AKFC – IDRC Shared Futures Roundtable

International Development and Mutual Economic Partnerships: From research to practice

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AidWatch Canada

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Promoting Social Justice

The international context for shifts in Canadian aid priorities

International cooperation is undergoing major contraction & realignment, alongside a crisis of legitimacy & trust

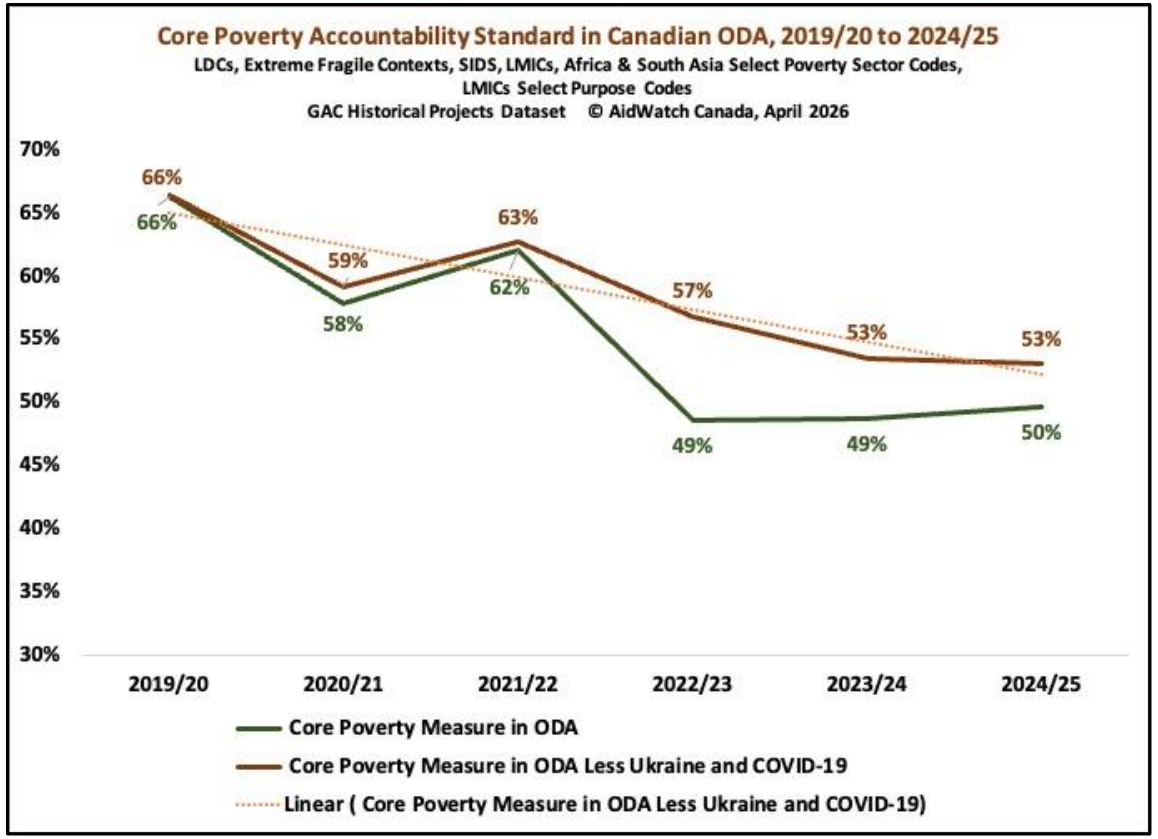
- **ODA faces unprecedented cuts:** 23% in 2025, which followed a 9% cut in 2024.
- **Failure to protect the most vulnerable**: humanitarian aid fell by 36%, LDCs by 26%, and Sub-Saharan Africa by 26%
- **Deep impacts on Canadian priorities since 2018** -- CSOs, health and reproductive rights, climate adaptation, etc.
- **Rising global poverty , vulnerabilities and inequalities**, resulting from health emergencies, misogyny, protracted conflict, heightened climate-related impacts, and severe pressures on the UN system.
- **Retreat from liberal trade and investment order**, realignment of European security, rise of the far right
  - **Urgent need for Canada to strengthen non-US economic relationships**
  - **Greater aid emphasis on the trade-development nexus** and **mutual economic partnerships**, building on growing use of private sector mobilization aid instruments
- **Growing legitimacy & trust deficit in the global south**, as aid cuts, climate inaction, and shifting priorities weaken confidence in longstanding commitments to solidarity, poverty reduction and multilateral cooperation

Key question for Canadian aid going forward:

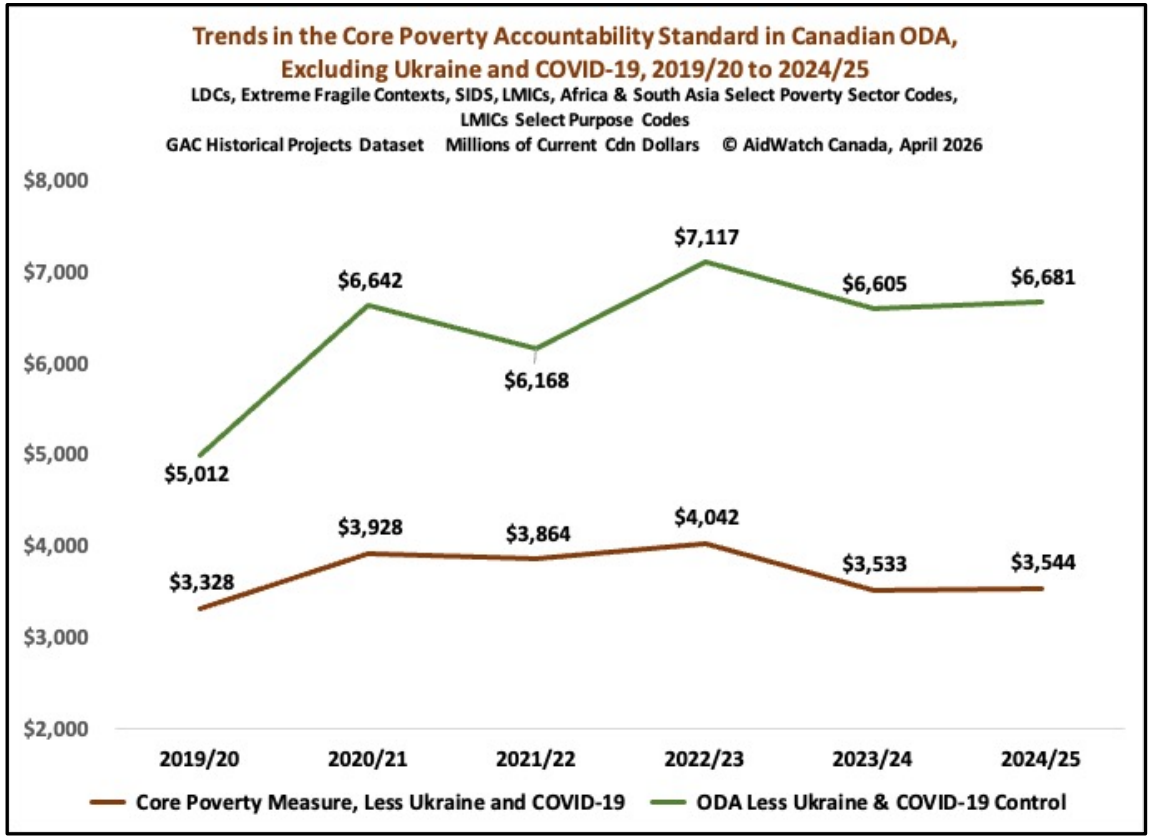
With planned aid cuts and global disruptions, greater emphasis on "mutual economic partnerships", stronger alignment with Canadian economic and foreign-policy interests, will future Canadian aid priorities remain aligned with the ODA Accountability Act and its core purpose of addressing poverty and inequality?

Declining focus on poverty and inequality in Canadian ODA: Trends in the Core Poverty Accountability Standard

CPAS Share of Canadian ODA



Canadian ODA and CPAS: Millions of current Canadian dollars



Mutual (Beneficial) Economic Partnerships: What do we know?

Basic Framework: Three main pillars (Deputy Minister for Development, Cindy Termorshuizen, June 2026):

1) **Supporting enabling environments** and institutional capacities in building markets, mainly through technical assistance.
2) **Strengthening markets in sectors of mutual interest** through support for productive sectors, value chains and human capital, through investments in productive infrastructure, work force standards.
3) **Mobilizing private capital** through blended finance, private sector guarantees, feasibility studies etc.

Assurances that policy will mean no return to tied aid, would not undermine core ODA mandate, aid effectiveness principles, implemented through bilateral programs and strengthening Canadian procurement opportunities in MDBs.

Pilots for Mutual Economic Partnerships:

- Kenya, Peru and Philippines and in the food security/agrifood sector
- Consultations with Canadian CSOs (Food Security Policy Group) on food security pilot
- No information on country pilots

What resources are available for new economic partnerships and other core priorities?

- **Cuts will impact unevenly:** Taking account protected areas (humanitarian assistance, likely Ukraine, UN/MDB core funding obligations) AidWatch Canada estimates cuts for other areas between 25% to 30%, well beyond the headline 16% cut to total Canadian ODA.

Mutual Economic Partnerships: Opportunities and Challenges
Advancing shared interests in agriculture and food security?

1. Likely counterparts? Small holder farmers have been GAC's main focus in the past decade.

Are there the requisite foundations for effective and fair market integration?

- **Who bears heightened risks**: Greater integration into Canadian supply chains may create opportunities but may also accentuate livelihood risks and vulnerabilities for smallholder farmers.
- **Many farmers require foundational investments before expanding market engagement:** productive and organizational capacity, land rights, local market access, infrastructure, credit, quality control and climate adaptation.
- **Stronger farmer organizations are critical to manage risks** and negotiate fair terms with more powerful value-chain actors.

2. Are current Canadian ODA channels fit for mutual economic partnerships?

- GAC delivery channels for agriculture & food security: **69% through multilaterals and 26% through CSOs** (2024/25 HPDS)**.**
- **179 CSO projects (Project Browser) shows a strong emphasis on foundational readiness priorities**: small holder capacity, institutional strengthening and locally appropriate climate-resilient practices, often focused on women farmers.
- **Marketing was seldom a primary objective of these projects**, but CSOs reported results in higher incomes, improved access to finance and inputs, and stronger—mostly local—market linkages.

Mutually Economic Partnerships: Opportunities and Challenges
Advancing shared interests in agriculture and food security?

3. What does "mutuality" mean, and where is "development" in the trade-development nexus?

- GAC's draft agriculture pilot discussion non-paper (June) identifies 21 quality-assessment indicators in four programming areas:
  - 10 relate exclusively to advancing Canadian economic interests
  - 5 strongly support areas of Canadian interest
  - 5 relate to benefits for developing-country partners
- **Where are the inclusive country-led development assessments** of the actual needs of small holder farmers and their priority solutions? Is locally-led development a priority for GAC?
- Are ODA reforms based on "mutually beneficial partnerships that takes into account our [provider] strategic interests and those of our partners" masking **a renew form of "conditionality in the aid relationship**? [G7 Development Ministers Communique]

Key Question:

Will GAC's focus on the needs of small holder farmers diminish as Canada–developing country partnerships prioritize Canadian market / investment linkages over investments that improve their market readiness for sustainable livelihoods?

Mutually Beneficial Economic Partnerships: Opportunities and Challenges
Economic partnerships through FinDev Canada?

FinDev Canada's current model

- Transactions, directly or indirectly, with **private sector actors in the global south,** 77% direct debt, 20% equity funds, 2.8% direct equity.
- **Only 5 of 70 clients can be considered domiciles in Canada** (4% of total commitments); 52 domiciled in global south; 13 in other developed countries.

Development Concerns

- **CSOs globally question DFIs' role as delivery channels for ODA** (coherence with development effectiveness principles, concessionality of the resource, focus on Upper Middle-Income Countries).
- Most FinDev transactions **not covered by ODA Accountability Act.**
- **Recent five-year climate pledge allocated close to 50% ($2.7 billion) to FinDev**, which strongly supports mitigation.

Key Questions

- **Will FinDev's mandate shift toward expanding Canadian private-sector transactions away from direct transactions with global south clients?**
- **What will greater ODA allocations to FinDev mean for aid's poverty focus, transparency and accountability?**

Mutually Economic Partnerships: Importance of due diligence to safeguard poverty-oriented priorities

Due diligence framework aligned with development effectiveness principles (GPEDC Kampala Principles)

1. **Inclusive country ownership:** The trade-development nexus must be thoroughly grounded in partner country priorities and development contexts, rather than driven by potential opportunities for provider commercial interests.
2. **Focus on partner country results:** Partner country stakeholders should shape the benefits in mutual economic partnerships.
3. **Inclusive partnerships:** Economic partnerships involving CSOs should be led by and serve CSOs' mandate and engagements in partner countries with vulnerable populations.
4. **Transparency and accountability:** There should be an open and transparent process and access to information to enable accountability to the partner country counterparts, beneficiary communities and citizens at large.
5. **Leave no one behind:** Engage the private sector engagement in development only where it is demonstrably the most appropriate and sustainable approach to achieving development results for the most vulnerable.

Development must be central to the effective use of ODA in mutual economic partnerships

- **Expanding trade is not a siloed relationship, but the outcome of a successful development process.**
- A pivot to a major focus on mutual economic partnerships must **avoid destabilizing long-standing Canadian development partnerships in the global south** at a moment of heightened global vulnerability for many of these partners.
- **Existing channels** (FinDev Canada, MDB procurement, technical assistance) are the most appropriate to increase Canadian economic partnerships through ODA.

Resources

AidWatch Canada

Brian Tomlinson, 2026. **Developing a Trade-Development Nexus in Canadian ODA: A Background Paper on Issues and Approaches**, April 2026, Prepared for Cooperation Canada, accessed at http://aidwatchcanada.ca/wp-content/uploads/2026/04/Final-Background-Paper-on-GAC-Trade-Development-Nexus.pdf

Brian Tomlinson, 2026.Trends in Canadian Aid, **Briefing Note Two, What issues are driving the changing priorities in Canadian ODA?,** September 2026, Updates forthcoming, Prepared for Cooperation Canada, accessed at https://aidwatchcanada.ca/canadian-aid-trends/.

Powerpoint Presentation