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**EVIDENCE**

**Wednesday, February 15, 2012**

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**Chair**

**Mr. Dean Allison**



# Standing Committee on Foreign Affairs and International Development

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• (1535)

[English]

**The Chair (Mr. Dean Allison (Niagara West—Glanbrook, CPC)):** I call the meeting to order.

Pursuant to Standing Order 108(2), our study on the role of the private sector in achieving Canada's international development interests will commence.

We've just got an hour and we've got a couple of excellent witnesses here. From the Grameen Foundation, we've got Alex Counts, who is the president and chief executive officer. Alex, welcome today. We're looking forward to hearing from you.

Then we've got Katleen Félix from Fonkoze, another great organization, so we're looking forward to hearing from you.

Since we only have an hour, let's get started right away.

Alex, why don't we start with your presentation? Then we'll move over to Katleen, and then we'll go around the room and we'll ask some questions for the remaining time.

Alex, I'll turn it over to you, sir.

**Mr. Alex Counts (President and Chief Executive Officer, Grameen Foundation):** Thank you very much, Mr. Chairman, and honourable members of the committee. I'm very pleased to be here to talk about this important issue.

If I had to summarize my observation, number one, I'd say the two fields that I've been most involved in—which are, first, microfinance or financial services for the poor, and second, technology, especially information technology for poverty alleviation and development—are both classic examples of the private sector playing a role in international development alongside the public sector. They can also be a platform or a partner for other private sector actors getting involved in the future, and I'll say a little bit about that in a minute.

The second thing is this: how the private sector can interface with the public sector and international development efforts really defies easy categorization along the lines of “it should be this way” or “it should be that way”. Every sector, every country, and every moment in time is different, and those relationships, we think, should be recalibrated over time as times and sectors change. I won't be giving you any major pronouncements on what this should look like, because it's very context-specific.

Microfinance is a very classic example of the private sector working with a social purpose. I grew up seeing microfinance evolve in Bangladesh, and I must say that Canada played a very important

role in the growth of microfinance. Grameen Bank, BRAC, and others in Bangladesh, without CIDA's support, might have turned out very differently in terms of the maturity and the strength of the microfinance sector there. Bangladesh is a very different country from what it was when I first landed there in late 1988. It's much more vibrant in both the private sector and in the overall infrastructure of the country, and it's much less poor. Anyone who's looked at it, including Jeffrey Sachs at Columbia University, can see that microfinance was probably one of the top two or three reasons that the country advanced so much in the past 25 years.

In fact, we did a literature survey of all the impact studies of microfinance, called *Measuring the Impact of Microfinance*, and one of the many studies said that over a three-year period about ten years ago, the districts in Bangladesh where microfinance was expanding rapidly experienced poverty reduction rates at triple that of the districts where it was expanding very slowly, so I think it's a big part of the poverty reduction experience in Bangladesh.

Looking forward, I think that microfinance, which now reaches more than 150 million of the world's poor families, can be a strong partner to other private sector actors wanting to get involved in international development, and I'll talk about that in a moment.

We think of microfinance as being a platform, a partner, a channel to market for other interventions. One example is solar panels. It's not a new technology, but it's very rare for it to actually reach, in a usable form, the poor of a country so that they can afford it and go off the grid and have affordable, clean electricity, but a sister organization of Grameen Bank, called Grameen Shakti, which means “rural energy”, formed a company from very small beginnings and is now profitable, selling to people across rural Bangladesh a thousand solar home systems every single day now, and doing it profitably.

The technology has existed all along, but the infrastructure to finance the poor to borrow for it, to repay it, to use it, to understand the opportunity of solar energy, was only possible because the microfinance infrastructure was already there. Microfinance, which is basically bringing banking services on a businesslike basis to the poor, makes possible the entry of many other people producing products—whether health care, educational, or energy products—and makes it possible for the poor to afford them and to understand why this could benefit them.

Certainly there are regulatory issues that microfinance is facing in certain countries, Bangladesh and India in particular, and it's ironic that certain regulatory agencies and politicians have chosen to accuse microfinance of being exploitative of the poor by charging interest when those two countries are two of the countries with the lowest microfinance interest rates in the world.

Politics sometimes is not a little out of step with reality, everywhere except, I guess, in Canada.

I will move on to information services. We think that not only do the poor not have access to the financial services they need, but they also do not have access to the information they need or the ability to communicate with others, such as family members, business partners, and overseas relatives.

On the microfinance success story, we observed something happening right when I was setting up Grameen Foundation 15 years ago. Grameen Bank joined with Telenor, a Norwegian telecommunications company, to set up a phone company in Bangladesh, which was later named Grameenphone. It's a purely commercial, private sector, for-profit company, but it's set up with a sister organization with a social purpose to set up what became 300,000 Grameen Bank clients with cell phones to be a human pay phone, a pay phone for their village. It was a very unique example of leveraging the infrastructure of microfinance in a brand, bringing a new technology, which was being privatized, and doing it in a way that could be commercially successful but that could set up hundreds of thousands of women in business. It was a smashing success. The company became the largest company in Bangladesh, and the effort to set up the women in the pay phones was highly profitable for them.

Grameen Foundation, which I started, took that model to Uganda, joined with MTN, a private sector telecommunications provider. It is Africa's largest mobile network operator, in fact. We set it up in Uganda. We made some mistakes and got a little bit of a rough start, but ultimately we set up a profitable company that set up 80,000 Ugandans, mostly women, as pay phone operators. They became familiar with being the information and communications technology hub of their village.

Then that business started to come down. This is the way of the business in the private sector: what it hot one year is a dying business the next year. We decided to use that learning and that infrastructure to set up these women not just simply to use the phone to make phone calls, but to actually download information about best practices in agriculture, health, and commerce. We transformed what we called village phone operators to community knowledge workers. We now have 1,000.

We are focused now on agriculture in Uganda. We're looking to spread this to other geographies such as Colombia, Indonesia, Tanzania, perhaps, and other places, where a peer farmer—1,000 of them are now operating—does two things. Through the phone and accessing a database on agricultural best practices, they can get just-in-time information about market prices, about how to deal with a disease, about what fertilizer to use, and get it right to the farmer when he or she needs it. It picks up where the agricultural extension agent leaves off, which is often maybe one visit a year, by using the power of the phone and the database behind it.

Secondly, it aggregates information about farmers, such as what they are producing, what they need, what they want to buy, what they want to sell, and when. I've literally seen one of these peer farmers taking a survey on their phone, uploading it just when they finish with GPS coordinates about where they are standing. That information is then being mined by companies in Kampala, where literally a brewery wants to know where they can buy barley to make beer. There are many other such examples.

One of the reasons that companies don't work with the poor and don't contribute more to international development is they don't have real-time information about subsistence farmers or poor market women—what they need, what they want, what they want to buy, and what they want to sell. The mobile phone, put in the hands of people out on the field, poor people themselves, can be a way of capturing and aggregating that information that can remove a lot of the friction from the process between the private sector and the poor and allow partnering in ways that mutually benefit each other.

The final word I'll say is this. My chairman of the board, who runs a major company in Silicon Valley and once worked at a very senior post in Microsoft, has said that in philanthropy or in international development, the easiest person to deceive is yourself.

● (1540)

It's very easy to be patting yourself on the back and saying you've got a private sector solution—it's reducing poverty or claiming some other thing—but there should be an accountability mechanism to figure out if you're really doing that.

Grameen Foundation and Fonkoze, which I'm also involved in, have been using an accountability tool called the progress out of poverty index. It's a very simple survey tool that can show trends about whether people are just treading water or are actually getting out of poverty.

Again, if that's going to be our goal through private sector or public sector solutions, it needs to be based not on anecdote, not on hope, not on intuition, but on hard data. There are many, many tools coming onto the market, including ours, that can contribute to that end.

Thank you, Mr. Chairman.

**The Chair:** Thank you, Mr. Counts.

We're now going to move over to Ms. Félix.

• (1545)

[*Translation*]

**Mrs. Katleen Félix (Project Director, Haitian Diaspora Liaison, Zafèn Projects, Fonkoze (Foundation kole Zepol)):** I would like to thank you for inviting us to appear before you today to talk about the role of the private sector.

My presentation is going to be in French. I am a francophone from Montreal. I grew up in Montreal and I studied at HEC Montréal. It is a great honour for me to be here today and to be able to share our experience in Haiti with you.

I have submitted documents in both French and English. I have a few others but they are in English only. I have Fonkoze's annual report and social performance report.

[*English*]

The social performance report and the annual report are here, and I also have some small flyers about Zafèn, which that I will speak about a bit later.

[*Translation*]

I was told that I had to do both at the same time, and that is what I am going to try to do. There are some pictures missing, but that is not a big deal.

First of all, Fonkoze is a microfinance institution in Haiti that has been around for over 16 years. We have more than 270,000 savers and more than 60,000 credit clients. The founding principle on which we operate is that women are the backbone of the economy. You can't just give them a loan; you also have to support them in their fight against poverty. If you just give them money, it is not going to work.

We are also talking about the fact that all Haitians must participate in the Haitian economy. So, in a commune or in a communal section, we make sure that everyone participates, even those who are very poor and who are not necessarily able to do business. We include them in the process. We will talk about this later.

Democracy cannot survive in Haiti without an economic democracy. That is quite important. Father Joseph, the founder of Fonkoze, has always said that there will be no democracy in Haiti if people do not have access to finance, or if people cannot have savings and access to insurance or credit to run their business. It may seem trivial, but those are the facts. The poor cannot think about voting and about being involved in politics if they don't have access to finance first.

The final pillar is the Haitian diaspora and that is what I am most involved in at Fonkoze. The general feeling is that there will be no opportunities in Haiti as long as the diaspora—Haitians living abroad or migrants who left the country—does not get involved in the Haitian economy as well. So we support their efforts. We know they send \$1.8 billion annually in remittances.

How can we make those money transfers smoother? Most transfers are definitely for consumption. But some of those transfers are for investments. Yet investments are not always successful. Problems may crop up. We are trying to find ways to support people and to make those investments possible so that they are not lost.

I have already provided an outline. We have 46 branches across the country with over 900 employees, and 99% of our clients are women. We have over 60,000 credit clients, representing a \$16 million credit portfolio. We have 270,000 savers; that's a \$26 million portfolio in savings from the people who save with us. Last year, we had \$96 million in remittances from the diaspora. And we have about \$34 million in assets at Fonkoze.

Essentially, Fonkoze's mission is to eliminate poverty. You can see all the branches we have. I mentioned that there were 46 branches; we got the country covered. It is very important to keep that whole territory in mind. When you talk about partnerships with the private sector and when my colleague talks about an existing microfinance infrastructure, it is an infrastructure that can make marketing possible and that can promote involvement in health, for example, or other involvements. The infrastructure is there and, since all the branches have computers and satellites, they can communicate with each other. This is quite a significant infrastructure. Once again, with 900 employees, we are not a small organization.

You see a bunch of little dots. We have a number of credit centres; we have 1,750 centres across the country. Groups of women get together to receive credit, but also to receive financial and health-related training. The training does not necessarily have to be about financial matters. It can be about something else.

All those centres are active. They have meetings every week or every two weeks. Here is quite an interesting image to help you see that our credit officers cross rivers and climb mountains. That is why I wanted to show you this picture. In some cases, they risk their lives to reach our clients. Here is an example of a group.

As I was telling you, microfinance is not just microcredit. It also entails microsavings, microinsurance, microcapital, money transfers, as well as any non-financial services. We are talking about financial literacy and leadership training to ensure that people can stand up to talk about their problems and seek solutions. Those are some of the issues that the groups deal with.

Here is what we call the "Staircase out of Poverty", which includes all the products and services provided by Fonkoze to alleviate poverty. I will not go into too much detail, given the time I have, but we offer a number of products to clients, depending on where they are at. Some are very poor and are not able to run a business. They are really too far down the poverty ladder. What they need first is an 18-month program, involving a case manager. They meet with the case manager every week to talk business. They learn to read and write or to at least sign their names. We also do asset transfers. We give them young goats that are part of what we call the livestock. We show them how to start a small business, but we cannot give them credit right away. We have to reintegrate them first. This is called the Chemen Lavi Miyò program or the Road to a Better Life. It is in purple at the bottom.

Once they complete the program, they usually have more stability. Their homes are more stable. The children go to school and eat fairly regularly. They are able to cope with everyday problems. This stability enables them to either be part of a credit process or to work perhaps, which is quite significant. We realized that by limiting ourselves to solidarity-group credit, so by working with groups, we were leaving many people behind who could not access this type of credit or, if they had access, they were not able to succeed.

Once the solidarity group stage is complete, and they have gone through all the processes, the people can access personal credit in the official sector. That is a milestone. Actually, nothing has been official yet. It is at this stage that it becomes official. People have access to various types of credit. This is when additional guarantees come into play. We can offer them various products. It is quite an integrated approach through which we really target people based on where they are in society and on their ability to have access to finance.

In terms of our promise, we measure it in the social performance impact report that we are committed to produce each year. We check if things are working or not, but we promise our people that they will have food daily, that their children will go to school, that they will learn to write regardless of their age—for example, this lady was quite old, but she learned to read and write—and that they will have tin roofs, cement floors and latrines, which is quite something. They will be able to accumulate assets. They will also be able to face the future with more confidence. Being part of a network enables them to take care of some problems without waiting for international aid. As I said, we also measure the social impact.

As for the people in Canada with whom we do business the most, I am not sure if you have heard of ROCAHD or the Regroupement des organismes canado-haitiens pour le développement. It has been around for over 20 years. When Father Joseph had the idea of founding a microfinance institution, the people from ROCAHD, this Haitian association in Canada, were the first ones to believe in Fonkoze. That is where Fonkoze got its first loan, a loan of \$12,000.

I found that approach very interesting, especially since, in looking at the investments of Haitians abroad, we are now wondering how to improve the flow. So it is a good thing that they had the vision that this could work.

Since 2010, the KANPE foundation, with Arcade Fire, have been raising funds and have been working with us specifically in a village called Bay Tourib, in the Central Plateau, where we have set up the CLM program or Chemen Lavi Miyò, which targets the poorest of the poor, and Partners in Health.

• (1555)

[English]

Partners in Health, co-founded by Paul Farmer.

[Translation]

In terms of the general public, Zafèn is a program for small and medium enterprises. It is a bit like Kiva, but really aimed at small and medium enterprises. You can take a look online and see a list of businesses and the types of loans they are looking for. You can set up the loan online.

Canada is the second most active country for us. The number of participating Canadian taxpayers is growing by the day. It is always surprising to see the number of visits we get.

In terms of interest for Canada, I think we need to talk about microinsurance. I won't go too far into that, but I would just like to say that this component might need to be addressed. If your committee is interested, we could send people to talk about microinsurance. Développement international Desjardins (DID) is on the market looking for agricultural microinsurance. We have microinsurance for disasters.

We also have life insurance. The insurance model works if we have enough volume. For example, DID started to develop its own insurance. So we would have competition. People would certainly benefit from it, but there would be more profit if we could agree on only one insurance model for the same population. So I would like to throw this idea out there to look into microinsurance. We have actually developed quite an attractive model. There are even countries other than Haiti that are studying this model and that would like to use it.

To conclude as far as Zafèn is concerned, we have an investment fund that might be of interest to you if you are looking to support small and medium enterprises. I am not talking about micro-enterprises. I am talking about businesses that create jobs, more than four or five jobs, and that give back to the community. That is what we are looking at.

It is equally interesting to see that the diaspora is also suggesting businesses in which to invest. We can help the ones that are viable through Zafèn. So that approach might be a way to support the Haitian diaspora in Canada.

Finally, there is always the vulnerable segment. When we talk about development on a large scale, we cannot forget about those most in need, the poorest of the poor. The Chemen Lavi Miyò program has demonstrated results. I have some statistics that I can share with you if you have any questions. This is something that can be done very easily. I would also like to invite DID to consider a partnership.

So there you go. Thank you.

[English]

**The Chair:** Thank you very much.

We are going to start over here with the NDP.

Go ahead, Madame Groguhé, for seven minutes, please.

[Translation]

**Mrs. Sadia Groguhé (Saint-Lambert, NDP):** Thank you, Mr. Chair.

I would also like to thank the two of you for your presentations and for your very interesting comments.

First, I would like to remind you that, ever since the committee has been studying this development issue, the NDP wanted to focus on the private sector. The private sector can play a role in development, especially in terms of accountability and transparency, by making sure that programs reduce poverty in a sustainable way. I feel that we have to keep this aspect in mind because it is crucial so that development actions are constructive and so that they really reach their target, meaning the poor and the poorest of the poor.

My question has to do with the key conditions for the success of microfinance operations. What do you think about that? Have specific challenges or best practices been identified from the Haiti experience? What are they?

• (1600)

**Mrs. Katleen Félix:** Let me go back to my little table. In the area of microfinance, as I said a bit earlier, when we did a comparative study of various programs to determine which ones were a success and which ones were not, we realized that it is very important to know our clients, to know what their situation is. Take the very specific example of someone who is hungry, who is not able to eat every day. A secure source of food is very important. That person cannot become part of a solidarity group and get consistently involved in business activities. The situation must be stabilized first.

We divide the market into segments. When we arrive in a village, we check to see who the very poor people are. We ask poor people to show us people who are even poorer. We try to put them in groups so that we can decide how we are going to work with them. Together with BRAC, CGAP and the MasterCard Foundation, we developed the program called Chemen Lavi Miyò or Road to a Better Life. We set up a pilot project to see if it would improve the credit situation. People want to do business and they want to see the program succeed. But if they are not equipped to make it happen, they have to be given the necessary training. We have to be able to work with them in a number of respects. That is why we developed the four programs: Chemen Lavi Miyò, or Road to a Better Life; Ti Kredi, or Little Credit, solidarity groups and business development. Now we are working with Zafèn.

We realized that people working in agriculture, for example, needed to diversify their incomes. They cannot make a living from agriculture and farm animals alone. They must have goats and pigs, and if they can have a little business as well, so much the better. It gives them additional income, and, if things get tough, they can keep paying off their loan. It is also good for their self-esteem.

These are transferable practices, I feel. You have to know how to divide up the market. There are no one-size-fits-all solutions. You really have to study the situation in each country. In Haiti, we were able to choose our targets well from region to region because of the evaluation grid that was developed.

**Mrs. Sadia Groguhé:** You put a lot of emphasis on coaching, education and the need to avoid going too far into debt, which is a major issue. We know what happened in India. Unfortunately, there were negative consequences. Microcredit got off to a great start, but in the end, people found themselves back in debt again. Unfortunately, there were suicides, and so on. That's why that aspect is equally important.

I would like to ask Mr. Counts a question. You mentioned transparency and responsibility tools and the importance of having those tools. Can you tell us exactly what those tools are and how you use them?

[English]

**Mr. Alex Counts:** I'd be happy to, and thank you for the question.

I think this issue of over-indebtedness that you mentioned is an important one. One of the emerging best practices at the industry level is to bring in credit bureaus so that if a lender is lending to someone who is indebted to others, they can understand those levels and have certain self-regulatory guidelines.

That said, it isn't a cure-all. There has been a credit bureau in Peru since the late nineties, and yet there are pockets of over-indebtedness there. It's not the one solution.

Also, I think that these discussions of suicides by borrowers in India have been wildly exaggerated. In fact, the only serious studies of that have actually shown that the suicide rate—which is a tragedy if it happens even once—among microfinance clients seems to be much lower than among the general rural population in India. Also, for those who have suffered this tragedy, it is caused by many factors, not simply microfinance. It has become an important issue, but also one that has not always been correctly characterized based on hard data.

In relation to our tool, the progress out of poverty index that you mentioned, we felt it was very important to quantify the results of anything that is trying to attack poverty, because it's so easy to just talk about process and not about outcomes and results.

We joined with the Ford Foundation and an arm of the World Bank called CGAP, which I know Fonkoze has also worked with, to develop a very simple tool, a 10-question survey that's customized for every country based on census data. The census data are often hundreds of questions; we have statisticians who look at which of those questions are most highly correlated to someone's poverty level, and then which of them are easily observable in a household, so that the survey can be filled out accurately in 10 minutes or less. We've done that now for 46 countries in the world.

This tool is being used by both microfinance organizations and by many others attempting to deal with poverty reduction. They use it on intake when you take your first loan, and then this survey is filled out every year when you take a new loan. Then there are random audits of them so that the field force isn't changing the numbers to make things look better. It gives one a sense of the broad trends such as, first of all, if you are dealing with the hard-core poor to begin with, which is a question, and then whether they, on balance, are making progress towards and ultimately above the poverty line.

We've now seen more than 150 of the world's leading microfinance organizations take up this tool, and we're developing some online tools to help them get business intelligence, because this isn't about pointing the finger to say that you're not doing a good job—though there is some of that—but more to figure out, even within an organization, if you're doing a very effective poverty reduction job in one part of the country and less so in another. If so, why is that?

This type of transparency and insight into poverty reduction success is fairly new, but it's very easy and cost-effective to do through this tool and through some similar ones that are on the market.

• (1605)

**The Chair:** Thank you very much.

We're going to move over to Ms. Brown for seven minutes, please.

**Ms. Lois Brown (Newmarket—Aurora, CPC):** Thank you very much, Mr. Chair.

Thank you to both of you for being here.

Mr. Counts, I had the opportunity three years ago to be in Bangladesh and actually spent an hour with Muhammad Yunus. I have a signed copy of his book, and we had a very interesting discussion.

Bangladesh is a country of about 140 million people. The population there has exploded since their independence 40 years ago, so they have an enormous number of challenges ahead of them.

I had the opportunity to visit a number of the Grameen Bank projects. I have to tell you that I also had an opportunity to visit many of the BRAC Bank projects, because they took us out as well.

I wonder if you could share with the committee some of the stories that I had the opportunity to hear. One woman started off with a loan for five chickens, and I think she now owns half the village. She has a three-bedroom house for her family, she has indoor plumbing, and she has several little shops. I wonder if you could talk about some of those stories. Microfinance in Bangladesh is now about 20 years old, so can you tell us some of the stories of people who have moved from microfinance loans to creating what have become real enterprises, and can you tell us what impact that's having not only on the individual but on the family and the community at large?

**Mr. Alex Counts:** Sure, I'd be happy to.

We're big believers in data telling us what's happening, but stories can give people a sense of real possibilities for making progress on poverty, so I'm happy to share those.

When I was in Bangladesh, I worked for Grameen and my wife worked for BRAC, so we were considered a mixed marriage. I have a strong admiration for both organizations.

While writing a book called *Small Loans, Big Dreams*, I lived for the better part of two years in one village in Bangladesh. Not all the borrowers were equally successful, but one of them was a Hindu family that traditionally made sweets out of milk. Cottage cheese is the raw material for Indian sweets, as we see even in Indian restaurants here, but because they lacked capital, they had gotten out

of that business and they were just labouring for hire in the fields for people who had land.

They got a loan that started with \$70 and grew over time. They had had to sell their cows because of some crisis or natural disaster, but they started buying milk on the market, selling cottage cheese, making sweets, and selling the sweets in the market. Their big break was getting a contract with a shop in Dacca, which is about 90 kilometres away, to sell cottage cheese on a daily basis, usually one or two duffel bags of it. It was around 80 pounds, if I'm not mistaken, so they became a thriving business. They sold sweets locally and they sold the raw material for sweets to the capital city.

To show you the enterprising nature of the poor, I'll tell you about a 14-day transit strike in 1996. The opposition stopped all motorized transport, and except for 10 miles on bike, this family would send their cottage cheese on a public bus. I was trapped in the capital. When I came back after the strike broke, I asked what happened—whether they lost the contract, how they managed.

As if it was the strangest question, they said every day they'd have to finish work a little earlier and put those 80-pound bags of cottage cheese across their bikes. They would just bike all 90 kilometres into the capital, deliver the cheese, and then bike back the next morning to pick it up and do it all again.

This is a family in which the males had been reduced to wage-labouring for under \$1 a day, but with a little capital to recover a skill that had almost been lost, they were a thriving business, creating business linkages for other dairy farmers in the area.

As you can see, the notion of the poor as superstitious, lazy folk sitting around waiting for people to do things for them doesn't stand up in this example.

• (1610)

**Ms. Lois Brown:** In Bangladesh, Grameen and BRAC are both providing health care services through the shasta shabika. I wonder if you could tell the committee a little about how that is affecting the growth of business in Bangladesh.

**Mr. Alex Counts:** Grameen has its own series of health initiatives: a profitable eye hospital doing cataract surgeries and health clinics attached to some Grameen branches that recover over 90% of their costs. BRAC has a different approach, which has now been replicated in Uganda. It sets up women in the business of selling non-prescription drugs and other health products. They go that last mile in helping their peers to understand why modern medicine is important and they give referrals to local doctors.

As in rich societies, but even more so, there are a lot of myths about health care, education, and the modern world. Who better to demystify this for poor people than one of their peers? Setting a poor person up in business to deliver health care products and health care information is probably the single biggest way to break through some of the superstitions that prevent people from adopting their own solutions.



**The Chair:** We can probably get another round in.

Go ahead, Mr. Eyking.

**Hon. Mark Eyking (Sydney—Victoria, Lib.):** Thank you.

Thank you all for coming. You guys are doing quite a job helping people who need help.

I have a couple of pointed questions and then I have some overall questions.

The money you use comes from donor countries. Does it come from donors themselves? How do you get your pool of money?

**Mr. Alex Counts:** Maybe we can both answer it briefly.

I think a lot of microfinance organizations in their early stages get money from donations from wealthy people in their own countries or overseas. Over time, because there's a limited pool of donated capital, that shifts to borrowing money from commercial banks. They may have a lot of liquidity, but they have no distribution mechanism into the rural areas and no knowledge of that market, so the Grameen Foundation put together a loan guarantee program that has facilitated more than \$200 million worth of lending from local banks to microfinance organizations to ease that process.

The final piece—and Fonkoze is a shining example—is developing deposit-taking capabilities so that an MFI can be not only a lender but can also intermediate savings from the community. We've put together an amazing partnership with ICICI Bank, the largest private bank in India, with a leading microfinance group that collects savings as an agent for that bank, because they're not legally allowed to do it themselves.

That's a great private sector partnership model, but it also took philanthropic support from the Bill and Melinda Gates Foundation to set it up to work, meaning to develop the technology and partnerships that would allow that to unfold. Right now there are 5,000 new savers being brought in by this organization in India every month.

•(1615)

**Hon. Mark Eyking:** What are your interest rates?

**Mr. Alex Counts:** They're very obviously based on context and inflation. I'll take the example of the Grameen Bank that I refer to the most.

Commercial loans are 20%, so if you take into account inflation, they're less than an American consumer pays on credit card debt. There are student loans for 5%. There are housing loans for 8%. There are loans to beggars, which is kind of the Grameen equivalent of the Chemen Lavi Miyò, that are interest-free.

So they range from 0% to 20%.

**Hon. Mark Eyking:** What's your default rate?

**Mr. Alex Counts:** It is under 3%, which is basically the norm, except following natural disasters. Historically with Grameen it's been under 1.5%.

**Hon. Mark Eyking:** I've done projects before, but mostly with cooperative ventures. As you alluded to, a lot of these communities require cooperative ventures. Examples would be a well system, irrigation, or storage facilities.

Do you finance cooperative ventures too?

**Mrs. Katleen Félix:** We do co-op financing. More recently it's through Zafèn, which is our loan for social projects for SMEs, so we do have a more cooperative approach—Fonkoze through Zafèn. At the moment it's an interest-free loan for 14 months.

That might change, because it depends on the source of funding. Who is going to subsidize it for that long? We had some subsidies to do it for the past two years, but we won't be able to carry it like that. However, for the moment it's still interest-free.

Fonkoze has also supported some co-ops and peasant associations at different stages. It's on a case-by-case basis, but we have loans for them also.

**Hon. Mark Eyking:** It seems that most of the uptake is from women, for various reasons. Most of these countries were war-torn, and the men were in armies. Women seem to be more proactive.

Is there an attitude change among boys and young men that they can step up to the plate, take on some of these initiatives, and maybe break the trend of how their fathers did it, because of various circumstances? Do you see that happening?

**Mrs. Katleen Félix:** At the business development level you do see more men getting loans, because they already have collateral and are organized. They might have inherited some assets from their parents.

Poverty in Haiti is more feminized. When you go through rural areas, you'll most likely find women with five or six children and no husbands around. That's a social issue that we have to deal with as a society. I think that's also why we cater more to those women. They're the doorways to the family units, and when you give them loans, they really make sure that everybody is taken care of.

On youth credit, what do you think? We see more young guys now.

•(1620)

**Mr. Alex Counts:** I have two very quick things, drawing from my Bangladesh experience. Most of the loans that are made to women, and they predominantly are women, are actually to family-owned businesses. A lot of people, such as the husband and the adult children, are involved, and it can even become an after-school activity for the children who are younger. I think the men and the boys do get involved, but women holding the purse strings seems very important. It seems to be a very essential part of the microfinancing success, even if it is a family enterprise.

The other thing that Grameen has been able to do with its profits is to set up a student loan program. They're able to finance tens of thousands of the children of Grameen borrowers to go for higher education in university, whereas in the past they would probably have dropped out in high school. That's another important part of setting them up for success in the next generation.

**The Chair:** I'm going to hold your time for a second. We're having trouble with the microphones.

Alex, I'll get you to move over to that chair. You guys will have to share a microphone. I apologize for that.

If we reboot, we're going to lose time. We're almost finished, so we'll do the best we can.

Mr. Eyking, you have about a minute left.

**Hon. Mark Eyking:** Alex, you alluded to—and I might pick this up later—the out-of-poverty process.

Talk to me a bit about the framework, the blueprint. Is it just for organizations? Do you do small countries? Is it for donors and recipients? Tell me about it.

**Mr. Alex Counts:** There are two things, and maybe Katleen can add to it. This is one of the 150 organizations that use the index, although they've added some of their own survey questions.

Basically it's a scientific way, based on the progress out of poverty index, of using the intelligence you get out of the national census survey to calibrate a special 10-question survey to correlate a family with where they are on the poverty spectrum.

There are two real reasons for using it, and why these more than 100 organizations do. Number one is that it lets the management of a microfinance group, and also the investors and donors, know if they are being successful. Second, it makes people in the organization aware of whether borrowers are not only repaying their loans but making progress toward and above the poverty line.

It makes it very simple to do that, especially if you put that information into a database and you know how to analyze it. Also, it's about getting business intelligence so you can continue to kind of tweak your products, because the poor are not a monolith; they all don't need the same sorts of products, and they don't respond as well to financial products as rich people.

It allows you to do some pilot testing and market research about what's really going to be a financially successful project and also provides information from a poverty reduction perspective.

Katleen, did you want to add to that?

**Mrs. Katleen Félix:** No, I think you summarized it well.

I do have the social impact report here, and we talk about it a bit in that report.

**Hon. Mark Eyking:** That's what you were talking about.

**Mr. Alex Counts:** Yes.

**Hon. Mark Eyking:** I'd like to see that.

**Mrs. Katleen Félix:** I'd be glad for you to take a copy of it. I think that summarizes it.

It's a great tool. We killed some products that we thought were great. An example is the housing credit. We thought people would take a credit to build, let's say, a roof or a latrine or a cement floor, but after doing that survey, we realized they were too poor to repay. It was adding to their debt levels and it was a struggle for them to repay. We were pushing them too hard, so we cancelled that program after doing that survey.

It's very important to track whether you are really helping them or putting them down. That was one of the results of the surveying, so it's a great tool.

• (1625)

**The Chair:** Thank you.

Mr. Dechert, go ahead.

**Mr. Bob Dechert (Mississauga—Erindale, CPC):** Thank you, Mr. Chair, and thank you both, Ms. Félix and Mr. Counts, for being here today and for the good work your organizations are doing.

Recently I had, along with Madam Laverdière and the Minister of Foreign Affairs, the opportunity to visit Haiti. One of the things we did when we were there was meet with Desjardins and Scotiabank about the operations they have there. Of course, they're very successful Canadian financial institutions.

I wonder if you could give us your thoughts on how Canadian businesses, such as Scotiabank and Desjardins, could partner with the Canadian government through CIDA and microfinance organizations, such as Fonkoze and Grameen, to build financial capacity in Haiti and elsewhere.

**Mrs. Katleen Félix:** I've been struggling with that for a while now, because it is important that we partner on the ground. At the end of the day, it's not about being Desjardins or being Fonkoze; it's about the Haitian people and giving them access to finance.

One of the things I think it is very important to look into is microinsurance. As financial institutions, we have to forget that we are different entities and look at the market. It's a market of maybe eight or nine million people. That's it. It's not Bangladesh. We don't have that volume, so we have to discuss, as a market, whether we want to insure for catastrophe, for life, and for health. We have to put it on the table and decide how we're going to do this and how we're going to make it a good price for the Haitian people. That's one.

Second is financial access. I think for SMEs, the *petites/moyennes entreprises*, it is very important to look not only at giving access to finance but at giving business support, and proper business support, by sector.

For example, we're all working in agriculture. Zafèn is receiving thousands of requests on agriculture. We need to look at business support and maybe have a business support bureau or replicate the BDC. I don't know. Something similar to that could be interesting for our SMEs in Haiti. That's something we can work on jointly to look at how we can support SMEs, small growing businesses, and social projects as a whole sector, in agriculture and in other sectors.

The other thing is, again, as I said, the ultra-poor. Here in Canada, we have social security for our ultra-poor and for people who cannot work. How can we integrate that in our activities until the government picks it up? We have to think of the social impact. I think this is something we can work on together.

In those three spheres, I think we can find a way to collaborate. There are probably others, but that's where I am.

**Mr. Bob Dechert:** Go ahead, Mr. Counts.

**Mr. Alex Counts:** First of all, I think there is a big opportunity, as Katleen has said very clearly, in microinsurance. Some Canadian insurance companies could join hands with microfinance organizations that have the field presence. Swiss Re, partnering with Fonkoze, literally, after much preparation, insured 60,000 families across Haiti against catastrophic disaster, so if an earthquake, God forbid, or a major flood were to happen tomorrow in Haiti, Fonkoze's clients would be insured. That takes private sector talent and players and expertise on the ground.

I mentioned a loan guarantee program. In our case, in Grameen Foundation, we joined hands with Citibank and nine families who collectively contributed or pledged, in the case of default, \$31 million, and created a loan guarantee pool that leveraged hundreds of millions of dollars without a single default. Citibank got new clients or deepened its relationships with existing clients. It brought local banks in, and it brought capital to microfinance. Citibank earned money on every transaction, although maybe only a tiny amount. Also, Grameen Foundation covers 70% of our costs through the fees paid by the microfinance groups. At the end of the day, the U.S. government, USAID, slow-moving though they can be at times, actually put \$32 million into the guarantee pool to match the private sector pledges from our donor guarantors.

Well, we can't keep up with the demand. There's nothing stopping a Canadian bank from partnering with high net worth Canadian individuals who want to do something more than just donate their money, and with CIDA, to come up with some facility. We welcome competition. There are a lot of local banks that just need to get that feeling of an international agency sharing the risk with them and giving them confidence in a financial service provider that's probably off their radar but probably has a high degree of expertise in serving the poor.

• (1630)

**Mr. Bob Dechert:** Thank you.

Do I have any time left?

**The Chair:** We're out of time, and I apologize.

We're going to reset the microphones and switch out the witnesses. I want to thank both Alex and Katleen for being here and for sharing organizations with us.

We'll suspend for five minutes.

• (16:30)

\_\_\_\_\_ (Pause) \_\_\_\_\_

• (1635)

**The Chair:** If we can get everyone back to the table, we'll try to get started. I believe we're going to have bells at 5:15, so we have to move quickly.

From Foreign Affairs, we have Alex Bugailiskis, who is the chief negotiator for the Canada-EU strategic partnership agreement, as well as John Kur, director general for the Europe and Eurasia bureau. They're here to talk about the strategic partnership agreement. I would like to remind people that if we want to talk about trade, we'll probably need to do that another time. We can talk about the strategic partnership right now. Let's try to keep our questions focused there.

You both have an opening statement, and Alex is going to start. I'm going to ask the members not to touch their microphones.

Alex, I'm going to turn it over to you for your opening statement, and then we'll get right in to questions.

**Ms. Alexandra Bugailiskis (Chief Negotiator, Canada-EU Strategic Partnership Agreement, Department of Foreign Affairs and International Trade):** Thank you, Mr. Chairman, vice-chairs, and distinguished members of the committee.

[Translation]

Thank you for your invitation today to brief you on the Canada-EU strategic partnership agreement.

[English]

I'm pleased to report that discussions on the strategic partnership agreement are advancing well, and that we expect to conclude the agreement later this year.

Let me give you a bit of background.

[Translation]

Canada-EU cooperation has a long and rich history. Canada is one of the European Union's oldest and closest partners. In fact, we were the first country to sign a formal agreement with the EU when we signed a treaty on the peaceful uses of atomic energy in 1959.

Our current high-level engagement is based upon the Canada-European Communities framework agreement for commercial and economic cooperation, which was signed in 1976. This agreement was intended to deepen the Canada-EU commercial relationship and to forge closer economic ties. This agreement was also the first of its kind between what was then the European Economic Community and an industrialized third country. However, it almost singularly focused on economic cooperation.

[English]

However, as you can imagine, much has changed in both the EU and in Canada over the past 35 years. The EU has expanded from 9 to 27 member states, and in 2010, with the coming into force of the Lisbon Treaty, the EU created new legal and organizational structures. This included the creation of the European External Action Service, which for all intents and purposes now serves as the foreign ministry for the European Union and has the authority to negotiate and sign legally binding agreements on behalf of the EU and its member states.

We have completed more than 30 agreements with the EU on a range of issues from air transport and fisheries to higher education and youth, and we're currently negotiating five more, including a comprehensive economic and trade agreement.

To manage our ever-expanding relationships with the EU, we hold regular leaders' summits and foreign ministers' meetings, as well as an annual joint cooperation committee meeting at the senior officials' level that reviews the entirety of our bilateral activities. During the year we also hold formal and informal regional and thematic foreign policy consultations among senior officials on everything from disarmament and human rights to the situation in the Middle East.

In recognition of these many changes and the potential for further enhancing Canadian and EU political cooperation, the EU proposed that we negotiate a political framework agreement that would facilitate existing and future areas for cooperation. Canada agreed, and I began my work as chief negotiator in September 2011.

In recognition of the longstanding and strategic nature of cooperation between Canada and the EU, the EU proposed, and we accepted, to name our framework the "Canada-EU strategic partnership agreement". We have now concluded three formal rounds of negotiations and three discussions by video conference, and we hope to complete our negotiations in 2012.

[Translation]

The strategic partnership agreement is based on our shared values and principles of international peace and security, democracy, human rights and the rule of law and sustainable development; it identifies areas and mechanisms to strengthen our dialogue, cooperation and coordination in promoting these common objectives.

Through consultations with federal departments, we identified a number of potential benefits of a strategic partnership agreement. Among these were enhanced consultations and coordination in multilateral fora such as the UN, new dialogues in areas such as development cooperation, as well as strengthening the role of the joint cooperation committee to bring greater breadth and coherence to our engagement.

[English]

As the strategic partnership agreement is intended to provide the foundation for Canada-EU political cooperation well into the future, we have sought to craft balanced language that is forward-looking and enabling. In doing so, we have been mindful of the need to avoid areas of specific provincial or territorial jurisdiction and areas that could overlap with other existing agreements. To this end, I have held regular teleconference consultations with provincial and

territorial representatives and have shared proposed language in cases where it might touch upon their areas of responsibility. They've been most cooperative and quite engaged.

We've divided the text into five broad sections or titles. The first is called the "basis for cooperation", which outlines the general principles, the values, and the objectives underlying our cooperation in the next four areas, which are human rights, fundamental freedoms, democracy, and the rule of law; international peace and security and effective multilateralism; economic and sustainable development; and finally, justice, freedom, and security.

Each of these titles contain articles that describe the mechanisms we will employ to further strengthen our dialogue and coordination in promoting our shared values, including on human rights, non-proliferation, macroeconomic stability, sustainable development, environmental protection, and combatting terrorism and organized crime. We also highlight the importance of our extensive people-to-people linkages, including the value of regular exchanges of delegations among our respective parliamentarians.

The focus and objective of this agreement is to identify ways that we can share ideas and exchange best practices so that we can learn from each other and more effectively promote our shared values with other countries and regions of the world. We are also conscious of the need to avoid new expenditures, and instead seek to increase the effectiveness of our efforts through greater coherence and coordination.

Given the high degree of like-mindedness on most foreign policy issues, we have been able to reach agreement, in principle, on approximately 90% of the text during the last five months in negotiations. There are a few remaining areas to be agreed on, and we expect to resolve these through video conferences over the next few months.

One of these areas is the dispute settlement section. Canada has proposed text that emphasizes the need for an evidence-based approach based on dialogue and expert advice to resolve any differences in a timely and constructive manner.

The EU is currently studying Canada's proposal, and we expect to receive their reply within the next few weeks. Our next round will likely take place in March, by video conference, and I expect to make significant progress toward the goal of concluding in 2012.

[Translation]

Once we have reached an agreement on the text, and following the necessary approvals by cabinet, the strategic partnership agreement will be tabled in the House of Commons for 21 sitting days, in accordance with Canada's policy on the tabling of treaties in Parliament. During this period, members of Parliament can initiate a debate or may also request a vote on a motion regarding the agreement. To ensure that parliaments in Canada and Europe are kept up to date on the negotiations, we have provided briefings to members of the Canada-Europe Parliamentary Association and the European Parliament's delegation for relations with Canada.

[English]

With your support we look forward to the conclusion of an agreement in 2012 that will give both vision and voice to the continued growth and evolution in the Canada-EU relationship and further solidify our ties so that we can work together to address the most pressing foreign policy challenges that face us now and well into the future.

[Translation]

Thank you for your attention. I am ready to answer your questions.

[English]

I've brought with me a most esteemed colleague, John Kur. He is the real expert on European affairs, so if you have questions on very detailed matters, I will swiftly turn to him.

**The Chair:** Thank you very much.

We're going start with Madam Laverdière.

**Ms. Hélène Laverdière (Laurier—Sainte-Marie, NDP):** Thank you very much, Mr. Chair.

[Translation]

Thank you both for your very interesting and comprehensive presentation.

Actually, I would like more details, specifically in the area of sustainable development. I gather that a whole section deals with matters of sustainable development. I was wondering if you could give us some more details about it.

**Ms. Alex Bugailiskis:** Thank you very much, Ms. Laverdière. I am delighted to answer your question, but I am going to do it in English so that I can be sure that my answer will be clear.

[English]

There is, indeed. You're well informed.

This section on sustainable development treats a variety of issues with regard to our cooperation, particularly with regard to our efforts and activities in third world countries or in developing countries. We talk about economic stability being the foundation, of course, for the creation of wealth, much aligned with the conversation you were having earlier on Haiti. This section also treats larger issues with regard to environment and climate change.

These are all dialogues already existing between Canada and the EU. The function of the strategic partnership agreement is really just to reaffirm and underline that commitment to continue and to deepen the dialogue, and particularly to improve our coordination.

Again, Haiti is a perfect example of large efforts on both the European side and the Canadian side to mobilize enormous resources. We need to make sure that those are being spent in a very effective way and that we avoid duplication.

This is basically the objective of that section of the agreement.

[Translation]

**Ms. Hélène Laverdière:** Thank you.

Could you tell me if CIDA is also part of the discussions with the European Union. It's an obvious question, but...

[English]

**Ms. Alexandra Bugailiskis:** In fact, Madame Laverdière, we've had discussions with a variety of interested stakeholders from across the federal government, including CIDA, naturally.

One area that hasn't been fully developed is a dialogue in development cooperation. There are informal regional discussions, and in the margins a multilateral forum, but we haven't really had a formal dialogue. That's one of the outcomes we wanted for the strategic partnership: to be able to enhance and deepen that dialogue.

[Translation]

**Ms. Hélène Laverdière:** I have one last question before letting my colleagues have their turn.

[English]

In regard to the dispute settlement issue, what is the stumbling block there?

**Ms. Alexandra Bugailiskis:** It's not so much a stumbling block. It's usually the last stage in a negotiation. One gets agreement on the text, and at the end, of course, one has to agree on how to interpret, define, and implement that agreement. That's the point we've come to, with 90% agreement, we think, on the actual text. We're now at the point of deciding how we will be able to ensure that there will be no difficulties in interpreting our various commitments and that we'll be able to have channels through which we can converse and dialogue if there are differences of opinion.

We have put forward a proposal to the European Union, based on long-standing practice, which is really about resolving these in a very diplomatic, constructive manner, but we've also put an emphasis on using good factual data to be able to make these determinations.

We're very hopeful that we'll get agreement in the next month or two and be able to conclude, as I said, this year.

**Mr. Robert Chisholm (Dartmouth—Cole Harbour, NDP):** Certainly in the CETA negotiations for the trade agreement, the dispute resolution section has been under some considerable discussion. To follow up on the dispute resolution, I wonder if you could expand a bit for me what the nature of the dispute resolution section would be in this framework agreement.

**Ms. Alexandra Bugailiskis:** I'd be happy to. It's very different, obviously, from a free trade agreement where there are much more measurable consequences to actions taken or not taken and where there may even be penalties of a sort. This is a political agreement. Really, it's a matter of discussion and being able to come to agreement where we think there may have been differences in the implementation of various cooperation agreements. It sounds so bureaucratic, doesn't it, John?

I think the process is quite simple. If there were a disagreement with regard to any commitments, let's say with regard to implementation of our cooperation on the ground in a certain region, these would be brought up through the senior officials' channels on the margins of any meetings we were having.

We also have—and this will continue—a joint cooperation committee. This committee meets on an annual basis. It just met this past January. This is really the best avenue to be able to raise, in an environment much like this, any issues of concern with regard to interpretation or application.

**Mr. Robert Chisholm:** Are you trying to get an enforceability mechanism in there?

The reason I raise this point is that we've cited the agreements with Central and South American countries and the fact that there are no teeth to them. There's no way to enforce them. There's no way to bring those governments in line on the supposed commitment to monitor human rights, for example.

I think the framework agreement is an interesting idea. I met with the European delegation when they first came here in the fall. I really am interested in what the enforcement aspect would look like with respect to dispute resolution.

Mr. Kur, do you...?

**Ms. Alexandra Bugailiskis:** I think the best point to underline is that there isn't anything radically new within the strategic partnership agreement. These are long-standing commitments, high-level dialogues on various issues, that have existed and will continue. We are seeking to strengthen that within the agreement and to perhaps identify potential new areas.

To your point with regard to obligations, most of the obligations undertaken in the strategic partnership agreement really refer to international agreements, so both the EU and Canada are reaffirming their commitment to already existing obligations in the international arena. On human rights, it would be the Covenant on Civil and Political Rights or the Covenant on Economic, Social and Cultural Rights.

I could provide very few examples of a dispute really being between Canada and the EU. It may be just more of a dialogue about what actions we're taking within the UN Human Rights Council, for example, to ensure that the Universal Periodic Review is being taken seriously by members. It's a qualitative difference between that and, let's say, a commercial agreement.

**Mr. Robert Chisholm:** If it was a question of one party not upholding its commitment to an international agreement—because it does happen—then is the process of resolving it simply that we'll get together, have a couple of beers or a glass of wine, and sort it out?

**Ms. Alexandra Bugailiskis:** It's actually a very good question.

The way we would conceive of the process is that if there were concerns on either side, they would be discussed. You're right. Resolution is for the international committees and councils to which we have made those commitments to resolve.

What's very helpful in an agreement such as this is we are two like-minded entities, the EU and its 27 member states and Canada, and we share common values and principles. However, if we had some concerns about the implications of certain actions, we could certainly raise them and make sure that appropriate action was taken through those international channels.

**The Chair:** Thank you very much.

We are going to move over to Mr. Dechert for seven minutes.

**Mr. Bob Dechert:** Thank you, Mr. Chair. Thank you for your presentation.

I'm just following up, in a minor way, the questions raised by Mr. Chisholm.

There has been a lot of confusion between the comprehensive economic and trade agreement and this strategic partnership agreement. Some people get confused and link the two things together. I'm wondering if you could clarify for us the difference between the two agreements, tell us if the agreements are dependent on one another, and explain how the negotiations were carried out in a way that avoided overlap between those two agreements.

**Ms. Alexandra Bugailiskis:** You are right. There is sometimes a degree of confusion. They are very different. They are completely separate negotiations and separate agreements. The comprehensive economic and trade agreement, obviously, is on commercial matters related to trade and investment. The strategic partnership agreement is focused solely on political cooperation, most of that within international fora such as the UN, the G-8, or the G-20.

We are seeking very carefully, as I said in my statement, to avoid any overlaps with any agreement, including the CETA. It's a principle of good legal practice to make sure there is no difficulty in interpreting our various commitments and no ambiguity. I would say that although they are being negotiated at the same time, there is no direct linkage. They are separate agreements that will run the course on separate tracks.

**Mr. Bob Dechert:** If there's eventually a dispute under that trade agreement, in the event that it's completed, signed, and ratified, that dispute would not be reconciled under the strategic partnership agreement. Presumably, that trade agreement will have its own dispute resolution.

**Ms. Alexandra Bugailiskis:** In the Canadian position, there should be no linkage, because that has been carefully negotiated. There will be a separate dispute settlement mechanism for the CETA, which should be respected.

**Mr. Bob Dechert:** I recognize there are lots of different member states in the European Union. I know that Canada has expressed some concern about the extent to which this strategic partnership agreement with the EU could affect bilateral agreements that currently exist between Canada and all of those member states.

Have these concerns been addressed? Can you give us an example of how they have been addressed?

**Ms. Alexandra Bugailiskis:** You are speaking more about the overlap between member states and EU competencies.

**Mr. Bob Dechert:** That's correct, yes.

**Ms. Alexandra Bugailiskis:** It's actually very interesting that you should raise this issue, because we're seeing some discomfort on the side of our EU colleagues. This is evolving even as we speak and ever since the Lisbon Treaty in 2009. That division of responsibilities and powers between the EU and member states is still being sorted out. Often during the negotiations, when we try to get some clarity about how this impacts on member states of the EU, they are not even able to respond. That is part of the legal scrub we're going to have to take on at the end of this process.

Generally it's considered to be a mixed agreement, and the EU, as the institution, has a competency. It does have consultations with member states, but ultimately it will be the EU that will sign on behalf of itself and of the 27 member states.

**Mr. Bob Dechert:** To the extent that there's a conflict between a current existing bilateral agreement between Canada, and say, the U. K., and this strategic partnership agreement, which one takes precedence?

**Ms. Alexandra Bugailiskis:** Again, the Canadian position is very clear. We see each of these agreements as being stand-alones. We would say they should be respected insofar as their competencies. We would like to ensure the strategic partnership agreement is enabling, but also that it does not have any overreaching power into other agreements. I think that just creates uncertainty and ambiguity.

**Mr. Bob Dechert:** Very good. Thank you very much.

I don't have any other questions, Mr. Chair.

**The Chair:** Why don't I go back over to Mr. Eyking, then?

**Hon. Mark Eyking:** Thank you, Chair.

I think it's great that we have a better relationship with Europe. It's our original trade partner from way back. Sometimes it's very difficult when you are negotiating. They have ten times our population, similar to the U.S., and going into these meetings, you're wondering who is the dog and who is the tail here.

I notice you stressed this high degree of like-mindedness that we have with Europe. I've been to Europe many times. I've been to Brussels. There is definitely quite a bit of difference in philosophy, especially between the Conservative government and the European Union. The Prime Minister even stated, on that case, that we have to make sure Canada fights against becoming a European-style state and things like that. When we deal with foreign affairs issues, even an Israel-Palestine issue, we're totally different from the Europeans. Then, when you come down to agriculture, I don't know how we're going to bridge the protectionism and the subsidies that they have in Europe. Then we come to fisheries issues. Even a simple thing like selling shrimp to Europe has all these tariffs on it.

I know I'm throwing a bunch of things at you. I'm optimistic that we could have some sort of mutual agreement. Wouldn't it be nice if we had the trade that we have with the United States?

The present government is not philosophically the same as Europe. I want you to comment on that. How do we get by all these other things I've mentioned? How do we get past that when we are sitting around a table doing negotiations?

• (1700)

**Ms. Alexandra Bugailiskis:** It's an extremely fair comment, and you can appreciate that I may not be able to go into the details of government positions with regards to certain relations with certain countries.

I think the devil is in the details. When I speak about like-mindedness, it really is on those larger shared values, whether it is the promotion of human rights and freedoms, promotion of democracy, or combatting terrorism and organized crime. The details are where sometimes the approaches can differ, and that's where the dialogue actually comes in.

That's where we really need to be able to have that exchange, and we need to have it not in a public forum, but with the ability to speak very openly and frankly, and hopefully come out of that—not all of the time, but hopefully more often than not—with some agreed direction and consensus. There will always....

These are 27 member states; even within the EU, as you've seen, there are huge differences in opinions and approaches on many policies. It's at that very high level of shared values and principles—ones that we've fought wars over, ones on which we have actually developed the international machinery to maintain and to promote as standards—that I speak of like-mindedness.

However, you're exactly right. There are some irritants and some very real differences.

**Hon. Mark Eyking:** I remember that when we were doing some things with the United States, it was pretty hard even to get to some of the congressmen and senators down there. How are we doing with the European delegation and the European parliamentarians? How are they engaged? Is it even on their radar screen?

**Ms. Alexandra Bugailiskis:** That's exactly why the strategic partnership agreement is so important. Being able to be identified by the EU as a strategic partner, to have them recognize not only the long-standing but the future possibilities and potential for cooperation, is extremely important. This is, despite the current vicissitudes in Europe, a major power, economically as well as politically, and one that we need to deal with in NATO, the G-8, and the G-20.

It's very useful for you as parliamentarians, as you're engaging with either members of the European Parliament or the national parliaments, to emphasize and to welcome that recognition of the long-standing relationship as a strategic one.

**Hon. Mark Eyking:** I have two more quick questions.

One is dealing with foreign aid. It seems to me that we're going in a little different step from the Europeans in dealing with Africa and in pushing more for public-private partnerships. Europe doesn't seem to be at that.

My second question is dealing with the other Europe, outside the European Union box. There are other countries that are not in the European Union. Can you comment? There are still quite a few countries that are not in our circle. How are we dealing with those countries?

**Ms. Alexandra Bugailiskis:** I'm feeling rather chagrined that I brought John along all this way and haven't allowed him to speak, so if you wouldn't mind, I may ask you to speak to that.

**Mr. John Kur (Director General, Europe and Eurasia Bureau, Department of Foreign Affairs and International Trade):** Thank you very much.

Indeed, the 27 member states of the European Union are ones in which we have focused a lot of attention in developing and maintaining a high degree of bilateral relations, regular contact, commercial relations, and investment relations, but you're absolutely right. Various countries will be acceding to the European Union in the near future. I'm thinking, as an example, that this summer Croatia will become the next member of the EU. Of course, the EU itself has various agreements with its neighbouring countries. I'm thinking of Turkey in this sense. There are both political and economic ties, and of course the EU has a long-standing dialogue with Russia.

We are very actively engaged, in accord with Canada's priorities, in advancing our interests with non-EU European countries. That is part of my job at the department. We are also very closely engaged with other government agencies and departments that are responsible for their respective areas.

• (1705)

**Hon. Mark Eyking:** Do I have more time?

**The Chair:** You have one minute.

**Hon. Mark Eyking:** If Turkey doesn't come into the EU, we should still have a plan, of course, on an ongoing basis with Turkey. With the size of the population, they're one of the fastest-growing emerging economies.

The other thing, of course, is the importance they have with Syria right now. The opposition party is in Turkey. I know we're talking about the EU, but how is our relationship with Turkey going to be before they come into the fold, if they even come into the fold?

**Mr. John Kur:** We've been investing, departmentally, a considerable amount of effort in maintaining and expanding our bilateral relations with Turkey, both in terms of political-level dialogue and in terms of engagement on commercial and economic matters.

Turkey, as you know, is an important G-20 country. It has been an increasingly attractive market for Canadian companies to target, and one in which immediately.... Actually, after taking up his portfolio in Foreign Affairs, Minister Baird has been very active in engaging his Turkish counterpart in high-level political dialogue.

Those are the types of actions that we have been taking and will continue to take to ensure that Canada-Turkey relations are maintained at a high level.

**The Chair:** Thank you very much.

Go ahead, Mr. Williamson.

**Mr. John Williamson (New Brunswick Southwest, CPC):** Thank you, Chair.

Thank you for coming today.

I'm a bit dismayed that opposition members have taken us back to this old debate of old Europe and new Europe, when there are so many different governments in Europe. You have nations like the United Kingdom, which is governed by conservatives, or a coalition currently, and other nations that are governed by labour, so this idea of there being one Europe, I think, is preposterous and just downright silly.

I suppose I could say that if there's a path between Greece, Italy, and Spain on one hand, versus other nations such as Germany, the U. K., the Czech Republic, Poland, and most of Eastern Europe on the other, we'd probably be more in line with the nations that are trying to maintain a strong balance sheet, as opposed to falling into the debt abyss that's currently consuming much of Europe.

**Hon. Mark Eyking:** Is that a question for me?

**Mr. John Williamson:** That's a statement. I believe I can use my five minutes however I like. It's not for you; it's for the witnesses. I didn't interrupt you.

**Hon. Mark Eyking:** I can answer it; I didn't know if I should.

**The Chair:** Mr. Williamson, go ahead. Continue.

**Mr. John Williamson:** I have a question, though. I have a question on a practical matter. How would this kind of partnership resolve or mediate disputes of a practical nature?

For example, the seal hunt is a good example. Some Europeans, as well as some opposition parties, seem to oppose Canada's participation in the seal hunt, but it's an important industry, particularly on the east coast of this country. It is an issue that consumes a lot of heat in Europe. How does this deal matter to everyday Canadians just out there trying to earn a living?

**Ms. Alexandra Bugailiskis:** Thank you very much.

In fact that is, I think, one of the major outcomes, we hope, for the strategic partnership agreement. That is the importance, again, of early and regular dialogue. We hope that some of the irritants we currently face with the EU could be avoided in the future if we were to meet on a more regular basis and were to meet much earlier, before these sorts of minor irritants took on a life of their own and became much more public. We are trying to build that into the strategic partnership, so that these disagreements or differences would be based on really factual evidence. That's the position we're taking as we move into this: that we should use this opportunity to really not only deepen but improve that dialogue.

I can't say it will resolve all issues. We have the same sorts of irritants with our other trading partner, the United States, as well, but we could hopefully improve the record in future with this instrument.

**Mr. John Williamson:** Thank you.

Mr. Kur, do you have any comments?

How much time to I have?

• (1710)

**The Chair:** You have two minutes.

**Mr. John Williamson:** Tell me about the governing structure, just from an educational point of view.

I think it was Kissinger who said, "Sure, I'll call Europe; just tell me who to phone." It's always a challenge when you're dealing with a quasi-state that is so independent. How does the nation-to-continent relationship work? Is it through Brussels, or are we effectively dealing with 27 different nations?



**Mr. John Kur:** Thank you very much for that excellent question. It's one that we've had to grapple with following the adoption in Europe of the Lisbon Treaty, because the treaty created a number of new institutions in the European Union and also various roles for new players within the EU structures.

From a Canadian perspective, we have to remain engaged with both Brussels and the EU leaders and institutions as well as with, essentially, every member state of the 27 as and when required. We've seen this necessity on various different issues. If the European Union is moving forward on an issue under its own competence, our colleagues from our embassy in Brussels, who are accredited to the European Union, will take the lead on ensuring that Canada's position on a particular file is well understood and well articulated at the EU level, and by coordinating both with our headquarters and with our other colleagues stationed in EU member states, they will ensure that Canada's position is also properly articulated to the member states. We found that you can't approach it from one way or the other, but that you must approach it as both a member state and at an institutional level.

Canada was actually one of the first countries to have a foreign EU summit with EU leaders after the Lisbon Treaty. That was the first opportunity, in May of 2010 in Brussels, for the Prime Minister to sit down with both the president of the European Commission, Mr. Barroso, and the new president of the European Council, Mr. Van Rompuy, to begin relationship-building at that stage. It was also an opportunity, from the vantage point of parliamentarians, to meet for the first time with the president of the European Parliament and to begin engaging in dialogue at that level.

We continue that at the officials level, of course, and as Alex has mentioned, the EU itself now has its new External Action Service, which is their newly formed foreign ministry, and the head of that service is Lady Ashton. That is the main EU interlocutor for Canada's Minister of Foreign Affairs, but that in no way negates the need for our minister to be in very close contact with member state ministers on an issue-by-issue basis.

**Mr. John Williamson:** Thank you.

**The Chair:** Thank you, John.

Go ahead, Mr. Chisholm.

**Mr. Robert Chisholm:** Thank you. I didn't want to go to the trouble of calling John on his comment about the opposition parties being opposed to the seal hunt. Suffice it to say that the official opposition is not opposed to the seal hunt, and I think that's pretty clear.

He did raise a good question—I'll give him that—with respect to the seal hunt. It's an issue in these negotiations, because there are member states that are raising it and want to see something done about it.

There's a lot of pressure internally, and there's also a lot of pressure on the environmental issue as it relates to the tar sands. There is quite a bit of pressure within some member states and various bodies there. They're raising this issue and they're concerned about how this is going to be dealt with, so I'd like to ask you to talk to me further about how you're going to deal with the seal hunt issue and the tar sands.

On the Lisbon Treaty issue, complicated it may be, but I'll give the European community and the people within it credit for their thirst for democracy, as they are trying to make sure that the people's representatives actually have a role in some of the important decisions that are made around issues such as international trade.

● (1715)

**Ms. Alexandra Bugailiskis:** John, if you wouldn't mind, given that the strategic partnership agreement does not deal directly with those two issues, it might be better for you to speak.

**Mr. John Kur:** I'll happily offer some comments on both points.

With respect to the seal hunt, I think the Canadian position internationally on this particular issue is well known. It's also well understood, from a Canadian vantage point, that the ban on seal products by the European Union is inconsistent with their international trade obligations. I'm sure this is an issue that has been discussed in the international trade committee on a few occasions.

Of course, as I'm sure you are aware, Canada has launched a WTO challenge to that effect, which is currently ongoing. I think this is a good example, as Alex has mentioned, of an issue on which Canada is of course not hesitant to defend its interests and to make its case in front of, in this case, the World Trade Organization. I think it's a very good example of an issue on which, once we have agreements such as the strategic partnership agreement, there will be an opportunity for early dialogue.

You mentioned the oil sands. That's another example of an issue that we're currently dealing with, using the appropriate channels between Canada and the EU to ensure that the implementing measures that the EU may put in place to implement its fuel quality directive do not discriminate against Canadian oil sands.

Our approach has been very scientifically based. It has been coordinated very closely with Natural Resources Canada, which has the technical and scientific expertise to be able to ensure that Canada's position is very well understood within the EU.

Actually, I'll get back to the previous question on how one articulates a position. This is a perfect example of how Canada, through bilateral channels with key member states and also through multilateral channels with the EU itself in Brussels, is working very hard to advocate for our position in an EU process that is currently unfolding as we speak. We expect the European Union committee to meet later this month on the fuel quality directive to review matters and take decisions, possibly. That's why our engagement has to be at both levels.

I would add one final point. You had mentioned the scope of the Lisbon Treaty. It is absolutely a revolutionary treaty in that sense, and one that was very difficult for the European Union to put in place. You'll recall it took a considerable amount of time and effort to have it ratified in various member countries, but I would absolutely echo your comments about the need for the treaty and the fact that it has now served to update the institutions for the union in a way that reflects its expanded membership and the new realities of this century.

**The Chair:** Thank you very much.

That's all the time we have. We want to thank our witnesses for being here today. I'm sure if we have any additional questions at some point we can invite you back.

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The meeting is adjourned.







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