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Foreign aid, the mining sector and democratic ownership: The case of Canadian assistance to Peru

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Abstract

Background: As foreign aid donors are increasingly open about seeking to obtain benefits from their development assistance, new forms of donor-driven private-sector partnerships have proliferated. This new trend is especially controversial in the mining sector, to which Canada has become the largest aid donor among OECD-DAC countries.

Purpose: In order to better understand this phenomenon and its implications, this article asks, first, how has aid to the mining sector evolved and what do the changes suggest about its underlying motives? Second, what are the implications regarding the “democratic ownership” of the recipients’ development agenda?

Approach and methods: The study analyses Canadian aid to the mining sector in Peru, its largest recipient of such aid, concentrating on the period since 2011, when Canadian aid took an “extractive turn.” It draws on 20 semi-structured interviews with key players and observers in Lima and Cusco in Peru, as well as an in-depth review of mainly secondary sources and some statistical data. Its analytical framework is based on the motives that must underpin aid, as stipulated by Canadian legislation, and the concept of “ownership,” the cornerstone of the international aid effectiveness agenda.

Findings: The extractive turn in Canadian aid reflects an increase in commercial self-interest, at the expense of altruistic poverty reduction and contradicting core elements of the legislated mandate of Canadian aid. Extractive-related aid to Peru now almost exclusively supports: (a) strengthening the central government’s role in promoting mining; (b) encouraging municipalities to negotiate mutually beneficial relations with Canadian mining companies; and (c) subsidizing Canadian companies’ efforts to obtain a “social licence to operate” from local communities. Canada’s assistance to the mining sector can be justified by a narrow interpretation of the concept of country “ownership.” However, its justification rests on a limited vision of ownership, based on what governments, who claim to speak on behalf of citizens, prioritize, rather than a more democratic conception that takes into account what poor people want, which may include or preclude mining activities.

Policy implications: Aid donors should focus on locally owned strategies that reflect poor people’s priorities, independently of whether they include

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or exclude allowing mining companies to operate on their territories. Aid may thus contribute to a donor's commercial interests, but the latter should not be the underlying motive.

KEYWORDS

Canada, extractive industries, foreign aid, mining, ownership, Peru

1 | INTRODUCTION

Numerous developing countries are reliant on the export of mineral resources as a source of government revenues. In many cases, their dependence on extractive industries has increased in the past decade or two, in part related to the growth of demand led by China and also to their own declining industrial base, linked to trade liberalization and cheaper imports, especially from China. Natural resources can bring financial windfalls, creating employment and generating resources to fund poverty-reduction programmes. Even relatively recently elected left-wing governments in Latin America—not traditionally aligned with the interests of domestic and transnational mining capital—have embraced “neo-extractivism” as a development model, using revenues to fund social spending (González-Espinosa, 2012).

Increased emphasis on extractives can, however, come at a high price to local communities. Mining in particular is associated with environmental destruction, human rights abuses, repression, forced displacement—especially of indigenous peoples—local conflict, social tensions, the spread of HIV and AIDS, alcoholism, drug abuse and other health-related problems, prostitution and violence against women (Grupo de Trabajo sobre Minería y Derechos Humanos en América Latina, 2014; Schrecker et al., 2018). According to a 2009 study commissioned (and subsequently suppressed) by the Prospectors and Developers Association of Canada, an industry group, Canadian companies are responsible for one-third of the 171 incidents in developing countries that they tracked over a 10-year period. Of these, 60% involved community conflict, 40% “environmental contamination and destruction” and 30% unethical behaviour (CCSRC, 2009, pp. 10, 16). Mining is thus a deeply divisive issue, and mining communities are often split into pro- and anti-extractive camps.

Against this background, Canada's foreign aid programme took a controversial “extractive turn” of its own. Although it had long provided some assistance to the mining sector in various countries in Africa, Asia and Latin America, the Canadian government began in 2011 to announce multiple new initiatives to promote the extractive sector's role in international development. Canadian official development assistance (ODA) disbursements on mineral resources and mining soon ballooned, increasing from an annual average of USD 3 million in 2006–2011 to USD 23 million in 2012–2017 (calculated from data in OECD, n.d.a).¹ Although the latter figure represented only 5%–6% of total Canadian ODA, it marked an eight-fold increase to a single sector at a time when the overall aid budget was stagnant. It also illustrated how a focus on the extractive sector had become a “new de facto Canadian aid policy” (Goyette, 2016).

In its new emphasis on aid to the mining sector, Canada—host to about two-thirds of the world's mining companies—stood out from its donor peers in the Development Assistance Committee of the Organisation for Economic Co-operation and Development (OECD-DAC). Collectively, the latter's 29 other members slightly decreased their disbursements on mineral resources and mining during the same period, from an average annual total of USD 213 million in 2006–2011 to USD 200 million

¹These figures are in constant 2017 US dollars to enhance comparability.

in 2012–2017 (calculated from data in OECD, n.d.a). No member country contributed as much as Canada in the latter period. Canada is thus an outlier among its peers, constituting a “deviant case study,” which, as Arend Lijphart (1971, p. 692) argues, “can have great theoretical value,” as they open up potentially fruitful new lines of enquiry.

A few scholars have critically examined the extractive turn in Canadian foreign aid in general terms (Bodruzic, 2015; Brown, 2016b; Dagher, 2014; Goyette, 2016) and one has analysed a specific project in Burkina Faso (Butler, 2017). No studies, however, have conducted a meso-level analysis to ascertain the implications of Canadian aid’s greater involvement in the mining sector in a specific recipient country. In this article, I seek to help fill that gap by focusing on Canadian aid to the extractive sector in Peru, the country that received largest amount of mining-related Canadian ODA during 2012–2017 and for which extractive activities form an important economic sector.² I ask, first, how has Canadian foreign aid to the mining sector evolved and what do the changes suggest about aid’s underlying motives? Second, what are the implications of Canada’s growing focus on mining on the “democratic ownership” of Peru’s development agenda, a concept (explained in detail below and the introduction to this Special Issue) that constitutes the cornerstone of the international aid effectiveness principles?

I find that, first, whereas in the past, Canadian development assistance to Peru often supported grassroots, community and other non-governmental organizations (NGOs) that sometimes resisted the encroachment of mining companies onto their territories, mining-related aid since the extractive turn almost exclusively supports: (a) strengthening the central government’s role in promoting mining; (b) encouraging municipalities to negotiate mutually beneficial relations with mainly Canadian mining companies; and (c) subsidizing Canadian companies’ efforts to obtain a “social licence to operate” in local communities. This growing emphasis on proactively promoting rather than potentially resisting and regulating mining activities reflects a shift in Canadian foreign aid motives away from altruism and towards greater economic self-interest. This trend is even more evident in the almost exclusive focus of aid to communities that are affected specifically by Canadian mining operations, rather than those involving other international or Peruvian companies.

Second, I argue that Canadian assistance to the Peruvian government and the mining sector can be justified by a narrow interpretation of the concept of country “ownership,” a fundamental principle of aid effectiveness, inasmuch as the Peruvian government desires the assistance. However, such a rationale adopts an overly restrictive conception of ownership and sidelines the principle of “national,” “inclusive” or “democratic ownership” that has been reiterated as the international norm since 2008. As such, ownership is explicitly recognized as not being the exclusive domain of governments, but rather requiring the involvement of all “stakeholders,” including the input of citizens. The justification of aid to the extractive sector—and potentially other sectors as well—thus rests on a limited vision of ownership, which donors such as Canada are too quick to accept. It is based on what governments, which claim to speak on behalf of citizens, prioritize, in agreement with the private sector in the case of mining in Peru, rather than on a more inclusive or democratic conception of ownership based on what poor people want. Communities could be in favour of or against mining in their territory; the point is that they are not getting a chance to express their opinions and influence decisions.

Aid to the extractive sector also emphasizes growth in a resource-dependent economy, rather than the imperative to reduce poverty and inequality. It assumes that resulting economic development will benefit the poor, which is often not the case, as evoked by the concept of a natural resource “curse”

²During this period, Peru received a total of USD 18.1 million in Canadian ODA to the mineral resources and mining sector. The next three largest recipients of Canadian aid to this sector were Tanzania (USD 11.1 million), Indonesia (USD 8.8 million) and Colombia (USD 5.7 million). I calculated these figures from data in the OECD.Stat database (OECD, n.d.a).

(Davis & Tilton, 2005). The Peruvian government and the donors' emphasis on extractive economic models, the weakening of environmental regulations, and the failure to conduct meaningful consultations and obtain free, prior and informed consent, especially in indigenous communities, combine to strengthen the symbiosis between the state and the private sector, at the expense of democratic participation and the rights of citizens in geographically, socially and ethnically marginalized communities.

This article draws on primary and secondary literature, as well as some statistical data and 20 semi-structured interviews with key players and observers that I conducted in Lima and Cusco in Peru, in June and July 2017, as part of a larger project funded by the Social Sciences and Humanities Research Council of Canada.³ The article is structured as follows: the next section presents the article's analytical framework. The following two sections examine Canadian foreign aid and the mining sector more generally and then in the case of Peru. Next, I analyse the complex relationship between ownership and mining in Peru. A final section sums up the argument, discusses its broader importance beyond the Canada/Peru dyad and highlights potentially rich areas for future research.

2 | ANALYTICAL FRAMEWORK

This article draws from two analytical frameworks to buttress its arguments: the provisions relating to Canada's *Official Development Assistance Accountability Act* (Government of Canada, 2008), in particular the underlying goals of aid; and the aid effectiveness principles, especially the concept of "ownership," as defined by a series of internationally endorsed documents, beginning with the 2005 Paris Declaration on Aid Effectiveness (OECD, 2005/2008). The first represents a self-defined Canadian legislative process to determine where, whether and how aid can be spent, the second is an internationally endorsed set of principles for development assistance.

Foreign aid has always been linked to donors' self-interest, including commercial interests, although donors have demonstrated varying degrees and types of self-interest over time. In the early 2000s, international norms shifted towards greater altruism, characterized by rapidly rising levels of ODA and greater emphasis on poverty reduction at the rhetorical level, if not always in practice. These norms were emphasized at the 2002 United Nations (UN) Conference on Financing for Development, held in Monterrey, Mexico, and codified in the 2005 Paris Declaration on Aid Effectiveness. The Millennium Development Goals (MDGs) and their successors, the Sustainable Development Goals (SDGs), place poverty reduction and even poverty elimination at the core of their respective agendas—and donors pledged to orient their aid programmes towards achieving them. The SDGs' universal goals represent a commitment to "leave no one behind," including the most marginalized populations.

However, donors' security interests, especially after the September 11, 2001 terrorist attacks, simultaneously pulled aid programmes in another direction (Brown & Grävingsholt, 2016), while commercial interests never disappeared. In fact, in the wake of the 2008 global financial crisis and with the rise of Southern powers, notably China, but also Brazil, India and others, Western donor countries have become more concerned about their international economic competitiveness (Mawdsley et al., 2014, p. 29). With tighter budgets at home, they have increasingly sought to harness their aid efforts to

³Because of sensitivities associated with the topic, many interviewees preferred not to be cited by name. To protect anonymity in such instances, I also omit the exact date from the citation. All interviews provide as much detail on the identity of the speaker as he or she allowed. In cases where interviews were conducted in Spanish or French, I translated direct quotations into English. In accordance with the journal's referencing system, I cite the interviews below as "personal communications."

promote their domestic companies' international operations and investment—reflected in a growing emphasis on “mutual benefits” (Keijzer & Lundsgaarde, 2018).

In the case of Canada, the *Official Development Assistance Accountability Act* states that its purpose is “to ensure that all Canadian official development assistance abroad has a central focus on poverty reduction.” Moreover, it states that aid can be provided only if it: “(a) contributes to poverty reduction; (b) takes into account the perspectives of the poor; and (c) is consistent with international human rights standards” (Government of Canada, 2008). None of these provisions excludes the possibility of benefitting Canada or Canadian companies; however, they should be side benefits and not the principal underlying motive. In other words, altruism can be compatible with commercial self-interest, but should not be a pretence for it.

Global Affairs Canada, the lead ministry for Canada's aid programme, subsequently issued guidance on how aid applicants should interpret the three conditions. For instance, in the case of taking into account the perspectives of the poor, initiatives must specify: “What support or endorsement there is for the initiative in the community where it will be undertaken” and “If applicable, what consultation with beneficiaries, stakeholders, groups, and/or institutions has taken place in planning and designing the initiative” (Government of Canada, 2016b). Regarding human rights compliance, an initiative must not “support activities that directly contribute to civil and political human rights abuses,” “contribute to hampering the progressive realization of social, economic or cultural rights” or “support any activities that discriminate against or actively prevent individuals from realizing their human rights ... unless appropriate and sufficient mitigation measures are identified” (Government of Canada, 2016a). This guidance is helpful when assessing Canadian mining-related aid to Peru.

The second analytical framework is the aid effectiveness agenda and, in particular, the first of its five principles. The core three are ownership (that developing countries should set their own development priorities), alignment (that donors should structure their aid around those priorities) and harmonization (that donors should co-ordinate among themselves). The final two are a focus on results and mutual accountability (that donor and recipient countries are both responsible for results).

As mentioned in the introduction, ownership is the *sine qua non* of the 2005 Paris Declaration on Aid Effectiveness. Signatories, including Canada and all other traditional bilateral donors, recognize that recipient countries must “exercise effective leadership over their development policies, and strategies and co-ordinate development actions,” while donor governments, in turn, need to “base their overall support on partner countries' national development strategies, institutions and procedures,” a process known as *alignment* (OECD, 2005/2008, p. 3). Although less emphasis has been placed on ownership in the post-2011 evolution of the development effectiveness agenda, the principle remains at the core of all development partnerships, be they with traditional OECD donors or “emerging” non-Western providers of development co-operation. It is also a key feature of other key international agreements, such as the SDGs and the Paris Agreement on climate change, both adopted in 2015. In fact, Canada's *Official Development Assistance Accountability Act* specifies that Canadian ODA must be “consistent with ... the principles of the Paris Declaration on Aid Effectiveness of March 2, 2005” (Government of Canada, 2008) and its guidance on taking into account the perspectives of the poor, detailed above, is even more explicit on the need for the active involvement of communities and beneficiaries.

Taken at face value, the Paris Declaration on Aid Effectiveness appears to place too much emphasis on state actors in both donor and especially recipient countries. It tends to assume the legitimacy and stability of governments, and to disregard the role of civil society organizations (CSOs). In large part due to these concerns, an addition to the Paris Declaration, known as the Accra Agenda for Action, agreed to in 2008, repeatedly referred to *country* ownership. It made clear that central governments, and even less their executive branches, do not “own” ownership. Rather, input is required from

a variety of actors, including parliaments, sub-national governments and CSOs (OECD, 2005/2008). The next iteration, the Busan Partnership for Effective Development Co-operation, further refined the concept by referring to “democratic ownership” (Fourth High Level Forum on Aid Effectiveness, 2011).⁴ As argued by Keijzer et al. (2018, p. 10), “ultimate ownership resid[es] with those who are the ultimate rights holder or constituents,” even if it is unrealistic to expect that a community will be able to reach a clear consensus (Faust, 2010).

3 | CANADIAN FOREIGN AID AND MINING

The sizeable Canadian mining sector began operations in developing countries over 50 years ago. For instance, it was active in Guatemala in the 1960s and in Indonesia in the 1970s. In the early 1990s, it expanded into Latin America “at an unprecedented rate,” generating much local opposition and even accusations of imperialism (Studnicki-Gizbert, 2016, p. 96; see also Gordon & Webber, 2016). According to Pablo Heidrich (2016, p. 196), “Canada has become synonymous with large-scale modern mining in Latin America,” while Daviken Studnicki-Gizbert (2016, p. 104) argues that “the Canadian state has been a key ally of the transnational mining industry’s move into Latin America” (see also Grinspun & Mills, 2015). “Arguably,” he writes, “no state in the world has provided more support for mining CSR [corporate social responsibility] than Canada.” Indeed, Canada often frames its pro-mining foreign aid as support to CSR, while highlighting the benefits to Canadian companies, in particular as a risk-management strategy (Bodruzic, 2015; Goyette, 2016). Private companies’ CSR uses development projects and other community-oriented activities to mitigate the greatest threats to specific mining operations (Frederikson, 2018). In its support for this approach, the Canadian government unproblematically presented mining and CSR as effective ways to reduce poverty, rather than asking the more fundamental question of how best to assist poor communities, whether affected by mining or not.

Under the Conservative government of Prime Minister Stephen Harper, in power from 2006 to 2015, Canada’s active promotion of the extractive industry, especially abroad, accelerated. In 2011, Minister of International Cooperation Bev Oda announced a set of initiatives that signalled the Conservative government’s strong desire to increase the use of aid funds to promote the mining sector. The Canadian International Development Agency (CIDA, now subsumed into Global Affairs Canada) had been active in the extractive sector and broader Canadian foreign policy had previously supported it through a variety of mechanisms (Blackwood & Stewart, 2012), but this was the first time such an aid package had been announced. It included “pilot” projects in three countries (Burkina Faso, Ghana and Peru), implemented by three Canadian NGOs (Plan Canada, World University Services Canada [WUSC] and World Vision Canada, respectively), with contributions from three locally active Canadian (or formerly Canadian) mining companies (IAMGOLD, Rio Tinto Alcan and Barrick Gold). Although the Canadian government described these projects as support to CSR, the mining corporations provided as little as 13% of project funding and the Canadian aid programme as much as 75%, as was the case of the Burkina Faso project (CIDA, 2011).⁵ In addition, as part of this package, CIDA announced the creation of the Andean Regional Initiative for Promoting Effective Corporate Social Responsibility, to which it committed CAD 20 million, a third of which it earmarked for Peru.

⁴For a more in-depth discussion of the concept of ownership and how it is applied, see Brown (2017).

⁵For more information and analysis of the three pilot projects and the broader context, see Brown (2016b).

The Canadian government subsequently took additional steps to promote the role of the Canadian mining sector in development. In 2012, it awarded CAD 25 million to the creation of the Canadian International Institute for Extractive Industries and Development, which was established at the University of British Columbia the following year, in association with Simon Fraser University and the Polytechnique Montréal, and later renamed the Canadian International Resources and Development Institute, for which Peru is a priority country. Although officially meant to benefit developing countries, Minister of International Cooperation Julian Fantino described the institute to members of the Mining Association of Canada as their “biggest and best ambassador” (Mackrael, 2013). In 2014, his successor, Christian Paradis, announced a new programme, entitled Extractives Cooperation for Enhanced Economic Development (EXCEED), to “support new and innovative multi-country projects in the extractive sector in Africa,” with an annual budget of CAD 25 million (FATDC, 2014). Although the government employed the language of accountability, transparency and economic growth, its use of aid to promote the extractive sector often seemed more concerned with benefits for Canada than developing countries (Dagher, 2014).

Thus, at a time when Canada first froze and then cut its aid budget, it set aside special funds not only to promote mining as a development strategy, but also to encourage mining companies and NGOs to work together and promote this controversial vision of the extractive route to poverty reduction (CIDA, 2011). Well respected Canadian NGOs, including KAIROS, the Mennonite Central Committee and Alternatives, that criticized the mining sector’s negative impact on development and other government policies had their subsequent applications for aid funding denied or were selected for very cumbersome, in-depth financial audits (Brown, 2016a, p. 21).

4 | CANADA AND THE MINING SECTOR IN PERU

The Peruvian economy has grown impressively over the past two decades. For instance, per capita gross national income (GNI) (Atlas method) rose from USD 2,010 in 2000 to USD 6,340 in 2014, though it has declined slightly since then (World Bank, n.d.). Poverty rates have decreased significantly during this period as well across a variety of measures. For instance, the proportion of the population earning less than USD 5.50 a day has dropped from 52% in 2000 to 24% in 2017 (World Bank, n.d.).

The extractive sector plays a key role in these changes. According to World Bank (n.d.) statistics, ores and metals exports constituted 51% of Peru’s merchandise exports between 2008 and 2017 and natural resource rents constituted an average of 9% of Peru’s gross domestic product (GDP) during the same decade. Prior to that, corresponding figures had been significantly lower: 42% of exports and only 2% of GDP between 1991 and 2003 (World Bank, n.d.).

The mining sector is thus crucial for the Peruvian economy. According to a study commissioned by the Peruvian mining lobby group *Sociedad Nacional de Minería, Petróleo y Energía*, mining plays a central—and growing—role in Peruvian economic growth, employment creation (90% of which is outside the mining sector) and government revenue generation (Instituto Peruano de Economía, 2012). As a result, the government depends greatly on mining activities. Some commentators have gone as far as to say that domestic mining interests have “captured” the state (Durand, 2016; personal communication, Carlos Monge, Latin America Director, Natural Resource Governance Institute, Lima, July 4, 2017). However, the latter is an overstatement, as the state is fractured and does not always act as a unitary actor in favour of the extractive industry. For instance, it has at times passed laws increasing restrictions on mining activities or refused mining permits, and has even cancelled a few large-scale mining projects, such as the Canadian-led mining project in Tambogrande, after 98% of the local

population voted against the project in a 2002 referendum (Damonte, 2016; Toledo Orozco & Veiga, 2018; personal communication, Camilo León Castro, Professor of Sociology, Pontificia Universidad Católica del Perú, Lima, July 7, 2017). In general, though, the state is highly supportive of the extractive sector and strongly seeks to encourage mining investment.

Canadian investment and aid have also grown during this period. Canada and Peru signed a Foreign Investment Promotion and Protection Agreement in 2007 and a Free Trade Agreement in 2009. Also in 2009, and probably not coincidentally, Peru became a CIDA “country of focus.”⁶ It was, however, already an important Canadian trade and development partner, especially in the key extractive sector, to which Canada was the top bilateral aid donor (CIDA, 2009; Fairlie Reinoso & Herrera, 2016). Since then, Canadian aid to Peru has increased by 50%, from an annual average of USD 16 million in 2002–2009 to USD 24 million in 2010–2017 (calculated from data in OECD, n.d.b).⁷ By way of contrast, DAC donors as a whole were withdrawing from Peru because of its relative wealth—it reached upper-middle-income (UMIC) status in 2008. The average total DAC annual ODA between those same two eight-year periods dropped by 56%, from USD 435 million to USD 191 million (calculated from data in OECD, n.d.b).

Similarly, Canadian aid to the Peruvian mineral resources and mining sector more than tripled after the 2011 aid package announcement, from an annual average of USD 800,000 in 2006–2011 to USD 3 million in 2012–2017. Total disbursements from the other DAC member countries, however, dropped from an annual average of USD 1.9 million to USD 1.7 million during those same two periods (calculated from data in OECD, n.d.a). Thus, after its extractive turn, Canada directed 75% more ODA to Peru’s mining sector than the 28 other DAC countries combined.

The Canadian Embassy in Lima actively promotes the interests of Canadian mining companies operating in Peru. Among other activities, it lobbies the Peruvian government to enact laws and policies and to award contracts in ways that will benefit Canadian companies (personal communication, Mazen Mahfouz, Commercial Counsellor and Senior Trade Commissioner, Canadian Embassy, Lima, July 4, 2017). Keenan (2010, p. 31) reports how, a few days after protestors from affected communities blocked access to the partially Canadian-owned Antamina mine, the Canadian embassy added to the homepage of its website an article “showcasing Antamina and praising its achievements as a socially responsible company.”

Since the late 1990s, even before the extractive turn, the Canadian aid programme has worked closely with the Ministry of Energy and Mines. For instance, CIDA spent almost CAD 18 million on PERCAN—the Peru–Canada Resources Reform Project—between 1998 and 2011 (Moore et al., 2015, p. 40). Although ostensibly aimed at strengthening the ministry, critics argue that the project failed to improve the ministry’s performance in social and environmental issues (De Echave, 2011, p. 38) and did more to promote Canadian and other private investors’ rights (Gordon & Webber, 2016, pp. 205–206; personal communication, Marco A. Arana Zegarra, Member of Congress, Lima, July 12, 2017). A 2012 independent external evaluation of CIDA’s Peru Programme noted, “It is still premature to measure the extent to which revenue distribution from the [extractive] sector ... can be transformed into effective poverty reduction,” CIDA’s overarching goal in Peru (CIDA, 2012, p. 45). A few

⁶Both of these facts are the only unredacted arguments in the 2013 assessment of Canada’s engagement of Peru, released via an access-to-information request. The document also notes that over CAD 4 billion in Canadian investment flows to Peru every year, of which 80% is in the extractive sector (CIDA, 2013, p. 11). In 2013, 62 Canadian companies held CAD 6.3 billion in mining assets in Peru, operating nine mines and providing many supplies and services (GAC, 2015).

⁷Canada has contributed at least USD 1 million in aid to Peru every year since 1973 and over USD 10 million annually since 1981. These figures are provided in constant 2017 US dollars to enhance comparability.

years later, a Canadian government document stated that “Canada has over \$90 million in projects to improve Peru’s natural resource governance capacity, and the government’s development program contributes largely to building a positive investment climate,” adding that it also had “contribut[ed] to poverty alleviation and social inclusion” (GAC, 2015)—although it is not clear on what it based that latter assertion and the extent to which it is true.

Mining is a highly controversial activity in Peruvian communities, as elsewhere in the world. Faced with a state unsympathetic and even hostile to their objections and relatively little media attention, many mining-affected communities turn to active protest to make their concerns known. In 2009, for instance, 68% of instances of violent conflict in Peru were related to mining (Peruvian Ombudsman’s Office, cited in De Echave, 2011, p. 12). Due to the rapid growth of extractive activities, there has been a commensurate multiplication of protests and, at times, violent conflict at or near mine sites, including those of Canadian companies (Moore et al., 2015, pp. 44–47; see also Damonte, 2016, p. 405). Despite claims from a Canadian Trade Commissioner in July 2017 that “there are no real issues right now” (personal communication, Alexandra Laverdure, Trade Commissioner, Extractive Sector and CSR, Canadian Embassy, Lima, July 14, 2017), the Peruvian Ombudsman’s Office counted 156 active conflicts at the end of 2016, the majority of which were mining-related (cited in McNulty, 2017, p. 570).

In 1999, the Canadian embassy began to host monthly dialogue meetings, but they were suspended after less than a year when mining companies criticized the embassy for funding community groups (De Echave, 2011). Canada’s growing support for the Peruvian government’s pro-mining position and the mining sector more generally made it more difficult for Canadian aid to support local CSOs, as it had in the past, as these organizations often took the side of mining-affected communities against mining companies, including Canadian ones (personal communication, José De Echave, Co-founder of CooperAcción and former Deputy Minister of the Environment, Lima, July 11, 2017; De Echave, 2011, p. 38). Not only did it stop directly funding such organizations, it also prevented its grantees from doing so. For instance, in 2005, it warned Canadian Lutheran World Relief, an NGO, to cease supporting Peruvian counterparts that questioned the extractive model and provided legal assistance to mining-affected communities. Threatened with the loss of Canadian government funding, the NGO complied (Moore et al., 2015, p. 43).

With the growing importance of mining for Canadian companies and in Canadian–Peruvian relations, Canadian foreign aid shifted after 2010 from sometimes supporting communities’ resistance to mining in their territories, often through the intermediacy of Canadian NGOs, towards trying to smooth relations between communities and mining companies, allowing extractive activities to proceed (Grinspun & Mills, 2015, p. 141). Since then, Canadian efforts to bring different actors together have involved providing: (a) important financial incentives to Canadian NGOs to collaborate directly with Canadian mining companies in the communities affected by the latter’s activities; and (b) support to municipal governments that receive mining royalties, especially as a result of Canadian-owned mining operations.

Regarding this first trend of mining-related aid, CIDA had funded mining company–NGO partnerships in Peru even before the announcement of the 2011 package of aid projects with the extractive sector. For instance, CIDA spent almost CAD 500,000 on a mining company’s reforestation project in Peru, to which the company itself—Barrick Gold, one of the largest in the world—contributed only CAD 150,000 (Blackwood & Stewart, 2012, p. 229). However, these collaborations became more common after 2010. In one of the three above-mentioned “pilot projects” launched in 2011, CIDA provided half of the CAD 1 million budget of the World Vision-led project to assist families living in the footprint of Barrick Gold’s Peruvian mining operations in Quiruvilca. The project included “sensitization activities” to increase support for mining in their communities (Goss Gilroy Inc., 2015, p.

28). The Peruvian component of the Andean Regional Initiative, also mentioned above, involves several Canadian NGOs, including WUSC, CARE, CECI and SOCODEVI, as well as mining giants Barrick Gold and Rio Tinto.⁸

The track record of these Andean Regional Initiative projects is mixed. Some were quite successful, others less so, depending largely on the capacity of local partners and the role of the mining companies, which can lack knowledge on local development (personal communication, Canadian development official, Lima, July 2017).⁹ In fact, a Canadian government official recognized that what the mining companies actually contribute to the local development projects is not always clear (personal communication, Anik Des Marais, Deputy Director (Peru/Bolivia) and Counsellor (Development), Canadian Embassy, Lima, July 4, 2017). Also, NGOs and mining companies can have trouble working together because of diverging interests (personal communication, international development professional, Lima, July 2017). However, even relative successes do not mean that the projects were a good use of limited resources. The administrative burden for these projects was very heavy on Canadian government and NGO officials because of the small size and large number of projects, as well as the relatively low development capacity of their partners.

An external evaluation of three projects in the extractive sector in Peru, as well as one in Burkina Faso and one in Ghana, raised concerns that “the sustainability of the results over the long term is far from certain,” noting that in most cases “activities will cease at the end of the project” (Goss Gilroy Inc., 2015, pp. 42, 44). Moreover, the projects have done little or nothing to bring about long-term change to harmful mining company practices, constituting instead side projects that help generate goodwill for the company’s operations—what is known as a “social licence to operate.” As a result, the external evaluation of the World Vision project in Peru recommended that “any future NGO–mining company partnerships should aim to be more transformational in nature, and move beyond traditional philanthropic funding relationships” (van Geest, 2014, p. 4)—something unlikely to be of interest to mining companies.

The second post-2010 Canadian aid trend mentioned above is to support Peruvian municipalities that receive a sudden influx of mining royalties. For instance, the Canadian government provided CAD 17.7 million between 2010 and 2018 to the World Bank’s International Finance Corporation to carry out a project entitled “Enhancing the Development Impact of Extractive Industries in Peru.” The project sought not only to help mining municipalities provide citizens with better access to basic infrastructure and services, but also to promote linkages between local businesses and mining companies, as well as microfinance loans in extractive regions. Like the NGO-led projects described above, it targeted mining-affected communities only and did nothing to address the problematic operations of the mining companies.

⁸Other foreign aid funding provided by the Canadian government to the extractive sector, but not discussed here, includes: CAD 3.8 million to the Inter-American Development Bank’s Program for Sustainable and Efficient Management of Energy Resources in Peru (2012–2017); CAD 3.8 million to a private-sector consortium for a project entitled “Improving Environmental Management of Mines and Energy” (2015–2020); CAD 3.3 million to the United Nations Development Programme (UNDP) for the “Prevention of Conflicts over the Use of Natural Resources” (2011–2019); CAD 4.5 million to a Peruvian research consortium for “Strengthening Natural Resource Management in Key Regions of Peru” (2013–2018); CAD 17.4 million for SOCODEVI, a Canadian NGO, for “Promoting Economic Competitiveness and Economic Diversification in Peru’s Extractive Regions” (2013–2020); and CAD 8.1 million to the Victoria, BC-based Artisanal Gold Council for “Responsible Artisanal Gold for Sustainable Development” (2015–2019) (Government of Canada, 2017).

⁹A more detailed assessment of specific strengths and weaknesses will only be possible if and when a more formal evaluation is carried out. In some cases, the lack of capacity might actually reflect a lack of ownership by the actors involved.

Similarly, the Canadian government also provided CAD 19.4 million between 2014 and 2019 to the Federation of Canadian Municipalities' programme on "Sustainable and Inclusive Communities in Latin America," known by its Spanish acronym CISAL. Split equally between Colombia and Peru, the project worked with mining-affected local governments to try to help them maximize the benefits they can obtain from mining and minimize conflict. Mining companies were not involved in the programme's funding or governance structures, but the programme did not work with communities that do not host mines. Presented as a pragmatic means of strengthening the capacity of communities where extractive activities are taking place anyway, almost exclusively by Canadian companies, CISAL can alternatively be interpreted as promoting the extractive sector as a means of development and actively paving the way for extraction, especially by Canadian business interests. The additional resources can benefit communities, but the project might also have "silently legitimize[d] the negative impacts of mining" (personal communication, representative of a local NGO, Cusco, Peru, June 2017). Questions remain about how independent the programme really was, notably regarding how it would have reacted in a case of active conflict between a community and a mining company. It is unclear whether it would have been willing to condemn human rights abuses or environmental destruction by the company or violent repression by state officials.

Despite affirmations of each type of actor's independence, their joint involvement in the extractive sector exposes them all to significant reputational risks (Grinspun & Mills, 2015, p. 142; Brown, 2016b, p. 282). Mining companies are already well aware of their controversial reputations. Increasingly, the Canadian government and NGOs are being closely associated with the extractive sector and any future environmental disaster or major human rights abuse could see them tarred with the very broad brush of popular perceptions. In fact, opponents to mining companies' practices have already twice held demonstrations in front of the Canadian embassy in Lima, in 2007 and 2013, protesting "the Canadian government's complicity in human rights violations" (Thomas & Mitra, 2017, p. 56).

Ultimately, when considering motives for the use of foreign aid to support the mining sector, it is crucial to ask the related question of who benefits from it. At the macro level, extractive revenues can be used to reduce poverty—and the statistics cited above show significant progress in this area at the aggregate level. Clearly, mining does create jobs in local communities and can provide municipalities with significant financial resources. Still, it is no panacea for rural development and there are reasons to be critical of claims of benefits to local communities. New jobs are usually relatively small in number, frequently go to higher-skilled workers from outside the community and provide low wages for unskilled work. They are also limited to the mine's life cycle. Increased revenues often benefit better educated "immigrants" from outside mining communities and mining actually "appears to lead to higher inequality both within and across local communities" in Peru (Loayza & Rigolini, 2016, p. 231).

Moreover, the sudden large-scale infusion of funds into weak local institutions is often not well spent, and it has generated new problems and conflicts in Peruvian communities (Arellano-Yanguas, 2011; Lasa Aresti, 2016; Thorp, 2017). In Ancash province, where Peru's largest mine is located, the rapid inflow of mining royalties, instead of financing local development, has "helped to fuel rampant corruption and the creation of what has been called a 'mafia mini-state', characterized by intimidation of the local media and judiciary, and contract murders of political foes of the provincial governor" (Slack, 2018, p. 664). The main beneficiaries of mineral extraction in Peru remain "domestic business elites ... in a symbiotic relationship with foreign firms" (Thorp, 2017, p. 189), more specifically non-indigenous men based in Lima and other urban areas, who are already on top of the socio-economic hierarchy (Ávila Palomino, 2016, p. 34)—and have been since colonial times.

A report commissioned by the North-South Institute on Canada's role in conflict and the mining sector in Peru concluded that the Canadian government, especially through its development

programme, was simply repeating strategies that had failed elsewhere. Encouraging CSR and voluntary good behaviour helps companies obtain a short-term social licence to operate, but fails to provide long-term benefits, including more sustainable models of development and the integration of local communities into the process, taking into account the massive power asymmetries between the actors (De Echave, 2011, p. 39; Butler, 2017; Gamu & Dauvergne, 2018).

In sum, although the Canadian government may state otherwise, its aid programme in the mining sector appears increasingly motivated by commercial self-interest than altruism. If working with the extractive sector were objectively a clear path to poverty reduction, Canada would not limit its work almost exclusively to Peruvian communities affected by Canadian mining. If the Canadian aid programme were more concerned with the perspectives of the poor, it would encourage rather than discourage community involvement in deciding whether to allow mining in their territory. Finally, given the grave human rights abuses associated with the extractive sector, in the spirit of the *ODA Accountability Act*, the Canadian government would focus on preventing abuses, rather than seeking to encourage the expansion of existing mining practices.

5 | MINING AND OWNERSHIP IN PERU

Based on a narrow reading of the ownership principle, it is not problematic for donor countries such as Canada to support the Peruvian or any other government's vision of extractive-led development, even if affected communities had no involvement. In fact, if that is the strategy a developing country has chosen, donors could be said to have an obligation to support it. Since the last three Peruvian governments, led by presidents Alan García (1986–2011), Ollanta Humala (2011–2016) and Pedro Pablo Kuczynski (2016–2018), placed heavy emphasis on mining and sought development assistance to promote it, by this logic it could be argued that Canada had a duty to provide foreign aid in this area (personal communication, representative of a local NGO in Cusco, Peru, June 2017). However, the deeper reading of country or democratic ownership makes it harder to justify donor support for the extractive sector in Peru, or at least closely following the strategy promoted by the state. As explained above, a more nuanced application of the ownership principle requires the broader participation and consent of affected communities, whose support cannot be taken for granted.

There are clearly very close ties and overlapping interests between the Peruvian state and the mining sector. In fact, there is a revolving door between the two, with officials—including an ombudsman—moving back and forth between government and extractive companies (personal communication, representative of a local NGO, Cusco, Peru, June 2017; personal communication, Arell Valencia, instructor, School of Government and Public Policy, Pontificia Universidad Católica del Perú, Lima, July 3, 2017; see also Durand, 2016).¹⁰ The conflation of the public and private is strengthened by the fact that mining companies hire uniformed police officers to act on their behalf to quell protests and provide other security services. Mining-affected communities often see the state “as a biased mediator that backs corporations and criminalizes social protests” (Triscritti, 2013, p. 439).

Requirements for affected communities' consent are weak, with laws mandating consultations that do not give communities veto power. Moreover, only indigenous communities must be consulted—while who qualifies as indigenous remains ill-defined—and those communities must officially request

¹⁰Similar links can be seen between the Canadian mining sector and Canadian politicians. For instance, former Minister of Foreign Affairs John Baird joined the international advisory board of Barrick Gold within weeks of resigning as a Member of Parliament in March 2015. Former Prime Minister Brian Mulroney chairs the board and, until 2014, had been a director of the company, for which he received over CAD 1 million (Younglai, 2015).

the consultations. Since they often do not know of planned projects in advance, by the time they hear about them the projects may have already been approved, in which case consultations are no longer possible. Moreover, even when consultations of indigenous peoples do take place, they have never—as of the end of 2017—been permitted to prevent extractive projects from proceeding (Zaremborg & Torres Wong, 2018, pp. 42, 44).

Provisions for environmental protection are also rather feeble. Environmental review of proposed extractive projects for a long time fell under the sole purview of the Ministry of Energy and Mines, rather than an independent environmental protection agency (Arellano-Yanguas, 2016). Like consultations, environmental impact assessments have never prevented a major mining project from being approved (Li, 2015, p. 188). The Canadian government in fact has commended the weakness of these social and environmental protections, stating that “The 2011 passage of a law of prior consultation with affected indigenous communities does not seem to be a cause for concern to foreign business, as was once expected” and that “Peru’s recently approved environmental legislation supports and encourages investment in the mining sector” (GAC, 2015).

At times, though, the state acts in favour of mining-affected communities. For instance, it has passed laws that ensure that a significant share of mining revenues is transferred to regional and municipal governments. During the early years of the left-wing Humala administration, the government strengthened laws requiring consultation with affected indigenous communities (De Echave, 2011, p. 1; Gustafsson & Scurrah, 2019, p. 210), though their application has been at best uneven and they fall short of the standard of free, prior and informed consent.

Somewhat progressive measures adopted during periods of commodity booms come under pressure when prices fall. In 2014, mining companies convinced the government to relax standards, as well as provisions for environmental review and consultations (Durand, 2016; Gustafsson & Scurrah, 2019, p. 212; Thorp, 2017, p. 194). According to a prominent civil society activist, the Peruvian private sector typically views fiscal, social and environmental standards as “enemies of investment” (personal communication, Carlos Monge, Latin America Director, Natural Resource Governance Institute, Lima, July 4, 2017). In the end, the Humala government’s policies led to the “reinforcement of the role of the mining companies vis-à-vis the state and increased dependency on the mining sector” (Arellano-Yanguas, 2016, p. 188; see also Grinspun & Mills, 2015, p. 145). The Peruvian mining lobby, the *Sociedad Nacional de Minería, Petróleo y Energía*, is pressuring the government to weaken protections even further—and, according to one observer, “the state does what the industry association asks it to do” (personal communication, Vladimir Pinto López, coordinator, Regional Program on Extractive Industries, Oxfam, Lima, July 14, 2017). In a similar vein, Ballón et al. (2017, p. 75) warn of a “race to the bottom” in an effort to maximize revenues by further weakening provisions for decentralization, popular participation and environmental protection. In sum, “every effort was made by the government to facilitate the inflow of foreign investment into the sector,” regardless of any trade-offs (Thorp, 2017, p. 189).

Canada’s assistance to the mining sector is clearly aligned with the government’s (and private sector’s) development strategies. However, it is less clear that it complies with the concepts of inclusive, country or democratic ownership. As in other countries, mining in Peru tends to affect the most excluded people, especially indigenous ones, who have been marginalized for centuries. When the involvement of those directly affected is at best minimal, one cannot truly speak of democratic ownership of the extractivist development strategy, which remains very top-down.

It is important to remember that the promotion of mining is not the sole component of Peru’s development strategy. In fact, Peru’s *Acuerdo Nacional*, a policy document originally adopted in 2002 and updated several times since then, contains 35 policy areas with which donors could align their aid programmes (Government of Peru, 2014). Canada already works in many of those other sectors and

is not obligated by the principles of ownership and alignment to work in any specific area, especially not one associated with human rights abuses, *contra* the ODA Accountability Act. There need be no contradiction between country ownership and a donor's decision to work in some government priority areas but not others.

Moreover, the legislated central purpose of Canadian development assistance is poverty reduction and it is legally compelled to take into account the perspectives of the poor and respect international human rights obligations (Government of Canada, 2008). It is therefore incumbent on the Canadian government to ensure its development assistance will enhance inclusion and democratic ownership, not undermine them. Any involvement in the extractive sector should be undertaken on behalf of and in consultation with mining-affected communities, providing them with assistance in their struggles for inclusion, rather than supporting the state or private corporations that seek to circumvent their rights. Such an emphasis would comply with the legislated purpose of Canadian aid and also demonstrate a commitment to the international human rights obligations to which Canada adheres and follow the spirit of the SDGs, which seeks to "leave no one behind." If respecting state sovereignty and government strategies precludes such activities, choosing to work instead in other government priority areas would not contradict even a narrower (and more controversial) interpretation of ownership, especially if done in collaboration with the government.

6 | CONCLUSION

In this article, I analyse Canadian foreign aid to the Peruvian mining sector since Canadian aid's extractive turn in 2011. Since then, Canada has become the largest DAC donor in the mining sector and Peru is the largest recipient of that aid. Canada's aid programme made Peru one of its "countries of focus" in 2009 and has substantially increased its ODA, at a time when most countries are reducing their aid contributions, since Peru has achieved UMIC status and therefore has less need for development assistance.

I ask, first, how has this aid evolved and what do the changes suggest about its underlying motives? Second, what are the implications regarding the "ownership" of Peru's development agenda? I found that ODA continues to support government institutions that operate in close collaboration with the mining industry and, though in the past it had supported some resistance to the extractive-based development in local communities, it has dedicated new resources to encouraging mining-affected communities to accept the activities of Canadian companies in their territories and to try to enhance the potential benefits. The latter could be obtained through municipal governments' better relations with Canadian mining companies, better use of mining revenues or additional Canadian companies' CSR projects co-funded by the Canadian government. In adopting this approach, the Canadian development programme has de-emphasized alternatives to extractivism and sometimes actively silenced dissent, in line with the Peruvian state's approach—and entirely in tune with the interests of the Canadian extractive sector. In doing so, it has undercut other strategies that might achieve development goals more effectively, including the Canadian government holding extractive companies accountable for their problematic practices, which would help prevent them, rather than mitigating the risks of negative fallout by using public funds to provide side benefits.

The concept of government ownership can be invoked to justify Canada's support for the Peruvian extractive model, based on a narrow reading of international aid effectiveness principles. However, the more nuanced norm of "national," "inclusive" or "democratic" ownership contradicts this restrictive, state-centred focus. The norm does not oblige Canada to feed Peru's reliance on resource extraction, which is undermining human rights, democratic ownership and environmental protection,

but rather—in accordance with Canada’s domestic legislation (that mandates a focus on poverty reduction, the perspectives of the poor and human rights), international obligations and commitment to the SDGs’ imperative to “leave no one behind”—to contribute to fighting poverty and inequality over the long term and promote social inclusion, especially among indigenous communities, which have for centuries been the most geographically, economically and ethnically marginalized. None of these precludes working in the mining sector, but it would have to be done only with the agreement and participation of local communities, subject to free, prior and informed consent, and according to a model that respects human rights, constituting a “bottom-up” extractivist model.

It is worth noting that the extractive turn of the Canadian aid programme took place under the Conservative government of Stephen Harper (2006–2015) and could yet be dropped—though the portents are at best unclear. To date, the 2015 and 2019 elections of a Liberal government under Prime Minister Justin Trudeau have not made any difference to ongoing programming. Its *Feminist International Assistance Policy*, adopted in 2017, makes no mention of mining or extractives more generally (GAC, 2017). Canadian development officials in the field, however, have noted a change in the messages they are getting from Ottawa. They recognize that some of the current and recent mining-related projects in Peru would be “hard to justify under the new policy” (personal communication, Anik Des Marais, Deputy Director (Peru/Bolivia) and Counsellor (Development), Canadian Embassy, Lima, July 4, 2017). Elsewhere, a Canadian embassy official told me that “signs from headquarters are that future involvement in the extractive sector would be a tough sell” (personal communication, Canadian embassy official, Ulaanbaatar, Mongolia, July 26, 2018).

Since the change in government, Canadian aid has de-emphasized explicit partnerships with mining companies. The new feminist aid policy nonetheless foresees enhanced co-operation with the private sector, further supported in other government announcements. Although “innovative” financing mechanisms are couched in the language of poverty reduction and gender equality, they could include new forms of co-operation with the extractive sector. In spite of its strong rhetoric on the importance of indigenous rights, women’s rights, reducing poverty and inequality, environmental protection and combating climate change, the Trudeau government remains very close to the Canadian extractive sector and its interests, which are often antithetical to those principles. The government, for instance, reneged on its promise to take robust measures to hold Canadian extractive companies accountable for illegal activities and human rights abuses committed abroad. In addition, the possible defeat of the Liberals in the next general elections could return the Conservatives to power, who would presumably waste no time in tearing up the feminist aid policy and could well put extractives prominently back on the Canadian aid agenda.

This article demonstrates how an overemphasis on top-down extractivist development strategies can harm democratic ownership principles and how economically self-interested foreign aid can reinforce existing power asymmetries that undermine, rather than strengthen, long-marginalized communities’ ability to secure their futures—which is (or at least should be) the purpose of development assistance. In doing so, the Canadian government has also contravened the provisions of international agreements and potentially domestic legislation. Although the former are non-enforceable, Canadian courts could determine whether the government’s support to the extractive sector in Peru and elsewhere contravenes the ODA Accountability Act.

This article focuses on the “deviant” case of Canadian aid to Peru. However, similar conclusions could well emerge from future studies of Canadian aid to the extractive sector in other countries, such as Bolivia, Colombia, Kenya, Mongolia, Myanmar and Tanzania. Moreover, given that a range of donors are increasingly seeking “mutual benefits” from their aid programmes, further research could also help ascertain the extent to which a comparable pattern of undermining democratic ownership prevails elsewhere.

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