

# Workshop on Economic Development

## *Key Themes*

Date: 22 April 2025

### Canadian Context - Foreign Policy Review

Participants opened the discussion with a reflection on the call within the Liberal party election platform for a foreign policy review.

Given the rapidly changing global context, the new government will need to be nimble in any foreign policy review. Such reviews take on a life of their own, taking far too long to complete. It will be critically important for the foreign policy review to be conducted quickly, focusing on key principles and actionable items.

Participants also discussed ‘who’ sets the agenda on development policy. They commented that the Canadian foreign policy community assumes the agenda setter needs to be Global Affairs Canada. Participants argued that we need to counter this assumption, using the tools of collaboration and knowledge generation to influence any foreign policy review.

Such a review opens an important window for the report to have influence, but participants cautioned that the report must avoid platitudes, admit the limitations of Canadian influence, and focus on concrete actions that can deliver real results.

Participants also discussed the importance of ‘bringing Canadians along’ to support engagement in development, fragility and conflict. Development success stories, as well as ‘people to people’ connections help build this support. One participant highlighted the importance of Canada facilitating these connections by ensuring that immigration officers ensured the prompt approval of visas for academic conferences.

### Economic Context in LICs

Participants discussed the challenging economic context that characterises much of the Global South. Many LIC and fragile settings face economic stagnation and significant debt. In many countries, US tariff measures and cuts to US development funding are exacerbating this precarious economic context. Many projects that contribute to micro-development have been cut, with potentially devastating impacts for levels of poverty.

To address this challenging context, participants underscored that development policies cannot ignore the basics of growth, including infrastructure and the key role that social development plays in creating the ecosystem for inclusive economic growth. (See below)

Participants also emphasised that LICs and LMICs need to be in the driver's seat of their own development. However, Canada could do more, including using its convening function to support research and policy networks, global initiatives etc.

## Policy Objective - Inclusive Economic Growth

Participants discussed how Canada's engagement to promote economic development in LICs has been undermined by a sometimes unclear and shifting focus. Some initiatives seem to promote economic growth in LIC for its intrinsic value. Other initiatives focus on providing opportunities for the Canadian private sector.

Participants seemed to agree that the overarching policy priority of the new government should be to promote inclusive economic growth. Such a focus would align with Canada's Official Development Assistance Act, which mandates that Canadian ODA should be focused on poverty alleviation.

Canadian supported initiatives must be acutely aware of the economic context and monitor if/how inequality rises as the economy grows. Participants discussed the link between human capital and inclusive economic growth. Countries need tax revenue and redistributive initiatives to fund social development (health, education).

Participants also discussed how inclusive economic growth is best measured. Namely, how do we move from a GDP centred measurement to a measurement that incorporates human capital and natural capital.

## Leveraging the Private Sector

While much hope has been placed in the mobilisation of the private sector and capital for development, participants warned that private sector has not been the panacea that many hoped. Private finance is not equivalent to public investment. Participants argued that we need to provide more education on the opportunities and constraints of private sector finance, including best practices to leverage domestic private sector financing. The perception that investors needed millions to engage led to a lack of uptake. Participants also cautioned that the impact investing ecosystem takes decades to nurture.

Participants discussed the work of FinDev in promoting economic development. FinDev emerged in response to the "[Financing for Development \(FFD\)](#)" agenda agreed to at a meeting in Addis Ababa in 2015. The next iteration of the [FFD conference](#) will be 30 June to 3 July in Spain. While FinDev had not lived up to its promise, participants suggested that

with reform, FinDev can support economic development in interesting and valuable ways. (See Opportunities for Canada below).

Some participants argued that efforts to engage the private sector too often focuses on the Canadian private sector. We need to focus on the private sector within LICs, particularly small and medium enterprises (SMEs). Canada has the skill set to support SMEs in LICs, including the ability to identify skills sets within LICs and to help augment the capacity when LICs do not have the expertise. Canada also has significant monitoring and evaluation experience to support SME initiatives.

## Opportunities for Canada

Our conversation discussed two themes 1) Canada could undertake specific initiatives/ focus areas; and 2) how Canada should also work to increase its effectiveness.

### Initiatives

**Reformed FinDev:** Some participants argued that FinDev needs to be restructured/ reformed to ensure it is fit for purpose.

FinDev's mandate should be more flexible – not solely focused on climate financing and gender equality. Others suggested that it needed to restructure – and that their decision to open dedicated offices overseas was not wise given its small footprint.

As part of its restructuring, participants argued that FinDev's financing model should include concessional financing. FinDev did not bring significantly more capital into the ecosystem as there was not a lot of pick up from major Canadian financial institutions. Instead of competing with the private market, it needs to differentiate itself.

Participants also discussed how there seemed to be a lack of connectivity among GAC and its overseas missions with FinDev. Trade Commissioners should also be working to identify opportunities for FinDev. [NB should there be a new skillset within our trade commissioner service – namely individuals focused on economic development within LICs?].

Canada discussed the role of FinDev working with the government to act as a convenor. For example, it could explore how to tap into venture capital networks who are more willing to take risks.

**Trade and Development:** Participants pointed out that Canada's development frameworks and policies have often been lukewarm on trade. Opportunities exist to expand Canada's work in this area. Canada has invested in trade networks and could tap back into those networks to provide support. The trade and development sides of GAC could work more effectively together within missions in LIC settings.

Participants discussed the opportunity to expand our trade facilitation activities. Canada's [Trade Facilitation Office](#) supports the private sector in low-income contexts to export their goods to Canada and other countries. Canada also has supported Africa's Continental Free Trade project and the [Trade Policy Centre](#) in Addis. The provision of financial and technical support to the Trade Policy Centre could help them navigate [the uncertain future of AGOA](#).

Canada has also created mechanisms to support [trade and investment for development](#), as well as [the deployment of experts](#) to provide targeted technical assistance to support capacity building and policy reforms in countries with trade and investment agreements with Canada. These mechanisms could be expanded. [NB – I am slightly confused with the multiple expert deployment mechanisms – I was under the impression that [CANADEM](#) was the key deployment mechanism of GAC/GoC.]

**Innovation and Technology:** Participants discussed the role of technology and innovation to alleviate poverty and contribute to inclusive growth. One participant cited the examples of AI and digitised solutions to help increase the productivity of farmers and help them adapt to the challenges of climate change.

[NB. Grand Challenges Canada has an established model within the health sector to support innovations in LICs. Within the Workshop on Health, we discussed the possibility of pilot innovation hubs working across public/private sectors to identify grand challenges and support/fund the development of solutions. Could the Grand Challenges – Innovation Hub model be expanded beyond the health sector?]

**Skills for a Low Carbon Economy:** As part of our effort to leverage the private sector, participants discussed the importance of building skills for a 'green capital,' and enabling access to capital. Other participants cautioned that resource rich countries in the Global South will need to use these resources – particularly oil and gas – to contribute to their economic growth.

## How to Increase Canadian Effectiveness:

**One Canada Approach:** Participants discussed the need for a 'Team Canada approach' where Canadian organisations work more effectively together to ensure coherence and coordination among our policies. Such coherence would be facilitated by a clear policy focus. [NB. Is there a possibility for Open Team Canada offices to house representatives from Canadian institutions like FinDev (and others like Grand Challenges) – and enable them to network with other.]

**Coordination with Like Minded Donors:** In a world where the United States has retreated from ODA, Canada will need to work closely with other donors to scale impact and leverage its influence. Several mechanisms exist for this collaboration – from co-location (like the Scandinavian countries) to joint assessments etc.).

**Sustained Engagement:** Participants discussed the importance of sustaining engagement in a particular country and sector for a significant time period.

**Multilateral Institutions:** As part of its foreign policy review, Canada will need reflect on its role in multilateral agencies. Such a review should focus on how Canada should encourage the multilateral system to be more effective and efficient. Canada should also reflect on how Canadian engagement within the multilateral system can be used to leverage our influence/activities.

The US has announced a review of its participation in the IMF and the World Bank. As part of our review, Canada could lead a coordinated effort to shape the policies/direction of the IMF/World Bank in anticipation of US demands. Early indications suggest that the US wants to use its membership in the World Bank and IMF to eliminate initiatives focused climate and social issues/gender, and to advance its agenda of private sector involvement in development projects.