limited conceptualization of PSD beyond support to business enterprise is also evident in some other parts of the consultation document.

### ***Recommendation 1***

CIDA’s adoption of a pro-poor lens for determining its private sector development (PSD) priorities is commendable, but the final policy should more adequately reflect this lens in its analysis of the choices and dilemmas faced by CIDA in advancing PSD, in its suggested areas for effective interventions and in its choice of innovative partnerships.

Even with consistent use of a broad definition of the private sector and a pro-poor lens, we are concerned that the general philosophy implied remains one that gives ultimate prominence to market and trade liberalization as keys to development. Our position is that neither are necessary or sufficient conditions for pro-poor development to take place. For instance, as pointed out in the policy paper itself, trade liberalization often results in imports that displace small farmers and local industry; financial liberalization often results in currency volatility, high domestic interest rates, and capital flight; market liberalization (i.e. privatization of public assets and functions) often results in private monopolies that shut off the poor from access to services. Thus

the establishment of a "sound investment climate" from a foreign investor's perspective may wreck havoc on the most vulnerable parts of society.

To say that the development of entrepreneurship (and cooperative) capacity is a critical component of a development strategy is true, but what is even more important is whether this entrepreneurship is given the space to be nurtured.

Policy ownership should mean that CIDA does not have an implicit bias (as do other departments) in favour of trade and market liberalization, but should aim to help countries decide for themselves what is the appropriate level of both trade and market liberalization. LDCs should have the policy space to define development strategies for themselves, even if this does not go along with Canada's own trade objectives.

## **GROWTH AND ECONOMIC DEVELOPMENT**

CIDA's framework for PSD brings together the concepts of a "business lens", a "governance lens" as well as a "pro-poor lens".

The business lens focuses at the domestic level on whether there exists a supportive business and investment climate, and at the international level on whether the investment climate is attractive to foreign direct investment (FDI) (4).

The governance lens focuses on the role that institutions play in fostering the conditions for PSD. At the international level, the governance lens is concerned with the role of the international financial institutions (IFIs), World Trade Organization (WTO) and multilateral environmental agreements (MEAs) (4-5).

The "pro-poor lens" focuses on whether the pattern of growth and benefits is inclusive of the poor and enables the poor to access and participate in markets. At the international level, the lens is defined in terms of market access for poor countries (4-5).

### **The Business Lens: Establishing a Sound Investment Climate**

#### Domestic Economic Linkages for Growth

CIDA reports that most definitions of pro-poor growth emphasize expansion of the income and employment opportunities of the poor through:

a pattern of growth that includes the sectors and regions where the poor are located, particularly rural areas;

investments that improve the productivity of the poor, so that pro-poor growth effectively results in increases in the incomes of the poor disproportionately to that of the non-poor (2).

CIDA then begins its discussion of the "business lens" with the important point that "domestic savings, by far, represent the most important source of investible capital in all economies." However, despite having acknowledged that FDI "in the bigger picture...remains a 'top-up,' or

complement to domestic savings,” the paper jumps quickly to a discussion of the domestic private sector as a precondition for attracting significant levels of foreign direct investment and integrating into the global economy (5-6). A more substantial and systematic discussion is needed with respect to the structuring of a domestic economy so that it can effectively respond to and sustain improved livelihoods for those living in poverty or on the edges of poverty in a given region or national economy.

The paper later reports that CIDA’s PSD programming “mainly comprises development-oriented projects such as microfinance/microenterprise development, which represents the largest share at 30 percent of total PSD disbursement, and SME [small and medium enterprise] development (13).” CIDA informs us that these are the categories of programming for which it can most clearly demonstrate outcomes (18). There is discussion of the strengths and limitations of its support for microenterprise development (MED) and microfinance development (MFD), concluding that the concepts are not panaceas (19). CCIC, working with members and southern colleagues active in MED, reached a similar conclusion in a learning circle in 1996, which is summarized in a report, *Micro-Enterprise Lessons, Questioning the Panacea*.

CIDA’s draft policy provides limited analysis of the “pro-poor” implications of donor support for SMEs. There is a general reference to the importance of SMEs in generating employment (11), and a comment on the specific finding that CIDA has had difficulty in reaching women through SME projects (19). However, more analysis is provided in a background study of SMEs, carried out as part of CIDA’s assessment of one of the five categories of PSD programs, category 502, “Capacity, skills and productivity enhancement.”<sup>2</sup> It argues that SMEs are the foundation for private-sector-based economic growth that in return reduces poverty (11). It admits, however, that support for SMEs generally does not affect poor people directly, and that it is hard to estimate precisely what effects CIDA’s SME-support efforts have had on growth and employment, or what proportion of the jobs created has gone to poor people (11-12).

### ***Recommendation 2***

CIDA should conduct a review of intervention models, resources and partners in SME (small and medium enterprise) projects with a goal to improving the effectiveness of such interventions for poverty reduction.

### **Trade and Investment Flows**

CIDA’s discussion of FDI begins, as noted above, with an acknowledgment that FDI provides only a small complement to domestic savings, although it can catalyze change. At the same time, it draws attention to the size of private capital compared to public aid flows—other than in LDCs—and their resulting significance as a channel for outside influence on development outcomes (6). A thorough examination of these development outcomes is essential if a pro-poor lens is to be applied to such investments.

A large percentage of FDI inflows into sub-Saharan African countries, for example, is accounted for by four oil-exporting countries. CIDA’s draft policy makes an important observation that “such investment and growth based on resource extraction has been associated with limited

benefits to other sectors” (6). We assume that the emphasis here was intended to be on “limited” rather than “benefits.”

A recent study, *Mining and Communities: Poverty Amidst Wealth*, by staff from the Canadian Environmental Law Association and CooperAcción in Peru, reports that the evidence is that mining projects do little to reduce poverty in developing countries. They suggest, however, that this result is not inevitable if communities are able to establish more equitable relationships with industry that integrate mining with local strategies for development.<sup>3</sup> Other studies have questioned the role that CIDA support has played in changing mining legislation in developing countries, particularly in its impact on indigenous peoples.<sup>4</sup> Support to the mining industry should only be developed within an agreed joint framework involving all the stakeholders including community organizations and workers and their representative trade unions.

More generally, a recent study from the Overseas Development Institute states that the evidence that FDI contributes to economic growth is “encouraging rather than compelling”, and that growth itself does not guarantee poverty reduction. It notes that one of the problems is that wage inequality is increased through FDI and suggests appropriate responses from the international community:

The donor community could emphasize the importance of the social dimensions of globalization by supporting the ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy (which are related to the OECD Multinational Enterprise guidelines on training/industrial relations). “The right of collective bargaining and the need to provide training ‘for all levels of their employees’ seem important in the context of FDI and wage inequality....”

The donor community could support developing country efforts to improve the impact of FDI on wages of low-skilled workers through support for education and training schemes.<sup>5</sup>

These studies have implications, of course, for how CIDA allocates its resources related to FDI. With \$100 million of funds administered by CIDA to be disbursed through the new Canada-Africa Investment Fund, but managed by a private sector firm selected by the Canadian Commercial Corporation, and with direct and indirect benefit to Canada as one of its goals, poverty-reduction outcomes will be uncertain, at best, unless there are conditions attached which address the limitations of FDI for poverty reduction. Canadian CSOs (civil society organizations) are seeking clear transparency and accountability not only to social and environmental benchmarks for responsible investment, but also development criteria and analysis of investment proposals put to the Fund. The pro-poor lens suggested by the draft PSD framework should be central to this assessment of proposals by the managers of the Fund.

### ***Recommendation 3***

CIDA’s PSD policy should require that any support for foreign direct investment (FDI) be based on thorough analysis of its impact on the livelihoods and rights of those living in poverty, and be accompanied by specific measures such as support for education and training to improve its impact on low-skilled workers. (See also recommendation 15 concerning corporate responsibility requirements.)

## **The Governance Lens: The Importance of Institutions**

### Accountability

CIDA describes governance as a significant responsibility of government, but adds that a free press, business associations, unions and labour organizations, non-profit and civil society organizations, etc. “all play contributing roles ... and can increase social capital and ‘good governance’” (7-8). We would state this more strongly — they are essential to good governance. For example, independent and democratic trade unions, NGOs and other CSOs play a critical role in mobilizing support for poverty-eradicating job creation.

CIDA also reports a new focus on improving governance by strengthening the state’s democratic accountability and the role of civil society in monitoring governance and state performance. It says that a healthy private sector is central to furthering state accountability, through generating taxes, which can be used to support strengthened public institutions and key public investments, and through the “accountability” dividend provided by the increased base of taxpayers (8).

What is missing from this discussion of accountability in governance is the question of corporate governance, and the ways in which business enterprises and particularly, powerful transnational enterprises, are kept accountable to the state and to fundamental human rights, labour standards and environmental standards. NGOs, unions and government all have roles in this regard. The brief discussion of corporate social responsibility (CSR) in chapter 5 is inadequate because of its emphasis on promotion to the exclusion of accountability for CSR standards. Our more detailed comments on this subject are made in response to the discussion in chapter 5.

### State Intervention and Privatization

The framework initially asserts that the market economy, “when properly regulated and supported by effective institutions,” is “the most effective environment for achieving sustained growth and poverty reduction” (2). This could be taken (but was perhaps not intended) to suggest that privatization of everything is the best way to go as long as you have good regulation and institutions to enforce the rules. Surely it is the citizens and the government of a country who are best suited to determine the optimal mix of ownership (private, cooperative, public) that will be most effective for achieving poverty goals in many areas.

The section on “Privatization: Lessons and Controversies” does, in fact, refer to the possibility that privatization can be captured by political elites to the disadvantage of the public interest (7). It is not clear in the draft framework, however, the degree to which CIDA supports the significant impetus towards privatization that has been coming from the World Bank.

Academics, NGOs and unions are challenging assumptions about the relationships between privatization and economic growth, and the effect of privatization of services such as water and electricity on the quality of life of those on very low incomes.<sup>6</sup> There are social effects (e.g., people unable to afford their own water), issues of water security through water exports<sup>7</sup>, and the issue of significant reductions in employment and in some cases, transfers of workers from the formal to the informal sector through sub-contracting.<sup>8</sup>

The impact of utility privatization on poverty is complex and highly case specific. The blanket privatization of water and electricity, which has become a key element of aid conditionality for some countries, should be abandoned in favour of a case-by-case approach, in which citizens and their governments determine overarching objectives such as universal service delivery and the optimal modalities for delivering services to realize these objectives.<sup>9</sup>

Some critics make a distinction between privatization involving major infrastructure and multinational corporations, and small-scale public-private partnerships for new water supply systems, electricity grids or other public utilities in rural areas or small towns.<sup>10</sup>

The advocates of privatization insist that in parallel to so-called “Public-Private Partnerships”, the state’s capacity as regulator must be strengthened. But as one dissenter argues:

Governments that are incapable of running water and electricity works could not be expected to understand how to regulate corporations such as Enron or Vivendi. However, if they are capable of learning how to do the latter, then nothing explains why they should not also learn to do the former.<sup>11</sup>

#### ***Recommendation 4***

CIDA’s PSD policy should include public guidelines for its own response to “Public-Private Partnerships”. These should include a requirement for its own evaluation of whether consultation processes with affected citizens, and most particularly with organizations of the poor and workers’ organizations, has been adequate.

### **The Pro-Poor Lens: Economic Freedom and Market Access**

CIDA’s draft policy describes pro-poor growth as requiring “policies and programs that facilitate access to markets by poor men and women who are then able to use their assets and capabilities to generate enhanced and sustainable livelihoods” (8). The policy refers to the importance of:

“mobilization” of informal sector enterprises—where a large part of private enterprise activity is located—for participation in formal markets, by improving market access, facilitating market entry, and “building supporting institutions to help informal-sector entrepreneurs bring to bear their capabilities;

recognizing the importance of SMEs as generators of wage employment (preferred by the poor for its stability and security);

emphasizing the development of productivity and incomes of agricultural and non-farm rural occupations (recognizing that the majority of the poor remain in rural areas, directly or indirectly depending on agriculture for their livelihoods (10-11).

### **A Sustainable Livelihoods Approach to Pro-Poor Private Sector Development**

According to CIDA, “Well-functioning markets, including labour markets, carry the promise of the right to, or freedom of, economic participation.” Well-functioning markets are described as competitive, accessible to potential participants, and domestically integrated through supply chains, distribution networks and information flows (8).

What needs more emphasis here (although it is mentioned in an excerpt on page 9 from the OECD Development Assistance Committee's *Guidelines on Poverty Reduction*) is that effective pro-poor growth must be rooted in the livelihood strategies of the poor. The Canadian Food Security Policy Group (FSPG), in its response to CIDA's discussion paper on the role of agriculture, calls this a "sustainable livelihoods" approach to poverty reduction. CIDA's discussion paper on agriculture also made reference to the approach. The FSPG describes it as follows:

This is a holistic, yet flexible, approach that starts from the conditions of people living in poverty, taking into account their expressed needs. It then locates appropriate interventions in an analysis of their assets, vulnerabilities and capabilities, the underlying resource base for sustainable livelihoods, and finally in the broader policies and institutions that are required for more equitable access to resources.<sup>12</sup>

***Recommendation 5***

CIDA's PSD policy should elaborate and incorporate a sustainable livelihoods approach to poverty reduction.

A Rights Approach to Pro-Poor Private Sector Development

One of the principles of aid effectiveness – policy coherence – is that "government policies should work together to reinforce common objectives rather than be at cross-purposes" (23).

The consultation document makes a very important acknowledgment that "inequality associated with market mechanisms relates ultimately to inequality in the ownership of property and other resources (including skills and training) or powerlessness/voicelessness in setting market rules to benefit some more than others" (10). However, the draft policy neglects the need for coherence when it comes to the Canadian government's multilateral commitments and policies with respect to recognized rights and state obligations that are intended to address issues of powerlessness in setting market arrangements, rules, and beneficiaries. The draft policy should be better informed by a rights approach to pro-poor private sector development.

Unions are one of the key means through which workers address issues of powerlessness in setting market rules, yet unions and the fundamental rights of labour are almost invisible in the consultation document and the references that are made are either cursory or negative. In chapter 5, for example, CIDA notes the concern that liberalized markets and FDI may result in compromised labour and environmental standards, but repeats without comment the fear expressed by some developing countries that corporate social responsibility (CSR) initiatives in the areas of labour and environmental standards may act as non-trade tariff barriers (37). In chapter 2, a box on "Children as 'Economic Actors'" expresses CIDA's view that "seeking to ban all child labour does not reflect the reality of life in developing countries" (18).

The evidence on the issue of trade and labour standards as summarized by the OECD, is that:

Strengthened core labour standards can increase economic growth and efficiency;

High standards may ease the adjustment arising from trade liberalization;

Countries with low core labour standards do not enjoy better export performance than high-standard countries.<sup>13</sup>

The 1998 ILO Declaration on Fundamental Principles and Rights at Work defines core labour standards and requires all ILO member states to promote them. Some development agencies, notably the World Bank and the Department for International Development (DFID) in the United Kingdom, understand that this obligation is a positive one – that respect for core labour standards can contribute to poverty reduction. Recent World Bank publications state that core labour standards lead to a more equal distribution of income without harming growth, and that there is a major positive correlation between trade unions and a country's economic performance.<sup>14</sup> DFID released a consultation document on labour standards and poverty reduction in February 2003. It states that a commitment to labour standards can contribute to poverty reduction by promoting broad-based economic, social and political development, and it describes ways of tailoring action to promote workers' rights to the needs of workers outside the formal sector unions who are represented, at best, by other forms of association.<sup>15</sup>

The CLC and the Labour International Development Committee proposed in 1999 that CIDA integrate labour standards into its programs by including a labour standards clause, based on the ILO Declaration, in all its contracts and contribution agreements. As well, it suggested that a similar clause be included in Request for Proposals and in projects submitted to responsive programs, to encourage and reward proposals which include plans to implement standards. CIDA, Human Resources Development Canada, the CLC / Labour International Development Committee, and The North-South Institute co-sponsored a "Workshop on Core Labour Standards and Poverty Reduction: International Strategies," in December 2000, but a draft CIDA policy statement on labour standards developed in 2000 appears to have been shelved and no other action taken.

The background study on the labour market for the PSD consultation refers to the development of a manual to help CIDA desk officers in assessing PSD project proposals with a poverty-focused project approval process, and "special reference to labour market policies, strategies and programs that are congruent with the requirements of transitory and structural poverty."<sup>16</sup> Given the lack of evidence of any understanding of the ILO Declaration and the role of unions in the background paper, it is likely that this manual needs review.

In the context of Canada's obligation under the ILO Declaration to promote core labour standards, CIDA should consider the fact that of the nine largest countries in 1999-2000 in its PSD program, five (China, Egypt, Indonesia, Morocco, Philippines) were countries that the OECD has described as ones where freedom of association is practically non-existent or where restrictions are significant.<sup>17</sup> Two of the four that were not included in the OECD review—Russia and Ukraine—might also be considered in this category.<sup>18</sup>

On the issue of child labour, we of course agree with CIDA that children form "a significant part of the entrepreneurs and workforce in developing countries." Nonetheless, we believe that CIDA's clear commitment (not evident in the consultation document) should be to support the

elimination of child labour, in keeping with Canada's international commitments in the Convention on the Rights of the Child (article 32) and the ILO (conventions 138 and 182 which are included in the ILO Declaration). Strategies are then required to ensure that children are helped rather than harmed by programs and projects aimed at reducing and eliminating child labour. In addition, strong support for freedom of association and the right to organize are needed so that workers' organizations, as well as children's and human rights organizations, can advocate and monitor commitments to protect children. A private sector development policy that simply accepts child labour as part of "the reality of life" in developing countries would be a policy that invites exploitation of children by the private sector.

***Recommendation 6***

To promote greater coherence with Canada's international human rights obligations, CIDA's PSD policy should be informed by a rights-based approach that proactively seeks programs to promote the progressive realization of social, economic and cultural rights.

## **PRIVATE SECTOR DEVELOPMENT PROGRAMMING**

In this chapter, the consultation paper reviews previous PSD programming for development results and lessons learned at various "levels of intervention" ranging from international to the informal sector.

### **Private Sector Development Expenditures by Country Income Category**

CIDA reported problems it encountered in collecting data for the PSD review arising from an ambiguous coding structure. It would not seem that coding problems would have prevented analysis of disbursements by country. A pro-poor analysis should include amounts spent on LDCs, other developing countries, non-ODA countries, etc. Our analysis is that of the nine largest country recipients in 1999-2000, none are LDCs. Over the ten-year period of review, only two of the ten largest country recipients were LDCs. The recent announcement of the Canada Fund for Africa, including the Canada-Africa Investment Fund, will no doubt increase PSD resources to LDCs.

***Recommendation 7***

CIDA's coding and analysis of its PSD programme should be developed to provide better tools for analyzing its poverty reduction impacts, including analysis of expenditures in LDCs.

### **Canadian Economic Interests**

Another figure not reported in the consultation document, but discussed in the background "Synthesis Report", is the percentage of PSD programming driven by commercially-oriented Canadian interests. The "Synthesis Report" puts it at 12% of overall PSD disbursements, representing CIDA INC or REE (Renaissance Eastern Europe) programmes where the Canadian private sector puts forward proposals to CIDA to assist in the funding of commercial ventures offshore.<sup>19</sup>

A second group of programmes based on the needs primarily of the developing country private sector— economic integration programmes, and enterprise linkage programmes — are usually developed by CIDA staff, and have, as described by the “Synthesis Report”, an “overlay” of commercial interest. They represent about 4% of disbursements.<sup>20</sup>

A third group of programmes is described in the “Synthesis Report” as not commercial, but defined by Canadian interests and capacity. It represents 64% of PSD programming. Within this group, the \$70 million that CIDA has invested in MBA programmes offshore is described” as “very supply driven with almost universal imposition of North American models and approaches.”<sup>21</sup>

The OECD Development Assistance Committee (DAC) peer review of Canada commented on the fact that some of CIDA’s PSD activities are predominantly intended to benefit Canadian business, and added that the minimal data provided to it regarding CIDA INC activities was inadequate.<sup>22</sup> The DAC report suggested that CIDA could enhance transparency by providing more information. It also encouraged CIDA, in elaborating a new PSD policy, to “give further attention to the ownership of the main clients — those in developing countries— that should be served by the programme.”<sup>23</sup> Apart from a report that PSD programming has become increasingly responsive to Canadian partners, the consultation document provides no discussion of the ongoing debate over achieving development objectives versus promoting Canadian interests, and no indication of whether it intends to reduce the use of resources to benefit Canadian business or other interests.

A recommendation in one of the CIDA consultation background papers concerning the role of Canadian interests urges transparency about “pro-Canadian” PSD:

Even if CIDA’s programmes have poverty reduction as an objective, the Canadian government and the Canadian public will probably still be concerned about Canadian interests in the use of public funds allocated to CIDA. Despite the possible adaptation of the programme approach and national execution, CIDA will continue to use Canadian resources, and Canadian interests will continue to be a strategic dimension of CIDA’s activities. Wherever Canadian interests are at stake, they should therefore be declared as such, and a framework should be established to measure how well they are being served.<sup>24</sup>

### ***Recommendation 8***

CIDA’s PSD policy and related programmes should be explicitly and exclusively focused on poverty reduction, eliminating all specific mandates to serve Canadian economic interests. Until such time as poverty reduction becomes the exclusive goal for all activities undertaken through Canadian ODA, any projects or programmes intended to serve Canadian economic interests should be clearly identified, with requirements built into contracts and contribution agreements for transparency and disclosure regarding the project design, execution and funding.

## **Levels of Intervention and Lessons Learned**

CIDA says that private sector interventions can take place at different levels or points of entry. These are global/international, national/macro, sectoral/institutional, micro/transactional, and informal. CIDA's choices in the past appear to have reflected PSD trends elsewhere, as well as the results of the ongoing debate over development objectives versus promoting Canadian interests.

An overview of CIDA's PSD activities over the past ten years describes a focus on Canadian educational institutions and management training in the 1980s; promotion of Canadian interests, especially in Asia, through direct investment and joint ventures in the 1990s; poverty reduction through MED/MFD and cooperatives, also in the 1990s. More recently, CIDA, in cooperation with the World Bank, has used technical assistance and lines of credit to support reforms in developing countries' enabling environment for the private sector and economic integration. Support for SMEs, other than micro-enterprises and joint ventures, has remained a fairly marginal activity for CIDA.<sup>25</sup>

The discussion of what a "pro-poor" PSD programme today would entail for levels and areas of intervention is explored in chapter 3 in relation to principles of aid effectiveness and in chapter 4 in relation to country knowledge and programming analysis.

## **AID EFFECTIVENESS AND PRIVATE SECTOR DEVELOPMENT**

In this chapter, CIDA examines how principles for improving the effectiveness of aid apply to PSD. We comment on some, but not all, of these.

### **Country Ownership and Local Ownership**

CIDA says that a key issue is to ensure that PSD programming "responds to local PSD needs **or builds local capacity** to integrate PSD approaches into plans [emphasis added]" (21). It also reports that well over half of PRSPs (Poverty Reduction Strategy Papers) issued up to the end of 2002 include specific references to PSD. With the percentage just "well over half", this presents problems for CIDA:

Although there may be a strong and genuine desire on the part of donor agencies to take the lead from developing countries themselves, in practice, there are special problems associated with incorporating PSD into PRSPs and other development plans. One is that, typically, no single department in the government of a developing country will be responsible for PSD. Consequently, the plans produced take insufficient account of the importance of this element of development. Assistance from CIDA to developing country governments in this area might prove to have significant benefits (21).

PRSPs are intended to be nationally owned, and developed through a participatory process, but there is controversy over the extent to which they actually are "home grown". CIDA has suggested it might provide assistance to developing country governments to ensure that PRSPs give sufficient attention to PSD. But if PRSPs are to be developed through a participatory and

nationally-owned process, and “pro-poor” in their impact, then surely it must also channel support in this regard to southern trade unions, NGOs and other CSOs. Canadian CSOs have a strong record of accompaniment and solidarity with southern organizations. Their links in many developing countries are broad and diverse. These partnerships and links should inform CIDA’s efforts to strengthen capacity in southern CSOs to participate in consultation processes regarding economic development and improved livelihoods for people living in poverty.

CIDA also reports that PSD programming has become increasingly driven by Canadian partners, with projects funded through responsive mechanisms rising from 46% over the 10-year review period to 56% in 1999-2000. All categories of PSD programming have seen this shift. Where Canadian CSOs are involved, however, the concern about responsive programming should be considered in the context of their current modes of operation. Canadian CSOs are taking their lead from the South in the development of programmes and policies. They have significantly reduced their operational roles in north-south partnerships and have realigned their roles to a large extent to the job of delivering funds, solidarity and capacity development.

#### ***Recommendation 9***

CIDA’s PSD programme should increase its support to southern trade unions, NGOs and other civil society organizations with a view to strengthening their capacity to bring the needs of people living in poverty into the process of developing appropriate strategies for PSD.

### **Building Local Capacity**

The draft policy says that a best practice in development assistance is “to move away from aid based on technical assistance—typically short term assignments to consultants from industrialized countries—to capacity-building approaches” (25).

Capacity building will imply different types of programming at different levels. In the area of trade capacity building, for example, the draft policy suggests “rather sending high-priced Western trade lawyers to developing countries for two weeks, we should be supporting longer-term secondments of personnel to strengthen institutions...” (25).

The preferable approach, however, would be to untie technical assistance so as to strengthen local capacity and the development of locally-owned priorities for PSD. The consultation document itself notes that further untying of Canadian aid would play an important role in strengthening local capacity (25). However, the OECD DAC agreement on untying aid to least developed countries (LDCs), which CIDA has recently agreed to implement, excludes food aid and most technical assistance. CIDA has announced that it will seek amendments to contracting regulations to extend eligibility on CIDA contracts to entities in LDCs and Sub-Saharan Africa to bid on CIDA contracts, but this is at the discretion of the Minister.<sup>26</sup>

#### ***Recommendation 10***

Canada should untie technical assistance for private sector development so that developing country entities, or at a minimum, entities in LDCs and sub-Saharan Africa, can compete for contracts. It should also consider sole source contracts that prioritize developing country organizations, and the establishment of special funds in CIDA and

through donor pools to support developing country organizations in providing technical assistance for private sector development.

## **COUNTRY KNOWLEDGE AND PRIVATE SECTOR DEVELOPMENT PROGRAMMING**

This chapter of the draft policy framework lays out an important approach to PSD programming analysis. But it is also in this chapter that the difficulty of maintaining a consistent pro-poor lens becomes most evident. The summary leading off this chapter is that “PSD support by donors should have as a point of departure the real capacities, modes of operation, and internal relations found in private sectors in recipient countries **at firm, institutional, and governance levels**” (28, emphasis added). The informal entrepreneur and rural household as private sector actors seem to have disappeared in the discussion of the business and governance lenses.

There is an excellent, but largely isolated, discussion in the chapter’s section on a pro-poor lens about how the economic, market-participating, and sustainable-livelihood opportunities of the poor can be expanded, but the discussion is for the most part not reflected in the chapter’s substantial sections that focus on the business and governance lens — or in earlier chapters. For example, the discussion in chapter 4 on a pro-poor lens includes a paragraph on whether private sector participation in the provision of infrastructure (e.g. energy, water, transport) will increase accessibility and quality of services for the poor, and therefore contribute to enhance their productivity (31). The emphasis is on determining the best support mechanism based on information about immediate and specific needs of poor people. It suggests a somewhat different approach for CIDA on the question of privatization than is provided in the section on governance in chapter 1 (7).

The challenge of bringing pro-poor analysis to PSD will be to avoid isolating this frame of reference to consideration of only the informal and rural sectors. A pro-poor lens requires finding concrete ways of applying it to consideration of issues at all levels of PSD intervention, not just the micro level.

### **Country Knowledge**

CIDA states that “important knowledge for PSD programming includes information gathered using the business, governance, and pro-poor lenses” (28). We take this to mean that CIDA will include Canadian and southern trade unions, NGOs and other CSOs as well as international institutions such as the ILO among its information sources for country knowledge.

Instead, the elaboration on conditions to improve the business climate seems to ignore earlier discussions in the draft policy about the importance of national and local context for knowledge. The sources of knowledge specifically listed in this chapter and its footnotes are almost all World Bank and international business sources. While there is a reference to the availability of indicator-based data that address questions such as “the state of labour relations and the degree of flexibility with which employers can use labour” the very wording makes it clear that the source will not be a union central, the International Confederation of Free Trade Unions (ICFTU) or even the ILO.

### ***Recommendation 11***

The PSD policy should direct CIDA to gather information from all relevant sources, including unions, NGOs and other civil society organizations with country-based experience, and all relevant multilateral institutions including the International Labour Organization (ILO), to inform policy and programme choices arising from the business, governance and pro-poor lenses.

## **Strategic Questions**

In determining strategic choices and entry points for PSD, the draft framework rightly points to some critical factors: sustainability, comparative advantage, promoting gender equality, domestic enabling environment, international enabling environment, and synergy between projects and programmes at different levels (34-35).

Civil society organizations throughout the South and in Canada have highlighted additional concerns related to serious negative implications for people living in poverty that arise from macro-economic policy conditionalities that have been imposed over the past two decades by the International Financial Institutions (IFIs). Many of these conditions have led to ill-thought-out privatizations, not to mention increased and unsustainable debt loads for many of the poorest countries. CIDA's PSD strategies in any given country must at least take into account the implications of these macro-economic issues. The draft policy recommends that CIDA should avoid getting overly involved in macro-economic policy projects, on the grounds that the IFIs have a comparative advantage in this domain, and that such projects should be multi-donor efforts. While this may be true, CIDA should play an important role with the Department of Finance in setting Canada's approach to macro-economic policy conditions arising from the IFIs.

### ***Recommendation 12***

The PSD policy in implementing its pro-poor lens should take into account analyses of the impact of structural adjustment policies as they affect private sector development for people living in poverty and in so doing should support the capacity of local civil society organizations and think tanks to critique macro-economic policies put forward by International Financial Institutions and multi-donor groups.

## **INNOVATIVE PARTNERSHIPS**

Chapter 5 considers a number of miscellaneous issues with respect to PSD programming, clustered together under the title of "Innovative Partnerships". Our comments focus on three of these: multi-stakeholder partnerships, corporate social responsibility, and trade and development.

### **Multi-Stakeholder Partnerships**

CIDA asks if Canadian development partners, including CIDA, are sufficiently innovative, particularly in the context of new multi-stakeholder arrangements. It argues that the potential role of the private sector in such arrangements is important because the private sector transfers capital and makes other contributions to local development.<sup>27</sup> It also cites the role of high-profile multi-stakeholder efforts such as the Global Alliance for Vaccination and Immunization and the

UNDP's Public-Private Partnerships for the Urban Environment in bringing private sector resources to development challenges and in focusing private sector attention on sound business practices (36).

CIDA's most important comment on the subject of multi-stakeholder partnerships, however, is in its footnote 3, page 56:

“The optimism inherent in openness to innovation and new opportunities should not deny the understanding that partnerships between diverse partners can be difficult, and moreover, that partnerships between partners with very different amounts of perceived “power” can be even more fraught with difficulty. The direct involvement of stakeholders, particularly from marginalized groups, requires attention to legal and political rights, the capacity to engage in and benefit from participation, and conflict-resolution mechanisms. Transparency is critical to ensuring trust and effectiveness. “Innovativeness” should not, from CIDA's perspective, overshadow the principles of fair and equitable participation, a base of local ownership, and confluence with national priorities in developing countries.”

CCIC members in 2000 studied the issues involved in NGO engagement with the private sector on an agenda to end poverty. The background report, case studies, and summary report of the CCIC learning circle provide a solid basis for discussions between CIDA and CSOs about the difficulties and also potential areas for cooperation.<sup>28</sup>

### ***Recommendation 13***

CIDA's PSD policy should identify critical conditions for determining appropriate multi-stakeholder partnerships against which specific proposals would be assessed.

## **Corporate Social Responsibility**

The draft policy asks what role—if any—CIDA should seek to play in promoting corporate social responsibility (CSR) in developing countries, without providing any details about its current activities or plans. However, an overview of CIDA's CSR activities was provided to a Development Agency Round Table on CSR in January 2002.<sup>29</sup> These activities have two dimensions: CIDA's role with respect to Canadian companies operating abroad, and CIDA's role with respect to the private sector of developing countries.

CIDA's report of January 2002 included, for example, plans for the development of regional networks to facilitate CSR, with an exploratory phase being undertaken by the Canadian Manufacturers and Exporters working with the Confederation of Indian Industries (CFI). CIDA was also exploring the concept of a training and toolkit on CSR in response to a request from Embassy staff in Colombia. All of the reported plans and activities take a voluntary approach to CSR, in some cases working through industry associations. In the experience of Canadian NGOs and unions, completely voluntary approaches and industry association initiatives often result in a lowest common denominator approach to CSR.

For example, CIDA's most recent promotion of a voluntary CSR initiative led to its 2003 award for excellence in corporate social responsibility going to Gildan Activewear for its management

of its plants in Honduras. Gildan, two months earlier, had fired 37 workers attempting to form a union. The award referred to Gildan's certification under a US industry association certification programme that is widely discredited among CSOs due to its low standards and lack of transparency.<sup>30</sup>

In the area of labour standards, a plethora of codes of conduct have been established unilaterally by companies and industry associations in recent years, and they are of varying quality and usefulness. As the OECD's Trade Union Advisory Committee points out:

“They are not established in relation with trade unions or interlocutors nor are they “enforceable” through the use of any government-based process, and key international standards are, more often than not, missing, such as freedom of association and the right to collective bargaining.”<sup>31</sup>

One response from labour has been to establish “framework agreements” between global union federations and multinationals, covering the global operations of the multinational, e.g., as in the agreement between the International Federation of Building and Wood Workers and IKEA. There are currently seventeen such agreements. The agreements include workers' rights and in some cases, other issues as well. They are binding in the sense that they are negotiated between a company and the representatives of its workers. A further advantage is that the relationship established through these agreements often makes it possible to solve problems before conflict becomes serious.<sup>32</sup>

#### ***Recommendation 14***

CIDA's PSD policy should direct its corporate social responsibility (CSR) promotional initiatives with sufficient budget resources to build capacity among developing country civil society and workers' organizations to “ratchet up” the standards of an industry sector through campaigns focused on industry leaders and government.

#### From Corporate Responsibility to Corporate Accountability

Our major concern, however, is that promotional and voluntary activities should not take the place of establishing requirements for private sector development related to CSR norms.

With respect to FDI in developing countries, CIDA acknowledged (albeit in a footnote) some of the concerns of CSOs and others with the promotion of voluntary CSR (footnote 4, page 57). On the question of how to ensure maximum positive, and minimum negative impacts of FDI it says:

“An increasing number of frameworks and initiatives are setting out to address this challenge.... Within this context, there is significant debate over the merits of voluntary versus regulatory approaches. NGOs and other actors are concerned about the enforcement of voluntary initiatives for companies who sign up to them, and about the accountability of companies that do not.”

The CCIC and CLC, supported recently by the Canadian Democracy and Corporate Accountability Commission, take the position that the need for improved social performance by Canadian companies operating abroad is too urgent to depend on the uneven development of

voluntary codes and CSR promotional activities. Compulsory compliance and progressive realization of international human rights standards, including core labour rights, is necessary. In a 2001 meeting convened by the Department of Foreign Affairs and International Development (DFAIT) and bringing together several government departments, Canadian CSOs set out their views on standards and norms of corporate social responsibility; transparency and disclosure; incentives/ disincentives and the role of business, NGOs, unions and government; and the role and effectiveness of voluntary codes of conduct.<sup>33</sup>

CIDA does not have to wait for DFAIT and other departments to decide on legislation. For example, CIDA has both a mandate and capacity to implement Canada's commitments under the terms of the ILO Fundamental Declaration. The CLC has proposed that CIDA include a clause in contribution and procurement contracts to promote adherence to the Declaration.

With respect to Canadian companies, CIDA could require adherence to the OECD Guidelines for Multinational Enterprises, which Canada is already committed to promote. The Dutch Ministry of Foreign Affairs and Ministry of Economic Affairs have chosen to incorporate OECD Guidelines into official support programmes for export, overseas investment, and international cooperation.<sup>34</sup>

#### ***Recommendation 15***

The PSD policy should recommend the inclusion of a clause in contribution and procurement contracts to promote adherence with the ILO Declaration on Fundamental Principles and Rights at Work and in the case of Canadian companies, require adherence to the OECD Guidelines for Multinational Enterprises.

#### **Government Measures to Ensure Canadian Companies' Compliance with Fundamental Human Rights**

CIDA's peers, in the 2002 OECD Development Assistance Committee review, urged CIDA to play a stronger role with respect to other government departments concerning CSR in the areas of international trade, FDI and international finance:

“Concerning export credits, Canada has agreed to implement recent OECD proposals to ensure that official export credits and guarantees are consistent with the objective of sustainable development. CIDA could be more systematically involved in the screening process of projects in countries eligible for ODA. Regarding foreign direct investment, there are a number of Canadian companies active in the extractive sectors of natural resources in developing countries. Canada could usefully deepen its assessment of the impact of such investment in terms of poverty reduction, environmental sustainability as well as political and social stability.”<sup>35</sup>

CIDA could not only help Canada “deepen its assessment”, it could support those who believe it is time that the Canadian government enact a range of facilitative, incentive and coercive measures so that civil society and the state can influence the conduct of Canadian TNCs abroad. In particular, there is a compelling case for the exercise of state power in relation to Canadian companies whose activities violate fundamental standards of human rights. It has received increased attention because of the investment of Talisman in Sudan in the context of the absence

of effective self-regulation or international regulation to ensure compliance with international human rights norms. A team of Canadian lawyers has recently published concrete proposals for Canadian government action. The proposals draw on their experience with Talisman and provide a review of emerging state practices elsewhere in support of a norm requiring regulation of overseas business conduct.<sup>36</sup>

### ***Recommendation 16***

The PSD strategy for CIDA should promote close collaboration with other departments of the Canadian government to develop a range of facilitative, incentive and coercive measures to govern the human rights conduct of Canadian companies abroad.

## **Trade and Development**

CIDA asks: “In providing trade-related technical assistance and capacity-building support, what should be CIDA’s areas of focus?”

The draft policy states that trade liberalization offers considerable opportunities for developing countries. However, it says, the opening up of domestic markets to international competition (often subsidized, particularly in agriculture), poses “serious short-term threats” to domestic employment and income in developing countries (39-40). (It does not comment here on the additional problem that any trade-related benefits will favour the high-trading middle-income countries, with only a small proportion of gains accruing to sub-Saharan Africa and South Asia outside India.)<sup>37</sup>.

CIDA describes two broad categories of assistance: policy formulation and trade negotiations capacity, and enhancing competitiveness (40). The paper earlier describes (in chapter 2) the CIDA programmes that are intended to strengthen institutional capacities in developing countries so that they can “better engage in complex trade negotiations and obtain the benefits of trade” (14). It notes that Canada and CIDA have an obligation under the Doha Development Agenda to support the integration of developing countries into the world trading system. It outlines the support CIDA provides for this integration through international development banks and international financial institutions, and CIDA’s geographic programme. It also refers to the efforts of CIDA’s Policy Branch to ensure that developing country interests are addressed in international trade negotiations, and its involvement in Canada’s decision to grant duty-free and quota-free access to the Canadian market for most products that Canada might purchase in LDCs.

Trade capacity building is not simply an aid sector like any other. The development objectives of the developed countries as donors — no matter how sincere the process of conceiving and articulating them— overlap with their commercial interests as trading powers.

The perspective of the CCIC and the CLC is that the existing donor framework for capacity building falls far short of an approach that supports truly independent capacity building serving developing country interests. The major areas for review identified in several studies of trade capacity building programmes are: ownership, biased aid, use of local resources, and diversity of suppliers and approaches.<sup>38</sup>

CIDA's trade capacity building should:

- support local ownership, local knowledge and participation so that trade strategies flow out of locally developed national development strategies;
- ensure support for an effective breadth of institutional actors, widening the scope for diverse approaches in developing country trade strategies; and
- strengthen developing countries' capacities to advance their interests in relation to trade law.

We believe that CIDA's role in trade capacity building is sufficiently important to require a much broader and more in-depth examination than it will receive as a sub-topic in the PSD consultation.

***Recommendation 17***

The PSD strategy should commit CIDA to a broad consultation process on trade capacity building involving Canadian and southern unions, NGOs and other civil society organizations, the private sector and partner governments. As background for the consultation process, CIDA should provide an independent review of its trade capacity building programmes to see whether or how they address strengthening developing countries capacities to advance their trade interests in the service of national development strategies and poverty reduction. The review should include:

- assessment of the impact of multilateral programmes and funds such as the Integrated Framework for Trade-Related Technical Assistance to Least-Developed Countries, the Joint Integrated Technical Assistance Programme for Selected Least Developed and other African Countries (JITAP) and the WTO Doha Development Fund on locally owned trade capacity building and its potential for poverty reduction;
- identification of best practices in pro-poor trade capacity building by other bilateral donor programmes.

***Recommendation 18***

The PSD strategy should include support for an effective breadth of institutional actors in trade capacity building programming, giving priority to:

- increasing the use of developing country organizations as implementing agencies for Canadian and multilateral trade capacity building programmes;
- increasing support (both as recipients and delivery agents) for multilateral and southern unions, NGOs and other civil society organizations who bring diverse approaches to developing country trade strategies in the service of national development strategies and poverty reduction.<sup>39</sup>

## ENDNOTES

<sup>1</sup> Canadian Labour Congress, “Labour and Strengthening Aid Effectiveness: The Way Ahead,” July 2002; and Canadian Council for International Co-operation, Letter to the Hon. Susan Whelan Re: “Canada making a difference in the world: a policy statement on strengthening aid effectiveness,” October 31, 2002.

<sup>2</sup> The analysis did not include initiatives undertaken by CIDA INC and the Central and Eastern European Branch.

<sup>3</sup> Karyn Keenan, José de Echave, and Ken Traynor, *Mining and Communities: Poverty Amidst Wealth*, International Conference on Natural Assets, 8-11 January, 2003, Tagaytay City, The Philippines, Political Economy Research Institute, University of Massachusetts, and Centre for Science and the Environment.

<sup>4</sup> Gladys Jimeno Santoyo, “Possibilities and Perspectives of Indigenous Peoples with Regard to Consultations and Agreements within the Mining Sector in Latin America and the Caribbean: Thematic Exploration; Final Document—Colombia,” The North-South Institute, 2002.

<sup>5</sup> “Foreign Direct Investment: Who Gains?” *ODI Briefing Paper*, April 2002.

<sup>6</sup> Paul Cook and Yuichiro Uchida, University of Manchester, “Privatisation in Developing Countries: An Engine of Growth?” *ID21 Society & Economy*, October 2002; Tim Kessler, “Putting the Private Sector in Its Place,” Citizens Network for Essential Services <[www.ServicesForAll.org](http://www.ServicesForAll.org)>.

<sup>7</sup> Charles Santiago, Monitoring Sustainability of Globalization (MSN), Malaysia, “European Water Corporations and the Privatization of Asian Water Resources: The Challenge for Asian Water Security,” Asia Europe People’s Forum, Copenhagen 2002 <[www.tni.org/asem/copenhagen/docs/paper5.htm](http://www.tni.org/asem/copenhagen/docs/paper5.htm)>.

<sup>8</sup> International Confederation of Free Trade Unions, “IMF & World Bank-Sponsored Privatisation and Its Impact on Labour,” October 2002.

<sup>9</sup> Kate Bayliss, University of Greenwich, “Conditionality-Driven Privatisation of Utilities: In the Interests of the Poor?” *ID21 Society and Economy*, January 2003.

<sup>10</sup> “Public-Private Partnerships: The Profits for the Companies, the Risk for the State,” *Swiss Coalition News*, No 33, December 2002.

<sup>11</sup> Ibid.

<sup>12</sup> Canadian Council for International Cooperation et al., “Sustainable Rural Development: The Role of Agriculture in Canada’s International Assistance Program: A Response to CIDA’s Discussion Paper by the Canadian Food Security Policy Group,” p. 8.

<sup>13</sup> OECD, *International Trade and Core Labour Standards*, 2000.

<sup>14</sup> World Bank, *Unions and Collective Bargaining: Economic Effects in a Global Environment*, 2003.

<sup>15</sup> Department of Foreign Affairs and International Development, UK, “Labour Standards and Poverty Reduction: Consultation Document,” February 2003. CIDA, Human Resources Development Canada, the CLC / Labour International Development Committee, and The North-South Institute co-sponsored a “Workshop on Core Labour Standards and Poverty Reduction: International Strategies,” December 4-5, 2000, and produced a report and background document <[www.nsi-ins.ca](http://www.nsi-ins.ca)>, but a draft policy CIDA policy statement on labour in 2000 appears to have been shelved.

<sup>16</sup> CIDA, Evaluation Division, “Summary: Private Sector Development – Labour Market,” p. 4.

<sup>17</sup> The countries are listed in CIDA, Evaluation Division, “Private Sector Development Synthesis Report,” December 2002, p. 5.

<sup>18</sup> OECD, *International Trade and Core Labour Standards*, 2000, Box 3, page 27 and Chart 1, p. 28. Seventy-six countries were included in the review.

<sup>19</sup> CIDA, Evaluation Division, "Private Sector Development Synthesis Report," p. 11.

<sup>20</sup> Ibid, pp. 11-12.

<sup>21</sup> Ibid, pp. 11-12.

<sup>22</sup> It is worth noting that the background study for PSD category 503, which includes analysis of CIDA INC, was not available on the CIDA web page during the PSD consultation period because of delays in translation.

<sup>23</sup> Organization for Economic Co-operation and Development (OECD), Development Assistance Committee, *Development Co-Operation Review: Canada*, Paris, 2002, p. 38.

<sup>24</sup> CIDA, Evaluation Division, "Summary: Category 502: Capacity, Skills and Productivity Enhancement."

<sup>25</sup> Ibid.

<sup>26</sup> CIDA, *Canada Making a Difference in the World: A Policy Statement on Strengthening Aid Effectiveness*, September 2002, p. 23.

<sup>27</sup> The footnote reference says that a North-South Institute study shows that Canadian firms have provided positive contributions in a number of areas, although "the record is definitely uneven in some regards." This is an overly generous statement with respect to the record of Canadian corporations as described in the volume. See: *Canadian Development Report 1998: Canadian Corporations and Social Responsibility*.

<sup>28</sup> "NGO Engagement with the Private Sector on a Global Agenda to End Poverty: A Review of the Issues: A Background Paper for the Learning Circle on NGO Engagement with the Private Sector," January 2000; "Case Studies: NGO Learning Circle on NGO Engagement with the Private Sector on an Agenda to End Poverty," June 2000; "Engaged or Entangled: NGOs and the Private Sector on an Agenda to End Poverty: Summary Report of CCIC Learning Circle," CCIC, 2000.

<sup>29</sup> "Development Agency Roundtable on Corporate Social Responsibility, 28-29 January 2002", Round Table Report March 2002, <[www.iied.org/pdf/CRED\\_RT\\_report.pdf](http://www.iied.org/pdf/CRED_RT_report.pdf)>

<sup>30</sup> For details see the Maquila Solidarity Network at <[www.maquilasolidarity.org](http://www.maquilasolidarity.org)>.

<sup>31</sup> Trade Union Advisory Committee to the OECD, "OECD Guidelines on Multinationals: A User's Guide, n.d., p. 11.

<sup>32</sup> See also the background paper prepared by The North-South Institute for the December 2000 workshop sponsored by CIDA, Human Resources Development Canada, the CLC / Labour International Development Committee, and The North-South Institute, "Labour Standards and Poverty Reduction: International Strategies," December 2000, pp. 23- <[www.nsi-ins.ca](http://www.nsi-ins.ca)>.

<sup>33</sup> Moira Hutchinson, "Canadian NGO Policy Views on Corporate Responsibility and Corporate Accountability: An Overview Paper Prepared for an NGO-Government Meeting, May 2001," CCIC, March 2001; and "NGO-Government Meeting on Corporate Responsibility, DFAIT, May 15, 2002," Prepared by Bob Thomson, CCIC, 2000.

<sup>34</sup> Tom Fox, Halina Ward, and Bruce Howard, *Public Sector Roles in Strengthening Corporate Social Responsibility: A Baseline Study*, The World Bank, 2002, p.16. While the Netherlands ministries will not monitor compliance they have at least established relatively clear expectations based to some extent on international agreements (e.g. the ILO core labour standards are included in the OECD Guidelines) and linked to an intergovernmental process.

<sup>35</sup> Organization for Economic Co-operation and Development (OECD), Development Assistance Committee, *Development Co-Operation Review: Canada*, Paris, 2002, p. 45.

<sup>36</sup> Georgette Gagnon, Audrey Macklin, Penelope Simons, *Deconstructing Engagement: Corporate Self-Regulation in Conflict Zones—Implications for Human Rights and Canadian Public Policy, Relationships in Transition*, A Strategic Joint Initiative of the Social Sciences and Humanities Research Council and the Law Commission of Canada, January 2003, p. 116, quoting Shawna Christianson, DFAIT.

<sup>37</sup> World Bank press release, “World Bank Estimates Cost of Reaching the Millennium Development Goals at \$40-\$60 Billion Annually in Additional Aid,” February 20, 2002.

<sup>38</sup> This perspective is developed in a CCIC paper on trade capacity building for poverty reduction, forthcoming in May 2003.

<sup>39</sup> Gauri Sreenivasan with Ricardo Grinspun, “Governance and Decision Making at the WTO,” CCIC, 2002, p. 26.