



CANADIAN CATHOLIC ORGANIZATION FOR

Development and Peace

December 13th, 2012

Honorable Julian Fantino
Minister of International Cooperation
Canadian International Development Agency
200 Promenade du Portage
Gatineau, Quebec K1A 0G4

“Truly, I say to you, as you did it to one of the least of these my brethren, you did it to me”
(Mt 25, 40)

Dear Minister Fantino,

DEVELOPMENT AND PEACE is the official international development organization of the Catholic Church in Canada. Our action is inspired by the Gospel, guided by the social teachings of the Church and embodies the preferential option for the poor. As Canadian citizens committed to this mission, we share your objective of maximizing the results of Canada’s international development assistance efforts. We agree with your observation that “as we look to the future and strive to maximize our results, we must also look to innovative solutions to development challenges.”

At the same time, we are deeply concerned about some of the ways in which the Government of Canada seeks to pursue those objectives. In particular, your recent announcements regarding CIDA’s new emphasis on corporate partnerships and the promotion of Canada’s economic interests abroad have sounded an alarm amongst our 10,000 members across Canada and the local organizations we partner with in the Global South. Our experience, and the evidence of decades of research on approaches to international development, convinces us that such an emphasis would not be an effective means to eliminating poverty and would in fact risk doing great harm to the efforts of people living in poverty to bring about peace and democratic, sustainable development in their own countries.

Our partners across the globe have consistently drawn to our attention their concerns about international trade and investment practices and their impact on poor communities. They have demonstrated that foreign direct investment, per se, does not necessarily raise the living standards of the majority of the people, and indeed, that in many instances, the operations of

international companies actually worsen the living conditions of the poor and weaken local institutions of governance. This question was extensively discussed in the 2006-2007 National Roundtables on Corporate Social Responsibility (CSR) in the Extractive Sector, which examined the impact of Canadian mining, oil and gas operations on the poorest communities in the Global South and looked at ways to improve their CSR performance. At the time, Cardinal Oscar Andres Rodriguez Maradiaga, of the Archdiocese of Tegucigalpa, Honduras, currently President of Caritas Internationalis, wrote an open letter to the Government of Canada on the subject:

“We must ... evaluate whether the commodities produced through the exploitation of natural resources, in particular those of a limited and non-renewable nature, justify the economic, environmental and social costs that are generally borne by the communities and nations who produce these commodities, and who paradoxically, nearly always live in conditions of greater poverty and vulnerability than those communities and nations for whom they are produced.”¹

More recently, in July 2011, Archbishop Pedro Jimeno Barreto of Huancayo, Peru, President of the Justice and Solidarity department of the Latin American Bishops’ Conference (CELAM), and currently a member of the Pontifical Council on Justice and Peace, led archbishops, bishops, priests, religious, social leaders and academics in a reflection on extractive industries in Latin America.

The CELAM meeting found a pattern of irresponsible behavior by transnational companies leading extractive projects, and a general failure to comply with internationally recognized social and environmental standards. CELAM also noted a worrying impact on democracy in the countries affected:

“The economic power of these companies weakens national states and their sovereignty over all levels of local government. Often, national governments do not satisfactorily fulfill their function to create and enforce national environmental protection laws, allowing more flexible regulatory frameworks and using loopholes for companies instead of defending and protecting the rights of the population, which is the fundamental responsibility of every state.” (See attached statement from CELAM, July 14-16, 2011).

The Church in Latin America is not alone in drawing attention to how unregulated private investment, notably in the field of extractive industries, is often highly detrimental to local communities, and national development strategies. The bishops of the Democratic Republic of the Congo have drawn attention to the unbridled and reckless exploitation of natural resources as being the principal cause of conflict in that country. The bishops of the Philippines have decried the impacts of irresponsible international mining practices (including those by Canadian companies), including serious environmental destruction and the erosion of the rights to survival of the country’s indigenous peoples.

It is from this perspective that DEVELOPMENT AND PEACE respectfully calls on you to reflect on the effectiveness of implementing development partnerships with an industry that has already been

¹ Letter to the Government of Canada, Cardinal Oscar Andres Rodriguez Maradiaga, November 2006 (attached)

widely recognized as having detrimental effects on local economies and the lives and livelihoods of the people who live there.

There is no doubt that in the Global South, as in industrialized countries like Canada, a robust private sector is key to creating prosperity through judicious use of resources and the generation of decent jobs for people. However, as the evidence submitted by many witnesses to the Standing Committee on Foreign Affairs (SCFAIT) in its report on the role of the private sector in development demonstrated, not all private sector actors contribute to the kinds of growth and economic diversification that create livelihoods and lead to poverty reduction. A development model that **privileges** support for the conditions needed for **local** private sector enterprises to flourish is quite different from one that benefits large foreign corporations.

In many developing countries, the dependency on the export of primary commodities and import of manufactured goods remain fundamental obstacles to transforming economies that currently relegate the majority to destitution. Countries that are dependent on resource extraction cannot simply rely on short-term corporate social responsibility projects for specific “beneficiary” populations. They need development strategies that direct the revenues from resource extraction to the diversification of their own economies to meet their own needs and determine their own futures.

The SCFAIT report also notes that “an even deeper problem may emerge if such [CSR] projects blur responsibilities and undermine accountability relationships, causing local residents to look to companies for the provision of necessary services rather than their governments, or causing local governments to focus more on revenue-generating companies than on their citizens...such distortions in accountability relationships work against the development of strong and legitimate governments.” (SCFAIT report, November 2012, page 83)

The decision to use CIDA resources to facilitate Canadian investment in developing countries and to subsidize for-profit corporations is not consistent with the evidence presented that:

“Investment in the private sector itself does not translate into sustainable economic and social development. There is in fact no historical example anywhere on earth where sustainable growth, social and economic development, and poverty reduction took place through private investment in the absence of appropriate public policies and state interventions needed in order to plan, to regulate, and to monitor investment so that the presence of private investment would be harnessed to meet development objectives determined by the countries themselves.” (Professor Bonnie Campbell, UQAM, SCFAIT Report, November 2012, p.19)

We believe that Canada has many options available to support democratization, development and peace in the world. We urge you to explore innovative solutions to development challenges that would indeed respect the Canadian Official Development Assistance (ODA) Accountability Act and honour Canadians’ commitment to bringing about a better world and a better future for generations to come. We would welcome an opportunity to discuss our concerns with you and

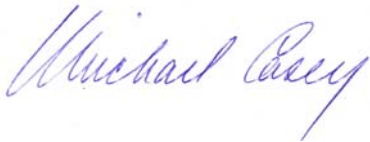
to share the lessons of our 45 years of experience working with courageous and innovative partners in Africa, Asia and Latin America.

We seek this dialogue in the interests of ensuring that Canada's contribution to the global effort to eradicate poverty does indeed make a positive and lasting difference, and that it meets the requirements of the Canadian ODA Accountability Act to contribute to poverty reduction; taking into account the perspectives of the poor; and being consistent with international human rights standards.

Sincerely,

A handwritten signature in black ink, appearing to read "Patrick Kennedy". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Patrick Kennedy
President, National Council of DEVELOPMENT AND PEACE

A handwritten signature in blue ink, appearing to read "Michael Casey". The signature is cursive and somewhat stylized.

Michael Casey
Executive Director

Cc Members of National Council of DEVELOPMENT AND PEACE