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**EVIDENCE**

**Monday, May 7, 2012**

**Chair**

**Mr. Dean Allison**



## Standing Committee on Foreign Affairs and International Development

Monday, May 7, 2012

• (1530)

[English]

**The Chair (Mr. Dean Allison (Niagara West—Glanbrook, CPC)):** Pursuant to Standing Order 108(2), our study on the role of the private sector in achieving Canada's international development interests, we'll begin.

I want to welcome our two speakers today. We have Stephen Brown, who is associate professor, School of Political Studies, at the University of Ottawa. Welcome, sir. We're glad to have you here today.

We have Khalil Shariff, who is the chief executive officer of the Aga Khan Foundation Canada. Welcome to you as well, sir.

We'll start with you, Mr. Brown, and have your opening comments. You have 10 minutes. Then we'll have Mr. Shariff give his comments, and then we'll go around the room and follow up with some questions from the members of Parliament.

Mr. Brown, I'll turn it over to you. You have the floor for 10 minutes.

**Dr. Stephen Brown (Associate Professor, School of Political Studies, University of Ottawa, As an Individual):** Thank you very much, Mr. Chairman.

I'm very happy to be here to meet all of you and to have this chance to share my thoughts and analysis with you today. As you've heard, I'm a professor of political science at the University of Ottawa. I'm also a member of the McLeod Group, which is an Ottawa-based group of people interested in promoting a more proactive role for Canada in international affairs. So it's particularly fitting that I come and talk to you today.

I've been doing a lot of research over my academic career on foreign aid, especially Canadian foreign aid. I've just finished editing a book on CIDA and Canadian foreign aid, which will be coming out in September.

What I want to talk about today involves CIDA and the private sector, and the private sector's role in development. My take on this issue is very much coloured by my primary interest, which is foreign aid, so I'm interested in looking at the use of public funds for development and how that intersects with working with the private sector.

The private sector has for a very long time played an active role in foreign aid, especially as contractors. They're essential partners for CIDA. Currently, for example, a Montreal engineering firm is rebuilding the Dahla Dam in Afghanistan, and that's the kind of thing

you would want the private sector to do, and not an NGO. So I just want to start by saying that I do see an important role for the private sector in development.

However, as I mentioned, I want to talk about CIDA's partnerships with mining companies, and that's something that I can't be so positive about. As all of you know, I'm sure, the international cooperation minister announced last year four projects that have to do with partnerships with NGOs and mining companies, and they totalled \$27 million. The three specific projects are going to be working with CARE, World Vision, and WUSC, partnering with Canadian multinational extractive industries IAMGOLD, Barrick Gold, and Rio Tinto Alcan.

Why is CIDA entering into these partnerships with the private sector? When the minister presented it—if you look at the CIDA website—it was framed as corporate social responsibility, CSR. But much of these funds are going to obtaining and keeping the goodwill of mining-affected communities—in other words, allowing the companies to come in and stay while operating their mines.

To me, this is part of the bottom line of mining companies. If they're going to build a school or a clinic or something like that to win over and keep the support of a community, this is part of the calculation companies make when they invest. This is not something that should be covered by public funds.

The mining industry officials have defended these partnerships as being essential for Canadian competitiveness, which to me flags the fact that it's a form of indirect subsidy to Canadian mining companies if they are saying they can't compete without this kind of support.

Minister Oda, however, has responded by saying, "In no way are public funds being used to increase the profitability (of these companies)." This was in an interview with the *Ottawa Citizen* in January.

Thinking about the appropriateness of these partnerships, I'm not speaking out blankly against them. The mining companies admit that they lack expertise, and they claim they need CIDA to facilitate the partnerships with NGOs. But mining companies can partner with NGOs if they like; they do not need CIDA's support to do that. They're perfectly free to engage in any kind of relationship with a non-governmental organization, or in fact a private one.

What private companies do when they don't have expertise is they hire it. They can hire consultants, they can hire a smaller company, they can subcontract, they can recruit personnel. They don't need CIDA to do that work for them.

In response to these critiques, the Mining Association of Canada and the Devonshire Initiative came up with new arguments on why CIDA involvement was necessary for the CSR activities. One argument they came up with was that they needed CIDA's involvement to ensure accountability. I found this an unconvincing argument as well, because this is the same industry that opposed, en masse, Bill C-300, the corporate accountability of mining, oil and gas corporations in developing countries act. So to me this argument that companies need CIDA to keep them honest is not a convincing one.

• (1535)

In an interview last month, Minister Oda stated, "There's nothing wrong with the private sector, and particularly our Canadian private sector. They're responsible. They're good." This was in response to some of the critiques of the CIDA partnerships with NGOs and Canadian mining companies.

Many mining companies may be outstanding corporate citizens, but such blanket statements are not difficult to contradict. In fact, those comments were made simultaneously when the scandal regarding SNC-Lavalin was unfolding. In fact, it still is. The CEO and other executives have resigned over corruption accusations. The RCMP is investigating and raiding the company's headquarters.

I don't want to say that all companies are evil, because I certainly don't believe that, but at the same time, I don't think it's helpful to say they are all good or they are all responsible.

In fact, a recent report from the organization, RepRisk, entitled, "Most Controversial Mining Companies of 2011", listed 10 companies worldwide that had the most controversial reputations and recommended that organizations engage with them only with high levels of caution, given the reputational risk to working with them. Among those top ten companies were two of the three companies that CIDA has chosen to work with: Barrick Gold and Rio Tinto.

One question that is very important to ask is whether these are the right partners for CIDA. CIDA claims these partnerships will improve the effectiveness of aid, but I have not seen any convincing arguments yet. The projects themselves were not approved through the regular competitive process that other NGO-backed projects have to go through, and very little information has been released on what the contents of these agreements are. Perhaps as MPs you are able to access this information much more easily than I am, but so far, including through an access to information request, I have been unable to get copies of exactly what is contained in these agreements.

One argument that has also been made by CIDA is that it's about leveraging additional funds. This is a good use of CIDA money. The question I would raise is why only seek it from Canadian companies. If it's only about leveraging more money, and it's not about helping these companies be more competitive, why not also get money from, say, Chinese companies, or give money to Chinese companies that partner with NGOs, according to that logic.

What are these companies bringing to the table other than some funds? In some cases, the funds they bring are only a very small proportion of the total funds. For instance, with respect to the project

in Burkina Faso, IAMGOLD is contributing \$1 million, and CIDA is contributing \$5.7 million. The lion's share is still being contributed by CIDA.

To me, this signals that corporations are setting the agenda. This is only a small proportion of CIDA's total spending, and I will be the first to admit that. However, if this is being touted as the kind of partnership of the future, to me, having those kinds of fast-tracks for approving projects just because corporations are putting in some money is a perversion of the idea of aid effectiveness and the government being in charge of its own aid agenda.

It also risks contradicting the very definition of official development assistance, which, according to the OECD definition to which Canada subscribes and which is part of the legislation, the Official Development Assistance Accountability Act, aid must be primarily for supporting economic and social development in developing countries. That would exclude support to Canadian private companies. It also risks contravening the provisions of the Official Development Assistance Accountability Act. If Canadian mining companies working with CIDA are responsible for human rights violations, as they have often been accused of, this would be in direct contravention of the Official Development Assistance Accountability Act.

• (1540)

To conclude, Canada should be very cautious when partnering with the extractive industry for development activities. There are a number of ethical issues at stake, as well as Canada's international reputation. Minister Oda admits that she makes no distinction between Canadian commercial and development objectives, and I think this is a major problem for a minister who is in charge of an international development agency. Foreign aid should focus primarily on fighting poverty and inequality abroad, regardless of Canadian commercial or corporate interests. That is the law.

If the Canadian government wants to support Canadian companies abroad, it has many other instruments it can use to do so. For instance, there is Export Development Canada. We do not need to use foreign aid to do so.

Thank you very much.

**The Chair:** Thank you.

I'll turn it over to Mr. Shariff.

**Mr. Khalil Shariff (Chief Executive Officer, Aga Khan Foundation Canada):** Thank you, Mr. Chairman and members of the committee. It's a great privilege to have the opportunity to be here and to share the experience of the Aga Khan Development Network in the area of the private sector's role in achieving international development objectives.

I want to begin by commending the committee for taking up this issue, because it is both important and difficult. I think you've already heard in previous testimony that there is now a very strong consensus around the pivotal role that economic growth plays in reducing poverty, and of course a central role that a robust private sector plays in underwriting economic growth. But you have also heard—and I think correctly—that not all economic growth is the same and it does not always translate into poverty reduction.

So your study, I think, allows us to explore the different dimensions of the issue and to figure out exactly how it is that the private sector can support growth, which in turn will support important development objectives across the entire spectrum of private sector actors: from large multinational firms to small enterprises, from commercial banks and insurance companies to microfinance institutions that reach remote villages, and from a business owner employing thousands of workers to an enterprising small farmer.

I'd like to start by saying a few words of background about our institutions and the experience we're drawing on in making this submission.

The Aga Khan Development Network, or the AKDN, is a collection of individual non-governmental development agencies established by His Highness the Aga Khan, each of them with a specific mandate ranging from health, education across the spectrum from pre-primary to higher education, microfinance, rural development and livelihoods, culture, and the promotion of private enterprise.

In Canada, Aga Khan Foundation Canada is a not-for-profit charitable Canadian international development agency that has been working for over three decades with Canadian institutions and individuals, including CIDA, to support high-impact initiatives in Africa and Asia that improve sustainably the quality of life of poor, marginalized communities. We have also been involved in Canada in establishing the Global Centre for Pluralism in Ottawa as well as the Aga Khan Museum in Toronto.

We have prepared a written submission with our key perspectives, so I'm going to limit my remarks here to just some of the key highlights, but I'll be happy to go into any of the details in our question period.

Before I get into any of the specific lessons around the private sector and development, I want to make one general point that is a conclusion from our many decades of work in Africa and Asia. That lesson is that there are very few silver bullets in development. We take a multi-input approach, where we try to take initiatives and interventions that span social, cultural, and economic development. We think that's the most promising way to underwrite sustainable change.

The work we do in the private sector that I'm going to focus on today is one of several areas of activity that also include substantial commitment in not-for-profit areas of health and education and microfinance, etc., as I've talked about.

I would like to focus today on the one AKDN agency that is singularly focused on that issue, and that is the Aga Khan Fund for Economic Development. It has the distinction of being the sole AKDN for-profit institution, but it is equally dedicated to international development. The fund is known as AKFED and it is dedicated to promoting entrepreneurship by building viable enterprises in the developing world, with a focus on fragile or complex regions that lack foreign direct investment.

AKFED's profits are reinvested in future development efforts. It is involved in more than 90 separate project companies, directly employing more than 30,000 people, but with a downstream

employment impact many times that. It had revenues in 2010 of over \$2 billion and spanned a range of sectors integral to the developing economies of Africa and Asia: from agro-processing and infrastructure to financial services, tourism, aviation, telecommunications, and manufacturing.

The experience of AKFED over the last half century has suggested some important principles of maximizing the development impact of private sector engagement in the developing world, and I want to share three of those lessons with you today.

The first lesson is for private sector actors to find ways to maximize the multiplier effects of their investments. Growth is spurred when investments, whether public or private, create multiplier effects. Economies are interdependent, which means that the growth of a particular sector relies on the availability of certain services or products from other sectors. This means that certain large-scale investments in key sectors such as power generation, telecommunications, and hard infrastructure can help businesses across sectors to grow and unleash new economic opportunities. It turns out, of course, that some of the investments in those infrastructure issues are also essential to public and social services as well.

● (1545)

Let me give you an example. In 2003, AKFED established a mobile phone company in Afghanistan called Roshan. It was an early investment to help kickstart the nascent and rebuilding Afghan economy. Roshan today is now reaching close to four million subscribers, many in remote rural areas, and employing over 1,000 people directly, and more than 30,000 indirectly through activities such as selling airtime credit. The infrastructure of a strong national mobile telephony has also allowed Roshan to seek to maximize its multiplier impact across the economy. For instance, Roshan now provides mobile money transfer services, which extends financial services to the 97% of Afghans who can't access banks. We're also using Roshan today on the not-for-profit side to support telemedicine, allowing Afghans to access health expertise from around their own country, and indeed from around the world. Another measure of Roshan's multiplier effects is the fact that it is one of the largest taxpayers in the country, contributing approximately 5% of the government's total domestic revenues.

So the first lesson is to maximize multiplier effects.

The second principle is for the private sector to look for ways to promote new business models that innovatively combine sustainable commercial and development objectives. With a full understanding of the full value chain of a targeted sector such as tourism or agribusiness, there are many opportunities that can be created for local development impact. Again, I will cite an example. AKFED's tourism promotions services owns and manages a series of high-quality hotels under the Serena brand name that have an explicit policy of minimizing environmental impacts while maximizing the socio-economic fallout benefits to the region. Each hotel seeks to work with the community in a variety of ways, such as investing massively in training for local residents for employment, the reinvigoration of local designs and craft industries, locally sourcing goods and services, and cooperating with the community to recycle waste.

The second lesson, then, is looking for business models that combine both sustainable economic returns but also sustainable development impact.

A final principle I want to share today is for the private sector to look for ways to target marginalized segments of the population in order to amplify development impact. Many marginalized groups, such as the very poor, women, uneducated or undereducated youth, and rural and remote populations, are often excluded from private sector activities because the obstacles to sustaining growth for these populations are often poorly understood or addressed. The combination of entrepreneurial energy and a development mindset can unlock real gains. An example here would be Frigoken, an AKFED company that has sought specifically to create a sustainable business model geared toward income generation for small-scale farmers in Kenya by identifying and responding to the key obstacles these farmers face in marketing their surplus produce. In this instance, Frigoken provides a range of services to Kenyan bean farmers—price guarantees, the provision of seeds, quality control, processing, transportation, and marketing. Today, Frigoken is the largest exporter of processed green beans from Kenya, most of which are sold on European markets. The impact is that not only does the company provide direct employment to 2,700 people, most of whom are women, it also now supports over 45,000 small-scale farmers in rural Kenya.

Focusing on maximizing multiplier effects, creating innovative business models that combine both development and commercial objectives, and seeking ways to target otherwise marginalized populations can, with the right mix of entrepreneurial energy and solid development thinking, provide both sustainable profits as well as meaningful development impact.

Absorbing these principles may have some implications for the private sector here in Canada. I thought I would share with you some early thoughts on what some of those implications might be.

First, of course, there are opportunities for direct investment by Canadian firms in the market opportunities in the developing world, especially if they are structured along the principles I have discussed today.

• (1550)

Second is opportunities for knowledge transfer. After all, the Canadian private sector is a leader in a number of areas that are essential drivers of the future of the developing world: agriculture and fisheries; financial services; international trade; aviation; and the sustainable management of natural resources, including mining, oil and gas, forestry, and hydro power. There is much capacity in the Canadian private sector, including management approaches, knowledge, and technology, that we would consider simply standard forms of competent practice here but are simply not available in the developing world.

Third is financial contributions. Through corporate social responsibility and philanthropic budgets, the Canadian private sector has long been a major driver of civil society here in Canada, supporting important efforts across a spectrum of social and cultural activity. As Canadian enterprises become more globally integrated, their philanthropy will also have opportunities to make thoughtful

contributions to civil society in other parts of the world, and indeed should be encouraged to do so.

The final implication is that we could all become a more active part of the global conversation and experimentation on this set of issues. There are multitudes of experiments under way in many parts of the world: new innovative financing mechanisms to spur these kinds of enterprises, different business models, and interesting public-private partnerships. Launching some experimentation ourselves, as well as learning rigorously from others, could be a major boost to Canadian efforts.

Before I end, I want to simply extend an invitation to the committee and your colleagues to visit some of these initiatives in the developing world. It would be a privilege to be able to share the experience on the ground from the people who are managing these efforts as well as benefiting from them, in both the work the Aga Khan Fund for Economic Development is engaged in and in some of the other not-for-profit work that is significant for us.

Let me thank you again for providing the opportunity to share some thoughts. I very much look forward to learning from the results of your study.

Thank you, Mr. Chairman.

**The Chair:** Thank you.

We'll start with the opposition for the first round.

Mr. Saganash, you have seven minutes, please.

• (1555)

**Mr. Romeo Saganash (Abitibi—Baie-James—Nunavik—Eeyou, NDP):** Thank you, Mr. Chair.

I'd like to take this opportunity to thank both of our witnesses for their testimony today and for their contributions to our committee.

I have a question for Professor Brown. We know you've written extensively on CIDA and have some strong criticisms about the department and the government's approach to how they are spending CIDA's funding. In January you were quoted extensively in the *Ottawa Citizen* article written by Elizabeth Payne. In that piece you called the shift of aid dollars to support the work of Canadian mining interests overseas as an effort to "whitewash the negative effects of their resource extraction".

We are concerned on this side of the table about this approach. I believe Canadians are also pretty much concerned about this new approach. We seem to be partnering with for-profit multinational corporations and non-profit NGOs to promote projects that seem to be doing more to promote clean extractive industries than to reduce poverty, which is the mandate of CIDA.

Could you expand on this? The committee would benefit highly from your comments on this one.

**Dr. Stephen Brown:** Thank you for the question.

There's no doubt that resource extraction can generate revenues that can be used well by a developing country. This is something that has been touted by CIDA, and in fact by the Prime Minister, as sort of the wisdom of relying on resource extraction as a development model. The Prime Minister, at the Summit of the Americas, just recently touted Canada as a great example of this.

But we also know that great destruction can go along with resource extraction. In Canada we have laws that, though imperfect, do provide a certain degree of safeguards, which a lot of developing countries don't have. We also know there are a lot of ills associated with development based on resource extraction. Just to name a few, there are corruption, conflict, HIV/AIDS, drug abuse, alcoholism, conflict within communities...and the list goes on. In fact, we've seen this in Canada in many aboriginal communities as well.

What is needed is a better understanding of the two sides of resource extraction as a development strategy, and effective ways to minimize the harm while maximizing the benefits. One potential way to maximize the benefits would be to improve the regulatory framework in a developing country to regulate the foreign mining companies as well as the domestic ones. CIDA has been involved in this in the past, for instance, in Colombia. However, the new regulations were very much in favour of the mining industry, especially the Canadian mining industry. In fact, the rate of royalties going to the government went down. There have been many criticisms of collusion between CIDA and Canadian mining companies against the interests of people in developing countries.

There's also this facile argument that more revenues means fighting poverty. This often is not the case. I've mentioned that corruption is one possible side effect. Just because a government has more revenue does not mean it chooses to use it for poverty alleviation, so any argument that's based on that actually partakes in a leap of logic.

**Mr. Romeo Saganash:** One of the issues you raised in your presentation was the funding for four projects, totalling close to \$27 million, I believe, that will, according to the department—and I quote the department—“help developing countries in Africa and South America manage their natural resources to ensure they are the source of long-term sustainable benefits to their people”. It turns out that CIDA will provide, as you mentioned, help to Canadian companies like Rio Tinto Alcan, IAMGOLD, and Barrick Gold. A lot of these companies that we find in South American or Africa are also in my riding. We have to wonder what compels them to do the right thing in this country while doing the opposite elsewhere, in other countries.

You were quoted as calling this support to highly profitable companies “scandalous”. I must say we agree on that point. When we talk about the role of the private sector in achieving Canada's international development interests, is that the direction this country should take?

• (1600)

**Dr. Stephen Brown:** I very much believe that it is not the direction we should take. In fact, it was interesting listening to the presentation of my colleague here, Mr. Shariff. None of that, as far as I noticed, involved any use of public funds. The other thing I wanted to underline was that this was support to local companies, especially

as start-ups. A lot of the debates about public-private partnerships and the role of the private sector tend to conflate local start-ups and multinational Canadian companies. This is a very important distinction to make.

I do still believe it is scandalous that such large companies as the ones we've been discussing get millions of dollars from CIDA to undertake activities that they could very well fund on their own. Barrick Gold is an incredibly profitable company. It does not need CIDA money to do reforestation in South America.

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

We're going to move over to the government side.

Ms. Brown, seven minutes, please.

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

Gentlemen, thank you very much for being here. It's really great to have your investment in our discussions here.

Mr. Brown, I had the opportunity to read your paper, “CIDA Under the Gun”, a paper presented at the Canadian Political Science Association annual conference in June 2008. I would very much like to discuss some of the comments you made here.

First of all, I don't think we would disagree at all with your statement that there need to be regulatory processes in place in the countries. I know from my many visits to Africa that we are doing those things. We are helping build capacity in these countries. It's not our place to go in and tell them how to do it. We need to work with the governments of the countries and ensure that they help to build their own processes and their own plans. But Canada is very much involved in a consultational process with many of these countries.

Have you been to Burkina Faso?

**Dr. Stephen Brown:** I have not.

**Ms. Lois Brown:** Have you been to Botswana?

**Dr. Stephen Brown:** No.

**Ms. Lois Brown:** So you haven't seen either of the WUSC projects that are going on there.

**Dr. Stephen Brown:** No, I haven't.

**Ms. Lois Brown:** In both of those countries where I visited, WUSC is thrilled to pieces with what Canada is doing in building these kinds of partnerships.

In Burkina Faso I had the opportunity to visit the Essakane mine being built by IAMGOLD. They have done phenomenal work without any public dollars. It's phenomenal what they're doing. The people are thrilled with the fact that their children now have the opportunity to go to school. They have a proper health clinic there that is properly staffed with people who are trained experts in health services. So there are some tremendous things going on in these countries.

I look at that and I say, so Canada wants to partner to build on these things. It's not that all of our aid money is being diverted into putting money into the extracted industry; it's simply one partnership we are building amongst a multitude of other things we're doing to ensure that growth and development can go on in the economy.

What we know is that we, not Canada alone but western society, have put \$1.23 trillion into Africa in the last 60 years, and it hasn't been fruitful in many cases. We need to do something different.

We're looking at how we create sustainable economic growth in developing countries. It has to be a key to reducing poverty. We want to work to provide education and, most importantly, job skills training.

If we look at Peru, for instance, we have a project there with Barrick Gold and World Vision. We have opportunities for families to develop new employment income and really to add to their own family income. Obviously, building the capacity of the government to assist in putting those regulations in place is one of the things that has to be very important.

I just have a comment before I stop on your paper here, where you talk about the tying of aid. Canada has untied all of our aid to Africa. We've doubled our aid to Africa. We've untied our aid. We aren't putting our money into what you say here are middle-income countries for our own commercial benefit. We have money going into Afghanistan, Haiti, Zambia, Indonesia, Vietnam, the DRC, Tanzania. These are not middle-income countries. Canada is very much focused on where we could help to build capacity, who needs the money, and where can we make a difference.

Now I want to turn to Mr. Shariff, if I may.

You talked about three things under targeting marginalized sectors of the population. You talked about direct investment, knowledge transfer, and financial contributions.

I would like to know from you if you could talk about whether or not some of that direct investment could come as well in a partnership with CIDA from the diaspora. For every country there is in the world, we have a population base here in Canada, and people who are very concerned about their home country would like to know how they can help. Is there something that can happen there with financial contributions?

On the knowledge transfer, I've said this before. My son-in-law is from Ghana. He is a brilliant young man. He just received his doctorate in electrical engineering. How do we help this knowledge transfer back to their home countries?

I've said a lot. I don't think I've left much time. Sorry to both of you.

• (1605)

**The Chair:** You have a minute and a half between the two of you.

Go ahead, Mr. Shariff.

**Mr. Khalil Shariff:** Thank you, Mr. Chairman.

I think the issue of the diaspora as an asset for national development is a major issue. I think you're right that because of

Canada's own demography we have a particular opportunity to think hard about that.

One of the big opportunities we have is to find ways to help the diaspora who have been educated and have developed certain competencies in this country return to their countries of origin to exercise leadership in public and private institutions, to create, in some sense, human bridges between our country and their countries of origin.

I think we have to help people feel that they don't have to choose between being Canadian and going back to Ghana for a period of their lives. We are looking at ways, let's say in the health profession, of making sure people don't feel they are going on a professional hiatus when they leave their professions here to go back to countries of origin to contribute to situations there.

What could we do, for instance, with universities to make sure appropriate professional credit is given when one is outside of the country doing work in the developing world, so that you don't feel you're having to sacrifice your professional momentum back in Canada? That's a terrible thing to have to put people through.

Mr. Chairman, I would simply say that the asset we have in Canada to underwrite human resource potential in the developing world through the diaspora is very, very important. I think we should start experimenting as widely as we can to see what might work.

**The Chair:** Thank you.

Mr. Brown, we're going to have to catch you next time. That's all the time.

I'm going to move over to Mr. Eyking.

You have seven minutes, sir

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

It's too bad Mr. Brown didn't have time to have a rebuttal.

Mr. Brown, you've got the government all wound up. We'll see if we can get some sensibility here.

I think there is no dispute that there is some good work being done by CIDA, and there is some good work being done by companies, as you mentioned. I remember seeing Nexen, in Alberta, and the work they did in Yemen. There was no public money; it was good benevolent companies that have good shareholders who want to get good things done.

I think the whole question today is extraction companies and giving companies public money to distribute aid. It's a slippery slope. If we start with one company, what other companies are there? It's kind of shirking our responsibility by letting these companies get away with that.

You don't see this happening in Scandinavian countries or European countries. Even the United States and Japan are not using their extraction companies or oil companies, or whatever they have, to do the aid work. We saw what happened at SNC-Lavalin.

Mr. Brown, you mentioned how rules of engagement are quite different in these countries than in ours.



You wonder why a company would even want to get into it because it opens up a hornet's nest. They're not only answering to their shareholders, they're answering to the public of Canada, so is it really worth doing that aid project?

I'd like you to speak a little more on what other countries are not doing and why they're not doing it, and how much trouble we can get into if we continue with more and more aid going to these extraction companies.

• (1610)

**Dr. Stephen Brown:** I can't really comment on what other countries are doing or not doing, as much as I can comment on the implications for Canada continuing to do so.

As I mentioned, there is a huge reputational risk. These companies have been accused of all sorts of environmental and human rights abuses. This has been documented, most recently in the *Globe and Mail*, but in a number of other places as well.

By partnering...this is a reputational risk for the NGOs but also for the Government of Canada, because this is a sign of approval. It's approval of not only what they are doing to train people in Botswana and Burkina Faso and so on, but what they are doing across the board.

Canada is currently being seen as an imperialist. I'm sure this is surprising to most Canadians, to think we're being seen as an imperialist country by the developing world. But because of the way Canadian embassies and CIDA push the interests of private mining companies, and how those mining companies often go against the interests of local communities or many members of the local communities, it's true that—

**Hon. Mark Eyking:** Just on that, Mr. Brown, it almost seems we are going away from most of the G-20 countries and going to a bit of a China model. We go in there to look at what the commercial benefit is and that's how we distribute aid.

Is that it?

**Dr. Stephen Brown:** In fact, the Mining Association of Canada has commented that we need that in order to compete.

The implication, I believe, is exactly what you have said. Other countries are bundling aid and non-aid in ways that we don't think is right. We have signed on to agreements that say this is wrong. The definition of ODA—in our own legislation—says that aid is to promote development in developing countries. We have criticized other countries for doing this. This is a slippery slope that we are now engaging in, as you have pointed out.

**Hon. Mark Eyking:** Mr. Shariff, we had a gentleman here the other day and he talked about the good work you're doing with agriculture in Sudan, growing corn and things. Can you allude a little more to that Kenya project—just some numbers and how it happened. It sounds like it's a really good success story on how private companies can help a region by investment and expertise.

**Mr. Khalil Shariff:** Mr. Chairman, thank you.

There is a now burgeoning series of innovations in effectively aggregating a series of small-scale farmers in order for them to be able to upgrade the quality of their surplus produce. Most of these farmers will be, in the first instance, simply producing enough to

feed their own families. The issue is that once they get past that threshold, what do they do with the surplus? Is there a way for them to extract maximum value from the surplus production? The project I mentioned, Frigoken, does this in green beans.

**Hon. Mark Eyking:** It's called Frigoken?

**Mr. Khalil Shariff:** Yes, Frigoken. It is the largest processed beans manufacturer from Kenya into Europe. The key has frankly been to aggregate tens of thousands of small-scale farmers and invest in their capabilities.

**Hon. Mark Eyking:** Do they have a marketing system there?

**Mr. Khalil Shariff:** That's exactly it.

**Hon. Mark Eyking:** They have a pricing system there to help them with price stability, like a marketing board? Would they have storage facilities made?

**Mr. Khalil Shariff:** It's not quite a marketing board. What it is, effectively, is a company saying to the farmers, "We're going to give you some microloans in order for you to upgrade the capacity you have to improve the quality of production. If you don't have high-quality production, you can't export to Europe. We're going to invest in your capacity to have high-quality output. We're going to help with the transport of your goods to market. We're going to give you a price guarantee with some upside if the prices are better, but we're always going to give you a floor"—

• (1615)

**Hon. Mark Eyking:** A base, yes.

**Mr. Khalil Shariff:** —"and this way, you can plan for your future."

Then what Frigoken does is it invests in a processing plant centrally. It gathers all the produce, brings it centrally, and then processes it in a way that is in accordance with what their marketing specialists are telling them will sell in Europe. This way, the farmers get the benefit of being able to get European prices for their goods, which otherwise they would not be able to do.

There are many other experiments. Honey is another area where this has been done very well in east Africa.

This is the idea. Aggregating thousands of small-scale farmers to enable them to produce high-quality surplus, and then providing them with the support in marketing and transport in order to export their goods.

**Hon. Mark Eyking:** Thank you very much.

I guess that's time? Thank you, Chair.

**The Chair:** Thank you.

We're now going to start our second round. I think we have time for a full round.

Let's start with Mr. Williamson for five minutes, please.

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

Mr. Shariff, I would like a quick clarification. There was a point that Mr. Brown made, that your holding company does partner with government and receives funding. I see from the notes here, in fact, that you have worked with government and used tax dollars in your portfolio.

**Mr. Khalil Shariff:** I would just make the distinction, Mr. Chairman, that the Aga Khan Fund for Economic Development, which owns these companies, takes very little grant money from governments. We have very significant not-for-profit activities in health, education, rural development, and microfinance, etc., where we've worked with CIDA and many other donors for many, many years.

The one area where the Aga Khan Fund for Economic Development—the private sector arm—does take public money, is...there are many western donors that have private sector agencies that provide concessional debt or favourable equity in order to spur that kind of work.

The Aga Khan Fund for Economic Development does work with governments. Canada does not have that kind of vehicle, but the governments who do often work with—

**Mr. John Williamson:** Presumably, that's being done because you have certain expertise on the ground that governments lack. They don't have the infrastructure and it's more efficient. It's better value for taxpayers to work through you—

**Mr. Khalil Shariff:** I think there are certain goals they are seeking to achieve and they can achieve them through these companies.

**Mr. John Williamson:** Professor Brown, we're going to find some agreement here. First of all, I was pleased with your statement that more money doesn't necessarily mean better results on the ground. I, too, get a little concerned when governments accept money from government.

I have a question for you. In the international sense, you said, and would you agree that even domestically here, it's not good policy for governments to be handing out tax dollars to business?

**Dr. Stephen Brown:** I think under exceptional circumstances it is good policy for ensuring things like access. For instance, to subsidize access to broadcasting or the Internet in the north or for postal services and things like that, I think government involvement would—

**Mr. John Williamson:** What about an auto bailout?

**Dr. Stephen Brown:** I could only answer that on a case-by-case basis, but—

**Mr. John Williamson:** Well, we had a big one in this country. Like the one with GM—what's your opinion of that?

**Dr. Stephen Brown:** Yes. I'm in favour of assistance.

**Mr. John Williamson:** Okay. Good.

Look, it sounds as if you're arguing more with a kind of process. At the end of the day, I don't believe in corporate welfare. I don't like government spending tax dollars on any corporate entity. I think businesses should go raise their money and do what they have to do in the marketplace.

But in this case, are you not concerned with...? You just don't like the fact that it's a business entity that might be delivering these

programs, as opposed to an NGO or another entity not linked in with a business. Is that correct, as a starting point?

**Dr. Stephen Brown:** My main concern is that public funds are needlessly going to activities that could be financed otherwise, and that those funds would be better spent elsewhere. I'm not saying that the activities are necessarily bad, but this is not the best mechanism or necessarily the best place to spend limited public funds.

**Mr. John Williamson:** That's a good point. You talk about building schools and doing things overseas, but I would argue that there are an awful lot of Canadian taxpayers who think that in fact money should be—and is—better spent in Canada, actually. I would put to you that if in fact we're going to have aid money budgets—and I think we should—we have a duty as legislators to ensure those dollars are actually receiving results.

If it is actually shown—I believe it is, and I believe Mr. Shariff's portfolio and his statements today highlight this—that in many cases private businesses not only are going to have the expertise but are going to be able to deliver results at a lower cost to taxpayers.... But you dispute that and you oppose that, just because you don't like money going through businesses.

•(1620)

**Dr. Stephen Brown:** No, I think that's inaccurate. What you're doing is what I mentioned earlier: conflating different kinds of businesses.

I'm especially in favour of things like microfinance and supporting start-ups of companies in developing countries. I'm less in support of public funds going to large, highly profitable Canadian multinationals—

**Mr. John Williamson:** But hold on—

**Dr. Stephen Brown:** Please let me finish my sentence.

**Mr. John Williamson:** Sorry.

**Dr. Stephen Brown:** I'm less in support of public funds going to large, highly profitable Canadian multinationals to undertake activities that they themselves say they have no expertise in.

**Mr. John Williamson:** But—

**Dr. Stephen Brown:** That's why they say they need CIDA funds and need to work with the NGOs.

**Mr. John Williamson:** Fair enough.

**Dr. Stephen Brown:** Because they themselves don't have that expertise.

**Mr. John Williamson:** All right. I can accept that, but when you talk about microfinancing, in many cases that's money going to banks, which are some of the most profitable entities on the planet today. But in that case you're okay with it.

You dress it up to make it sound like microfinancing is just something at the local level but there is no profit there. In fact, it is an area where we are giving money to highly profitable companies that succeed both in the marketplace and, at a time of crisis, from bailouts from government. You're saying that's okay, but other businesses, no—

**Dr. Stephen Brown:** As far as I know, CIDA is not giving money to—

**Mr. John Williamson:** No, we're talking generally here.

**The Chair:** That's all the time we have, but I'll let you respond, Mr. Brown.

**Dr. Stephen Brown:** Okay. My understanding is that most of the money that goes towards microfinance is going through NGOs and non-profits like the Grameen Bank, not Citibank or CIBC.

**Mr. John Williamson:** But if it did, would you have a problem with that?

**Voices:** Oh, oh!

**Ms. Lois Brown:** A point of order, Mr. Chair.

**Mr. John Williamson:** It's a yes or no question, so I'd appreciate an answer.

**The Chair:** Did you have a point of order?

**Ms. Lois Brown:** Yes. It's just that Grameen Bank is a for-profit organization in Bangladesh—huge profits.

**The Chair:** All right. Thank you.

We're going to move to Madame Laverdière.

You have five minutes.

[Translation]

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

Thank you both very much for your very interesting presentations.

Professor Brown, we have noticed that there seems to be a shift in CIDA assistance, away from very poor African countries and towards more middle-income Latin-American countries. Often, they are countries with whom we have signed a free trade treaty. Do you understand the logic behind that shift? Is there not the danger of it running counter to CIDA's responsibilities under the Official Development Assistance Accountability Act, which stipulates that assistance should contribute to poverty reduction?

**Mr. Stephen Brown:** Thank you very much for the question. It allows me to respond to some comments made by Ms. Brown, who stated that the majority of Canada's assistance goes to middle-income countries. That is true. You mention something that I also highlighted in the document she quoted: political change, the ever clearer tendency to focus on middle-income countries. In 2009, for example, when Canada changed its core countries and went from a list of 25 to a list of 20, it dropped eight poor African countries and added middle-income countries from Latin-America. We are seeing that pattern repeat itself. CIDA's recently announced cuts affect the poor countries. In a number of cases, we are maintaining assistance to middle-income countries.

As you said, assistance is shifting towards middle-income countries with which Canada has very significant commercial ties. This is a misrepresentation of the fundamental goal of development assistance, which is to reduce poverty and inequality. As you mentioned, there is also the danger of failing to comply with the legislation that defines assistance in Canada and sets out its goals.

**Ms. Hélène Laverdière:** Thank you very much for your answer. In fact, there is even a danger of failing to comply with some of our international commitments.

• (1625)

**Mr. Stephen Brown:** Absolutely. For example, there is the Paris Declaration on Aid Effectiveness and other international agreements that were signed subsequently. We must respect our commitment to development strategies as defined by partners in developing countries.

Let me take this opportunity to reply to Ms. Brown's comments that we have to do what our government partners tell us. That is only partly true. We are committed to the concepts of empowerment, of shouldering responsibilities, of ownership. It is not about any empowerment, it is democratic empowerment. A number of these partners are not democratic countries. They are authoritarian countries, or partly so. Just because a government says that it is in favour of such and such a development model does not mean that Canada has to see it as the country's choice. The government is not necessarily representative of the situation. That is why Canada must, under the Official Development Assistance Accountability Act, consult partners in civil society and elsewhere in recipient countries.

**Ms. Hélène Laverdière:** Thank you.

This may seem to you to be a slightly different kind of question. I also have a question for Mr. Shariff. It is not central to the question we are discussing today, but I would not like to leave here without taking advantage of your expertise in all things CIDA. I hope I will have enough time.

How would you describe the morale of the troops in CIDA right about now?

**Mr. Stephen Brown:** At the moment, morale is really low. It already was two years ago, but, with the latest cuts, more and more enormously talented people are leaving. CIDA really is losing significant resources. More and more technocrats are being transferred to CIDA in management positions, often senior management. People like that have no experience in development; they think that you manage development like you manage things like Industry Canada or the Treasury Board. But international development is a vocation in itself. In addition, there is the fact that it is the only Canadian body whose main goal is to promote the interests of other countries. The Department of Foreign Affairs and International Trade promotes Canadian interests, but CIDA works to promote the interests of developing countries. That is often poorly understood. CIDA has a very qualified and committed staff and would like to be able to fulfill its duties.

[English]

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

We're going to move over to Mr. Dechert for five minutes.

**Mr. Bob Dechert (Mississauga—Erindale, CPC):** Thank you, Mr. Chair.

Gentlemen, thank you for sharing your information with us here today.

Mr. Brown, if I could, I'll ask you a few questions.

I'm going to read you a list of the countries that CIDA has been focusing on since 2009. Tell me which ones are, in your opinion, middle-income countries: Afghanistan, Cambodia, Ghana, Honduras, Haiti, Indonesia, Mali, Mozambique, South Sudan, Senegal, Tanzania, Vietnam, Zambia. Are any of those—

**Dr. Stephen Brown:** Was that the full list?

**Mr. Bob Dechert:** That's about two-thirds of the list.

**Dr. Stephen Brown:** I think you've left off Ukraine, which is a European country and a middle-income country.

**Mr. Bob Dechert:** That's right.

**Dr. Stephen Brown:** Indonesia.

**Mr. Bob Dechert:** I said Indonesia.

**Dr. Stephen Brown:** Okay, but that's a middle-income country. Colombia.

**Mr. Bob Dechert:** Yes, Colombia's on the list.

**Dr. Stephen Brown:** Peru.

**Mr. Bob Dechert:** All right, but you'd agree that the majority of them are not.

**Dr. Stephen Brown:** Yes. In fact, as I said in response to Madame Laverdière's question, the majority are low-income countries.

**Mr. Bob Dechert:** Okay. So it's proper, in your opinion, that CIDA be involved in projects in those countries.

Are you familiar with the project that Rio Tinto and the World University Service of Canada are participating in, in Ghana?

**Dr. Stephen Brown:** I am, insofar as I've been able to obtain information.

**Mr. Bob Dechert:** Okay. You're a university professor. I assume you're familiar with the World University Service of Canada.

**Dr. Stephen Brown:** Yes, I am.

**Mr. Bob Dechert:** You made a comment in your opening remarks that you thought there were ethical issues and that Canada's reputation is at stake. Do you think the World University Service is also risking its reputation by participating in these projects?

• (1630)

**Dr. Stephen Brown:** I do.

**Mr. Bob Dechert:** Have you mentioned that to the World University Service?

**Dr. Stephen Brown:** I have.

**Mr. Bob Dechert:** What was their response?

**Dr. Stephen Brown:** That they're aware of it. In fact, Rosemary McCarney, the head of Plan Canada, which is one of the other NGOs that's receiving money for working with mining companies, has discussed this publicly—that this is a risk, that they're aware of it, and that it's an experiment.

**Mr. Bob Dechert:** As I understand it, CIDA provides funding to World University Service, to Plan Canada, to World Vision. These are pretty reputable NGOs that have high ethical standards and do very good work around the world. If they think that dealing with these companies in these particular projects is benefiting the people in those countries, fulfilling the mandate of those NGOs, why would Canada be risking its reputation in partnering with World Vision Canada or Plan Canada or World University Service of Canada?

**Dr. Stephen Brown:** The risk isn't so much in partnering with them, but in partnering also with the mining companies.

**Mr. Bob Dechert:** But those organizations are also partnering with those companies.

**Dr. Stephen Brown:** Yes, that's their decision, and they're aware of the risk, and they've had some—

**Mr. Bob Dechert:** Presumably CIDA is as well. Isn't that right? What I'm suggesting to you is that Canada is not going directly to these companies. Canada is working with a respected NGO partner in every single case.

As I understand it, in Ghana, the Rio Tinto project is providing 134,000 residents of 12 communities with educational services and water and sanitation. This is broader than would have been done directly by any individual company.

In Burkina Faso, 10,000 young people in 13 communities are being trained with skills to get jobs in a partnership between Plan Canada and IAMGOLD—and Canada's money is going to Plan Canada, not directly to IAMGOLD. My understanding is that 10,000 young people being trained there is far in excess of what any private sector company would do in a project of that size. So what's the problem with partnering to expand the number of people who are being trained?

**Dr. Stephen Brown:** As I said earlier, many of the benefits are in fact good things. More schools, more people trained, more clinics—those are good things. The real question is, should that be where Canada is spending its money?

To go back to your other question about what actually is the problem, the presence of a reputable NGO will not shield the Canadian government from negative fallout. Let's say there's a terrible disaster—mercury poisons the groundwater or something like that. It's not because CIDA is giving the money technically to Plan and not to IAMGOLD, or something like that, that the negative fallout won't affect Canada as well.

Furthermore, we know there have been cases of public relations disasters. For instance, the CEO of Barrick Gold—I'm sorry, I'm not 100% sure it was Barrick Gold...yes, it was Barrick Gold. In Papua, New Guinea, when there were instances of gang rape on the mining company compound, the CEO said that was part of local culture. That kind of thing would tarnish any NGO and any donor country that's partnering.

**Mr. Bob Dechert:** World Vision is partnering with Barrick Gold in Peru in a project that CIDA is involved in to provide 1,000 families with business opportunities, presumably suppliers to that project.

Everything we do in the world takes risk, but if we're getting a greater benefit—we're getting 1,000 families involved in business, which not only provides them with immediate income but teaches them the long-term skills to continue a sustainable business. We're partnering with an organization like World Vision, which has very high ethical standards.

Is that not a risk worth taking to provide those people with the wherewithal to create those business opportunities and learn those skills for the long term?

**The Chair:** Mr. Brown, that's all Mr. Dechert's time, but I will let you answer the question.

**Dr. Stephen Brown:** I see what your point is, but I'd like to take one step back and say we're not asking if it's worthwhile to train 1,000 people. We're saying if we have a limited amount of money, where is that money best spent? The answer is not clear that it should be spent with World Vision and Barrick Gold in mining-affected communities.

• (1635)

**Mr. Bob Dechert:** If you can train 1,000 people as opposed to 100 people by going that route—

**The Chair:** That's all the time we have. That ends the round.

We have committee business after this. If there are any other follow-up questions—we don't have a ton of committee business; I would extend it to.... If it's all right with our witnesses, since they're here already, we can ask a couple of questions.

Mr. Dechert, Mr. Dewar has a question, and then if any Conservatives want to follow up....

**Mr. Paul Dewar (Ottawa Centre, NDP):** I'd be interested in following up, because I think we're getting some interesting points of view here and maybe some juxtapositions that are worthy of our committee.

Mr. Dechert was saying why not, you get this benefit when you have this “partnership”. I think one thing that I find interesting is that if the money were spent somewhere else, we would see perhaps similar or better ripple effects. I say that because the money that is going into these partnerships is predicated on having these operations.

This isn't about looking at where we can do the most good; this is where a Canadian company happens to be operating, and that's where the action is and that's where the money goes. I think it's important to note that, because without a context, we're seemingly just talking about looking at the benefits and at the outcomes.

Mr. Brown, you have made some important points on the fundamentals, and the mission, if you will—we'll call it the mission statement of CIDA and what it is supposed to do. I'm not sure if any other country is going down this path, with the exception—Mr. Eyking, I think had it. We're going down the path with China, because China is one-size-fits-all. The mining companies come in, they build the road, and some think that's the way to go.

Maybe it is, but I missed that debate, if we decided to go that route. I think the frustration for many of us is where this is situated within our international obligations. Where is it situated within good, solid development policy?

That's why I think it's important that the government come clean and say they discussed this, debated this, and their source was...fill in the blank.

We haven't heard that. All we've heard is government announcements, and great pictures, and using NGOs that, let's be frank, have been cut. I don't have to mention the list—Kairos and others that have been cut.

What's the game in town? You go to where the money is.

If we go further down this path...and you were right, let's not go too far on it, but we're not talking about all the money at CIDA, I'll grant you that, and you made that distinction.

The concern about this trend—and if you can cite any development policy or frameworks that you're aware of when the government might have come up with this idea, could you please reference them, because I can't.

**Dr. Stephen Brown:** I haven't heard any evidence-based argument that has anything to do with improved effectiveness. I haven't heard any rationale cited, other than blanket statements that this is more effective. I'm not aware of any such studies anywhere that say this is a more effective way to do development.

It is a concerning trend, and I'm happy that you brought up the issue of the de-funding of the NGOs. I see this sort of thing as being linked. I see it as part of a silencing of dissent in Canada. I see it as reducing the role of NGOs in development, whereas Canada has signed all sorts of international agreements and proclaimed that NGOs are development actors in their own right.

If you look at government policy documents, they celebrate NGOs for having knowledge that CIDA doesn't have and for being able to operate where CIDA can't operate or doesn't operate as efficiently. But when it comes down to it, the way the funds are allocated does not value the partnerships and knowledge of NGOs. It's based on government-identified priorities, and that process is very opaque. There aren't discussion documents around that.

It is hard to make comparisons and say that the private sector could do this in Peru and make 1,000 jobs, and that's better than another organization that would make only 100. But which other organization would only make 100? We haven't seen any kind of competition of ideas.

There is a competition process for NGOs. It's also very opaque. But these partnerships with mining companies did not even go through that kind of competition. They were fast-tracked straight to the minister's office. They were given more money than was allocated to NGOs that did go through the official process that has official criteria. That is very worrying.

• (1640)

**Mr. Paul Dewar:** Thank you.

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

We'll move back over to Mr. Williamson.

**Mr. John Williamson:** Professor Brown, you made a comparison with mainland China. Do you agree with it?

**Dr. Stephen Brown:** Which one? Do you mean the bundling of aid and non-aid?

**Mr. John Williamson:** The Canadian policy...and Canadian firms by implication, when they operate overseas, they operate a little differently from Chinese firms.

**Dr. Stephen Brown:** The Canadian government definitely operates differently. Only now, with these kinds of projects, is it doing the kind of bundling—

**Mr. John Williamson:** Let me put it this way. Do you think the strategic objective of Canada is the same as it is in mainland China?

**Dr. Stephen Brown:** I'm sorry, I don't see countries as having one strategic objective.

**Mr. John Williamson:** Just one policy objective of the two countries is similar.

I'm curious to kind of build on this. You throw out mainland China, and with that comes human rights abuses at home and abroad—the exploitation you see. I think it's a stretch to say that Canada is even remotely in that league. I'm just curious about whether you're implying that Canadian firms are going to start to behave like Chinese firms overseas in the way they treat workers and in some of the human rights abuses.

**Dr. Stephen Brown:** That was not at all what I meant or argued. Canada has signed on to and enacted legislation that says that foreign aid is separate from commercial objectives. It's separate from investment, trade, and non-aid. So we separate aid and non-aid instruments. There are certain definitions that must be followed to count foreign aid as ODA, official development assistance.

China doesn't make those distinctions. As Mr. Eyking said, it will provide infrastructure and loans. It will invest and sign a trade agreement. It will purchase natural resources, sign a 20-year contract—all of that bundled into one.

Canada currently officially does not do that. Officially it opposes that kind of activity. But with this kind of partnership with mining activities and a focus on countries where the commercial interests, not the needs, are the greatest, we are moving towards that.

**Mr. John Williamson:** I see. So as Mr. Eyking said, it's more of a slippery slope. But I would argue that's true in any public policy.

It sounds like it's more of a scare tactic than anything else. You're suggesting that if this were to go horribly wrong, it could fail. But I think it was a question my colleague, Mr. Dechert, raised...that with any public policy, when you're trying to achieve better results, there is always a risk.

My last question is this. If it's okay for reputable NGOs to partner with Canadian companies, why is it so bad for the Canadian government to do the same thing? I don't get that. You're suggesting they can do it, but we don't have the skill, the expertise, or, frankly, we're not interested in the value for money that they are.

**Dr. Stephen Brown:** In my closing remarks I mentioned that the Canadian government has many instruments with which it can—and in response to your earlier questions I said it should—partner with Canadian companies.

My main message here is that the use of public funds with private corporations for the goal of development—and by development I mean poverty alleviation and fighting inequality—must be done only with extreme care, and my concern is that the current partnerships

with these mining companies and NGOs do not meet the standard of an effective use of public development funds.

• (1645)

**Mr. John Williamson:** So if we were able to demonstrate that care to you, you would have no problem with the policy?

**Dr. Stephen Brown:** I'm sorry, able to demonstrate what?

**Mr. John Williamson:** The care you just referenced. If we were to show that extreme care you're talking about, you would sign on to the policy?

**Dr. Stephen Brown:** The care, but also that this was a more effective way of using development funds, that they were being used in places that needed it the most, that were based on recipients' needs and not the needs of, for instance, Canadian mining companies to obtain and retain the consent of people negatively affected by the mining companies' operations—

**Mr. John Williamson:** I think that's fair enough. We do have decades of what I would call failed poverty reduction strategies, where, as you just pointed out, money was spent and more money was seen as perhaps producing better results. It didn't do that. Now we're trying to tap into markets, which is a change.

I suppose another question for you...I'm kind of curious—

**The Chair:** Actually, that's all the time you have.

I'm going to turn to Ms. Brown for five minutes.

**Ms. Lois Brown:** Thank you very much, Mr. Chair.

I'm pleased that universities are centres of conflicting thought so that people can explore lots of different ideas.

We had Carlo Dade here, senior fellow, School of International Development and Global Studies, from the same institution as you. Mr. Dade told us, in his comments, that Canada is way far behind in this whole initiative, that actually USAID and the U.K. have been doing this for quite some time and that Canada is very late to the table on this initiative. So it's interesting to have the diversity of discussion.

Mr. Shariff, I'm very interested in your comments about the maximizing of multiplier effects. We often talk about trickle-down effects, and I think that's what you're looking at with some of the initiatives your organization has taken. You talked about economies being interdependent, that one initiative can create a multitude of other impacts. You talked about the mobile phone company and you talked about Roshan.

I'd really like to know more about the agribusiness and the tourism that you talked about in your new business models. How are those creating those ripple effects in the economy that are allowing other people to start their own businesses, for instance? Can you talk about those?

**Mr. Khalil Shariff:** Mr. Chairman, thank you.

I do think that one of the impacts of intelligent and thoughtful private sector activity in the developing world is that it has ripple effects.

I would like to say, though, that I don't think it is an automatic outcome. I think they have to be designed this way. They have to be designed with a development mindset. If designed with a development mindset, there are huge possibilities.

If I take the tourism example, tourism is the sector that employs among the most people in the world. It's a very important sector for the developing world. It also earns hard currency. But you can have a tourism sector that attracts low value-added tourists or you can have one that attracts high value-added tourists.

The Serena hotel chain has tried very hard to establish benchmark-creating investments, to demonstrate that in the developing world, with development world talent, you can create global standard facilities and then attract global standard tourists, business people, and attract a conference market, etc. But if you are to do that, you have to do it in a way that also creates a strong local constituency. You do a lot of work in training, you do a lot of work in backward linkages to all the supply chains that would help a hotel do its business, whether it's food or all the services a hotel needs. All of that, if intelligently designed, can be sourced from local markets.

**Ms. Lois Brown:** May I just interrupt for one moment?

**Mr. Khalil Shariff:** Yes.

**Ms. Lois Brown:** Do you have a hotel in Nairobi, Kenya?

**Mr. Khalil Shariff:** Yes, the Nairobi Serena Hotel.

**Ms. Lois Brown:** I was there. It's an absolutely wonderful hotel.

**Mr. Khalil Shariff:** The other, in Afghanistan, the Kabul Serena Hotel, was an early investment, partly also to try to spur a whole series of other private sector investors in the country at a fragile time.

I think the other requirement is that you have to have long timeframes. I don't think you can run this kind of private enterprise with simply a quarterly earnings mindset. You have to believe you're investing in the long term, and what you're creating is effectively permanent capacity in the country. You also recognize that these are fragile environments, so there's going to be a certain level of volatility.

The right combination of patience and persistence can pay off, I think, if you have the long-term thinking and if you've got the right score card. Profits are essential. You can't do sustainable economic work if you're not able to cover your costs and more. But you also need to be deliberate about identifying other outcomes you're seeking to achieve and measure them. They have to be measurable. I think where we've had enterprises able to do both, we've seen that kind of impact.

The Serena hotel chain now, of course, floats on the public exchanges in east Africa. It's a public company in Kenya. So it's another multiplier effect, because now the actual equity ownership of a firm like that is democratized.

• (1650)

**Ms. Lois Brown:** So the food you're serving in your restaurants, you're buying from local farmers. I understand from my stay there that the Serena Hotel accessed coffee and mangos—my favourite—

from local farmers. That's generating an income for those farmers that is, again, making them independent, self-reliant businesses in the area.

Can you talk about agribusiness a little bit and how that's being impacted by what you're doing?

**The Chair:** That's all the time you have, but go ahead and I'll let you finish.

**Mr. Khalil Shariff:** Obviously, agribusiness is a big area. Again, I don't think it necessarily means large, corporatized farms. I think what we're talking about here is how you can help small-holder farmers aggregate their input in an intelligent way and get value out of it. We're seeing a lot of experiments, and French beans is an example. I've talked about honey, and we're seeing this in cotton in West Africa, in Côte d'Ivoire. We see it in rice and we see it in sesame seed. What it requires is a willing entrepreneur who's able to bring global expertise, which goes back to the issue of knowledge transfer.

I think part of what we require in the developing world is the best knowledge in the world. One of the severest forms of marginalization is marginalization from the global knowledge society, where your knowledge horizon is simply what you've inherited, not what is known in the world. So what does it take for us to be able to bring the best knowledge in management techniques in agribusiness to the developing world? That's the challenge I think we have to confront. If we're not willing to bring global standards of excellence to these issues in the developing world, that is simply to say it's "good enough for Africa" or "good enough for Asia", and we don't think that's tenable.

We think that where Canada has gold standard practices that can be brought to bear, they should be, with a development mindset involved.

**The Chair:** That's what we heard from our guest from Sudan, who said that one issue they have is farmers being able to produce more because of the technology we understand in the west versus what they have. You just reinforced that point.

We're going to move over to Madame Pécelet for five minutes.

[Translation]

**Ms. Ève Pécelet (La Pointe-de-l'Île, NDP):** Thank you, Mr. Chair.

I would like some clarifications. Mr. Shariff, everything you are advocating—helping farms, small farmers and small businesses—is not really the main topic of discussion. We have nothing against microcredit and we encourage it. It develops expertise and that creates wealth, as you said. The point here is about giving out money that belongs to the Canadian taxpayer. Each and every Canadian is giving money to large companies that are already well set up in some countries and are probably already making millions of dollars in profits. That is what we are talking about. We have to make a distinction between giving money to a company that is already well established and already has employees, and giving it to a non-profit organization.

My question is about the redistribution of wealth; both witnesses can answer. If we give international assistance money to a company that is already very profitable, that already hires workers, and that is developing a country's natural resources, do you really think that that will allow wealth to be redistributed? Redistributing profits would be a good way to create wealth around a company.

Does a company extracting natural resources benefit the people? Let us be honest and talk about things as they really are. Does it really benefit the local population, or the company? I am talking here about companies that are set up to make profits, not about your very well respected non-profit organization. So we have to distinguish between a mining company and a non-profit organization.

• (1655)

[English]

**Mr. Khalil Shariff:** Mr. Chairman, let me begin by clarifying the premise of the question, which I appreciate.

My understanding is that the committee is looking at the broad question of the role of the private sector in achieving international development objectives. I think Professor Brown and I have taken different approaches to answering that question. Our answer to that question is based on our experience on the role of private sector in development. We have simply taken the approach to share what we have distilled in half a century of work in this area.

To the very specific question you've asked, it seems to us the important issue is how you can help create an economic dynamic even among the most marginalized populations in the developing world. Without creating some kind of economic dynamic for marginalized communities, they will never have the resources they need to be able to invest in their own futures. I don't think we can ignore that question. I don't think it's the only question we have to look at, but it is a central question that we must address.

There are many different ways we're going to have to look at that. There'll be some very micro kinds of ways we'll look at that. There'll be financial services institutions that we'll look at. We'll look at some major enterprises. All of them, if they have the right developmental mindset, can have an impact among marginalized populations.

The bulk of the committee's discussion today I think has been focused on a very specific issue around natural resources management and mining. I have to say that my own perspective is that it is inescapable that mineral wealth in the developing world is going to be a major driver of the future of these countries. That is not the end of the question; that is the beginning of the question. The issue now is, what supports are we ready to provide the developing world in order to help them manage their natural resources well in a way that will be a force and an engine for national development? That's the question, and I don't think we've got clear answers.

There's a very specific experiment that CIDA is—

**Ms. Ève Pécelet:** I would just like to point out that one of the most important parts of international aid is the creation of political stability in a country that's usually in a crisis. Do you really think that any private sector company would be able to create a political democracy or political stability in a country that's in crisis? Do you really think that a company, such as a hotel or a mining company,

would be able to give that stability to people in a country that is in crisis, that is not a democracy and does not have a judicial system?

We Canadians give funds to our government for international aid to invest in a country to give it stability. Do you really think that would be achieved by the private sector companies that wish to make profits? That's my question.

**The Chair:** That's all the time, but once again, I'll let you finish the question.

**Dr. Stephen Brown:** Can I have a crack at it?

**Mr. Khalil Shariff:** Mr. Chairman, I think our supports to countries are different depending on the situation they're in. I think you're right that in a time of a humanitarian crisis, there are certain things you have to prioritize. At other points in a country's development, you begin to include other kinds of supports.

I think it's our perspective that you need strong governments, but you also need a strong landscape of institutions outside of government, all the private sector, frankly. In our system, we call both the commercial private sector and civil society the private sector. They're outside of government.

We think that a healthy society, one that is resilient against crisis, is one that has robust institutions across all parts of society. That's been our experience, and it's what we experience in Canada.

**Mme Ève Pécelet:** Can we get a little bit of—

**The Chair:** Mr. Brown, do you have a quick response to that?

[Translation]

**Mr. Stephen Brown:** You are asking a question about the operations and about who is going to benefit from this kind of support. If you look at the website for the IAMGOLD project in Burkina Faso, you see it clearly. It says there that training the workers will, in part, benefit the mining companies.

When I met with the vice-president of IAMGOLD, he told me that this was incorrect. He told me that the industry was not going to directly benefit from the training. Then I read in the *Globe and Mail* that IAMGOLD was going to hire 500 trainees. So you can see that there is a direct link. My conclusion is that, if IAMGOLD, or any other mining company, needed workers, the company would have paid for the workers to be trained.

Now, CIDA and the Canadian taxpayer are going to be paying for the training on behalf of a private company. In addition, IAMGOLD people have confirmed to me that, if, when developing a mine, they destroy a forest, the company is required to reforest the exact same area. That is all part of the calculations, even before reinvestment agreements are signed.

That being the case, why should CIDA subsidize the reforestation since the private company is required to do so. Is that not a form of subsidy?

• (1700)

[English]

**The Chair:** Thank you very much. We're all done here, but Mr. Eyking, did you have one quick question before we wrap up?



**Hon. Mark Eyking:** My question is this, I guess. There's a surreal thing that's happened to our international aid. In the last six months we've had 100 NGOs thrown under the bus because they didn't have the same ideology as the Conservatives. What happens now is that we have so many winners, a handful of winners...whether they have the inside track or they had the ideology to get what they want—and many of them are in Quebec. All of these NGOs are sitting back with people who are donating to them, all of these volunteers, and you have all these recipients, villages in countries out there needing their help. What do they do? Do they sit back and say, “In order for us to join this Conservative train, are we going to have to find a company to come join us so we can get the credibility to somehow get to the PMO to get signed up?”

Do you think these NGOs are going to have to change the way they do things, or are they just going to have to get out of the business?

**Dr. Stephen Brown:** I agree with you. NGOs are being pushed into the arms of mining companies if CIDA is cutting off their funds. They're cutting off their funds if they critique mining or natural

resource exploitation in Canada and abroad. We've seen a pattern that those are very often the ones that are being cut off. We've seen a silencing of NGOs in response to the recent budget cuts. Only Oxfam and CCIC publicly objected—and this is very surprising—to the fact that the development budget was being cut.

So yes, they're being deprived of public funds, and the message they're getting—even if that isn't on the CIDA website—is that if they want to get money, they'd better stop criticizing the Canadian government, and it would be helpful for them to partner with Canadian multinational corporations.

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

That's all the time we have. I want to thank Mr. Brown and Mr. Shariff for providing some great discussion here today amongst all the members.

Thank you very much for being here. I'm going to suspend the meeting so we can clear the room and go in camera. Thank you.

*[Proceedings continue in camera]*

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