



# CANADA'S AID EFFECTIVENESS AGENDA STIMULATING SUSTAINABLE ECONOMIC GROWTH

In keeping with Canada's Aid Effectiveness Agenda, the Government of Canada is committed to making its international assistance more effective, more focused, and more accountable.

Securing the future of children and youth, increasing food security, and stimulating sustainable economic growth are three priority themes that will guide CIDA's work going forward.



## SUSTAINABLE ECONOMIC GROWTH

At a time when as many as 2.6 billion individuals worldwide are living on less than one dollar a day, evidence demonstrates that sustainable economic growth is critical to reducing poverty. In fact, countries in Asia, Africa, and Latin America have shown repeatedly that growing the economy is the best first-step to help people lift themselves permanently out of poverty.

Sustainable economic growth creates opportunities for people living in poverty to earn a living and provides governments with revenues needed to make long-term investments in their country's development. That is why fostering sustainable economic growth in developing countries is a priority for CIDA.

Through its Sustainable Economic Growth Strategy, CIDA will significantly enhance its focus on helping countries in the developing world foster growth in their economies and provide opportunities to their citizens in a way that gives importance to environmental sustainability, equality between women and men, and governance.

CIDA's sustainable economic growth efforts will follow three paths:

- Building economic foundations
- Growing businesses
- Investing in people

*The key to ending extreme poverty is to enable the poorest of the poor to get their foot on the ladder of development.... They lack the minimum amount of capital necessary to get a foothold, and therefore need a boost up to the first rung.*

Jeffrey D. Sachs  
Director of the Earth Institute at Columbia University

# BUILDING ECONOMIC FOUNDATIONS

For growth to happen, the governments of developing countries need to create economic conditions that encourage investment, innovation, and competition. They need to do so by building the institutions, laws, and regulations that govern their economies. This includes putting in place rules that expand markets for business and support integration into local, regional, and global economies, as well as properly managing natural resources. These actions help the poor, particularly women, to engage fully in the economy.

To support its path of building economic foundations, CIDA will support activities that:

- Strengthen public financial and economic management capacity and institutions at the local, regional and national levels
- Improve legal and regulatory frameworks, systems and implementation that are key to stable national and local economies
- Support governments, businesses, and industries to widen their business base and integration into regional and global markets
- Build national and local capacities in managing their environment and natural resources in a sustainable and socially responsible way to support economic growth

These measures will help create economies that attract investment, benefit from trade opportunities, and are more resilient to instability and external shocks such as financial crises, natural disasters, or climate change.

*The urgent challenge for the region—and for the world as a whole—is to foster economic growth to cut poverty, while minimizing the impact on climate change and the environment.*

UN Secretary-General Ban Ki-moon's video message to the Clinton Global Initiative in Hong Kong, 2 December 2008



## GROWING BUSINESSES

The private sector is the driving force behind sustainable economic growth. Yet in the developing world, many people—especially women—face constraints in establishing and building their businesses and fully contributing to the economy. They need assistance in connecting their businesses to local and global markets and suppliers and in taking advantage of new ideas and technologies that can help their businesses be more productive and sustainable. They also need better access to a range of financial services, including microfinancing for the poor and funding for small and medium-sized entrepreneurs.

To support its path of growing businesses, CIDA will support activities that:

- Strengthen support for the development and growth of micro-, small, and medium-sized private-sector businesses, with a special emphasis on women
- Aim to increase the productivity and sustainability of businesses, based on realistic market potential, and to fill value chain gaps, resulting in increased long-term formal employment opportunities for the poor
- Strengthen and increase the availability of financial institutional products and services, including micro-finance that will result in greater job creation for the poor and participating in the formal economy

Through increased access to, and use of, global and local value chains, technology, and financial services, more businesses, especially those led by women, will be viable and productive.

*The empowerment of women is smart economics. Studies show that investments in women yield large social and economic returns.*

World Bank's  
Gender Action Plan, 2007



# INVESTING IN PEOPLE

*Canada is helping communities in the developing world lift themselves out of poverty with their dignity and pride intact. These contributions have helped Canada to be seen not only as a generous country, but as a thoughtful and human global leader.*

Khalil Z. Shariff, Chief Executive Officer  
Aga Khan Foundation Canada



*Many developing countries have made great progress in recent years in achieving faster growth and managing their economies better. But growth alone will not be enough to halve poverty by 2015. Developing countries need to ensure that all people, and especially poor people, have access to education, health care, and put in place the right investment climate to create opportunities, spur productivity and make real improvements in people's lives.*

World Bank, April 3, 2003

In the developing world, success calls for people, especially the poor, women and youth, to develop new skills and expand their knowledge, to meet the challenges that limit their opportunities.

These workers need effective, demand-driven training programs that can help bridge them into the local labour market. They need to be equipped to find a meaningful job or to start a business. They also need to strengthen their essential employability skills such as their ability to read and write, count, and compute.

To support its path of investing in people, CIDA will support activities that:

- Increase access to essential demand-driven skills training and knowledge needed for formal labour market participation, including literacy and numeracy
- Increase the availability of appropriate, meaningful, and structured workplace learning opportunities, including in the agricultural sector
- Support relevant results-based learning initiatives that support business growth, market expansion, and productivity

As CIDA works with developing countries to help them better invest in their people, more working-age adults will gain marketable employment skills, women and youth will be better equipped to take advantage of economic opportunities, and workers will acquire knowledge and skills that increase their productivity.



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