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Chair

Mr. Dean Allison

Standing Committee on Foreign Affairs and International Development

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● (0850)

[*English*]

The Chair (Mr. Dean Allison (Niagara West—Glanbrook, CPC)): Welcome everybody. Pursuant to Standing Order 108(2), we're studying the role of the private sector in achieving Canada's international development interests.

I see a hand that's been raised.

Madame Laverdière.

Ms. Hélène Laverdière (Laurier—Sainte-Marie, NDP): Yes. Thank you very much, Mr. Chair. Having given notice, I would like to make a point of order and read to the committee the following motion.

Mr. Mike Wallace (Burlington, CPC): Mr. Chair, on a point of order, you have committee business on this agenda. So doesn't that give—.

Ms. Hélène Laverdière: No, but I would like to present the motion now, having given notice. The motion reads, "That the committee devote at least one public session"—

Mr. Mike Wallace: On a point of order, Mr. Chair, is she entitled to do that?

The Chair: Hold on one second. I'll let you read the motion, but we'll deal with this in committee business, right?

Mr. Mike Wallace: Is this committee business?

Ms. Hélène Laverdière: I want to present the motion.

Mr. Mike Wallace: I don't care if you want to; the rules are that you can't.

The agenda says, Mr. Chair, there's committee business. If she wants to present the motion, I'll move that we go in camera. All committee business is done in camera.

Ms. Hélène Laverdière: I'm sorry, Mr. Chair. I can agree to discuss it under committee business, but my understanding, especially after having given notice, is that I'm fully entitled to read the motion now for the record.

The Chair: I'm going to let you read the motion into the record, and then we'll have to defer it to committee business. Go ahead, read the motion.

Ms. Hélène Laverdière: Okay. It reads:

> That the Committee devote at least one public session to study Canada's position at the United Nations Arms Control Treaty negotiations scheduled for February 2012; that such a meeting or meetings take place before the winter adjournment in order that it precede these negotiations; that witnesses to be invited to appear at this meeting include representatives from the organization Control Arms Coalition as well as the Department of Foreign Affairs; and that the Committee's findings be reported to the House of Commons before the winter adjournment.

I have the French translation here.

The Chair: Okay. So we'll set that aside until we deal with committee business later on.

Thank you very much.

Going back to our projected order of business here, I want to welcome Cameron Brohman, president and co-founder of the Bandaid Project.

Sorry?

Mr. Cameron Brohman (President and Co-Founder, Brandaid Project): Brandaid.

The Chair: Brandaid. Did I say Bandaid? Sorry about that. It's the Brandaid Project.

Thank you very much for being here this morning, and we'll just hear from you in a second.

From Results Canada—no stranger to our committee—I welcome back Jean-François Tardif. Congratulations on your new role. I guess you're appearing before us for the first time as the executive director. Congratulations on that. And Katy Wright is also here. So thank you very much.

I'm going to start over here on this side. My bad for calling you Bandaid Project.

Welcome, sir. Let's hear all about your project. You've got 10 minutes. Then we'll hear from Results, and then we'll go to questions.

Thank you.

Mr. Cameron Brohman: I'd just like to give you a little of my background and how Brandaid Project came into existence.

I have spent the past 25 years working in the developing world, mostly in Haiti, on a number of mostly not-for-profit NGO sector projects. During that time, I noticed that poverty wasn't improving with the usual models of philanthropy and aid. In 2009, I founded a company called Brandaid Project. The other co-founder is the president of JWT Canada, a branch of the largest advertising agency in the world.

The Brandaid Project came into being from my observations that poverty needed marketing. It needs a lot of things, but it certainly needs marketing. Brandaid Project is a company that brings the high-powered marketing assets of Madison Avenue—big business advertising and marketing—to bear on the production export problems that producers have in the developing world.

We modelled the company in Haiti on a Haitian matrix, but it has replication in many other countries. We belong to the UNESCO's Global Alliance project, sharing best practice in the creative Industries, and intend to take the model that we created in Haiti to the 60 least-developed countries.

I will give you a brief history of what the Brandaid Project has accomplished in its brief time. We launched the company publicly in 2009 with two major events in the United States, sponsored by *Vanity Fair* magazine and Dior. This is very much in keeping with what the Brandaid Project does. We bring large corporate sponsorship interests and expertise in marketing into partnership with small and medium enterprise producers in the developing world. In this case, it's Haiti.

One of these two events was launched during Oscar week in Los Angeles, and the other during fashion week with Diane von Furstenberg in New York. We created collections of home decor products, and we showed those products in these two venues, with corporate celebrity and business guests in attendance. The model is intended to create marketing opportunities for small, otherwise anonymous, producers in developing countries. This went very well.

Then, the earthquake happened. Brandaid Project was about to become a UNESCO vehicle for this model to work in the 60 least developed countries. When the earthquake happened in Haiti, we decided, for company and personal reasons, to focus our attention in 2010 on Haiti. That's what we did.

What we did exactly was to look for purchase orders for the producers we had been working with. The purchase orders we found were with Macy's department store chain in the United States. Macy's is a 900-store chain. We brought Macy's buyers and designers to Haiti. They intervened with Haitian artisan producers in the home decor line, and produced 18,000 units of product in about six to seven weeks, three months after the earthquake, and during hurricane season. These products were finished and exported to the Macy's warehouse in New York, and events were convened by Macy's in 25 flagship stores.

This led to a purchase order in excess of $200,000. While we didn't do a baseline study on this particular project, we could see that this money and the portions of it that went directly back to these producers improved their lives substantially. It also created a brand called Heart of Haiti, which continues to be sold in Macy's stores, and is, in fact, expanding into more of their stores.

The Macy's order taught us many things. One is that there is a certain price point at which small producers in emerging economies can make money, and there is a certain price point beyond which it becomes a question of diminishing returns. Due to that Macy's order, Brandaid Project and Macy's received a good deal of media coverage in the United States as well as Canada. In fact, the story made it onto the front page of *The Globe and Mail*, where Minister Bev Oda saw what Brandaid was doing and noticed that it was a Canadian company—but mostly activated in the United States. We were contacted. We already had a proposal in with CIDA to launch several brands from Haiti. We felt that it was time to scale our model up, and that we could do a lot more with more resources.

● (0855)

The proposal that we had in with CIDA was subsequently approved, and for the last six months we have now been operating on a TFO CIDA grant project to launch 10 brands into the global market from Haiti. Four of these brands are community artisan brands. The other six are small to medium enterprises. That is to say, they are small to medium sized factories. The product line is home decor and home furnishings.

I'll bring you right up to date, and then I think that will be the 10 minutes.

This has led us to make some direct sales calls in Canada. We have subsequently acquired The Bay—The Hudson's Bay Company—as a customer. They're going to launch an integrated program based on the Brandaid project model sometime in 2012—I think in spring 2012. I just returned from London, England, the night before yesterday, where we had meetings with Selfridges, one of the biggest department stores in Great Britain. They have also agreed to an integrated program, which they're going to launch during design week next September in London. We also have secured a contract with Cirque du Soleil for product from Haiti, and for deeper collaboration with Haitian artisan communities.

That's our activity to date. I think things are going well with this CIDA contract. It runs through to 2013, and the commitment is that Brandaid Project will create a dollar number of export value for products from Haiti for these 10 brands. I won't give you the figure, because it hasn't been ultimately decided. So we're working hard to make that come true.

I think that's enough background. I'm happy to relinquish the floor, take questions, and whatever.

The Chair: Thank you very much.

I'm sure there'll be lots of questions for you during the round. We're going to move over to Results Canada.

Mr. Tardif, the floor is yours.

Mr. Jean-François Tardif (Executive Director, Results Canada): Thank you very much.

[*Translation*]

Mr. Chairman, I thank you for giving us the opportunity to present our organization's point of view this morning on the important topic of the role of the private sector in international development.

I have the honour to represent Results Canada. Our organization is devoted to fostering the political will needed to eliminate abject poverty on our planet. We are part of an international network of like-minded organizations that are all independent, but have the same general objective.

Our organization is non-partisan and has no religious or ideological ties. Somewhat like the private sector, our organization seeks to identify and promote the most cost effective solutions to poverty. We are interested in solutions that save lives and give families the opportunity to create a small source of stable income.

[*English*]

So if we look at the private sector, the first thing that must be said is that the private sector's mission is profit, and it's a legal duty of the board of directors to actually uphold that mission of profit. So there's no room for purely altruistic missions. However, investment in social issues can be useful for branding purposes. That's important, of course, from a private sector perspective to attract customers, to perhaps get better conditions from certain suppliers, to attract employees who are looking for more meaningful work or work-places, to attract investors—especially socially conscious inves-tors—or perhaps to get more cooperation from local government.

So there is a place where the realities of both the public interest and the private interest can actually meet. But economic theory teaches us that the public sector is better equipped to create public goods, especially things like good health on a planet that is free of infectious disease, or good education levels that all benefit from. In those areas of public goods, the private sector really plays a complementary role.

The same economic theory shows us that the private sector is probably better equipped to do the actual process of wealth creation, whereas government plays more of a supporting role, establishing the necessary operating and background regulatory framework.

With your permission I'm going to look at those two areas, social development and wealth creation, and specifically at two subsets of those. One is micro-enterprise development, where the private sector has the lead; and the other one is infectious diseases, where the private sector has a complementary role and the public sector has the lead.

Let me start with micro-enterprise development. In the developing world, most of the population is not employed by formal businesses or by government. There are just no jobs to go around, so the population has to offer its labour for casual work or has to be self-employed. In this context, of course, the development of microfinance has had a tremendous impact on the very poor over the past 30 years, given the demand for that self-employment opportunity by those populations.

● (0900)

[*Translation*]

When we talk about microfinance, what do we mean?

Essentially, we are talking about very small loans granted to very poor people who want to start up a business. These loans are generally granted at business interest rates. Moreover, experience has shown that the rate of reimbursement is often above 90%.

The microcredit movement was founded by Professor Yunus. This won him the Nobel Peace Prize a few years ago. What are the results of that movement?

Today, 138 million very poor women have access to credit, whereas only 8 million people had access to microcredit when Results Canada launched the Microcredit Summit in 1997. So we have seen phenomenal growth.

Does this mean there are no challenges? No, there are challenges and they are of some magnitude. First of all, we have to reach the poorest of the poor. Too often, those who are not as poor are at the head of the line to obtain a loan, whereas the poorest people, those who are marginalized, are excluded from the microcredit expansion efforts. And yet, it is by reaching the poorest ones that we further development.

The second challenge is that we have to ensure that the poorest people do indeed get out of poverty. It is not enough to see if the loans are reimbursed. We also must ensure that the microbusiness generates profits on a regular basis.

The study of the social impact of microcredit is fundamental, and that is precisely one of the things that public agencies like CIDA should fund.

[*English*]

Now, what is the role of the private sector in micro-enterprise development?

First of all, microfinance in and of itself is almost exclusively a private sector led endeavour. Very few government-owned entities do microfinance. It can be private sector for profit, or not for profit. Both systems exist, but what is important is that profit not trump the social mission of the microcredit provider.

This is a difficult line of demarcation to trace. There's been a big debate, for instance, in the case of Compartamous Banco, a microfinance provider in Mexico, which was and still is offering loans carrying an interest rate of over 90% per year. Of course that is high, but at the same time this microfinance provider is present in virtually every impoverished community of Mexico, and serves mainly women, with very small loans, and their rate of penetration is unparalleled. So it's difficult to give a hasty judgment on that. It's a subject of controversy and probably further discussion.

When you go about operating a microfinance institution, of course you are in the private sector, but the private sector can also assist microcredit providers in various manners. First of all, they can provide the capital that is required for onlending. Actually, this is an area that public authorities are not good at; they don't have instruments. CIDA does not have instruments for providing capital for onlending. It's good at providing technical assistance, but for the actual capital loaned to micro-enterprises or micro-entrepreneurs, that's a good place to go.

One of the areas that capital can come from is from Canadians. Canadians, as very few people know, have an opportunity to invest in micro-enterprise in the developing world through RRSP-eligible organizations like the Canadian Worker Co-operative Federation, through Oikocredit, which is one of the big microfinance providers in the world.

Another example of a private sector contribution is technical assistance for microfinance. An illustration is Développement international Desjardins. They provide support and capacity-building for le Réseau des coopératives des caisses populaires in Burkina Faso, which in turn collects savings from those who are not so poor in Burkina Faso. With those savings, it lends to very poor peasants through a network called Caisses Villageoises. So it's very much a win-win, a big success story.

Beyond this general technical assistance, the private sector can also provide very specific assistance of a specialized nature, for instance, accounting software apps for smart phones for people who actually go into the villages and collect savings or offer credit and things like that.

It is really important to understand the complementary role that the financial sector can play here, in addition to all of this. The formal financial sector can assist graduating clients from the microfinance world to actually move into the formal finance world. For instance, Scotiabank in Central and South America has various programs, with average business loan sizes of $2,000 to $3,000, which are actually ideal for clients who have successfully grown their micro-enterprises from nothing to almost market size with loans of $200, $300, $800. Then they can graduate to the formal sector.

Beyond microfinance itself is the world of micro-insurance, which I want to speak about perhaps a bit later.

Before I finish, I want to make sure I speak about two important alliances that show the role that the private sector can now play in a complementary fashion with public efforts in the world of public health. The Global Alliance for Vaccines and Immunization, called the GAVI Alliance, is a perfect example of that partnership between public and private interests. The alliance brings together a wide range of partners: its donors, developing countries, governments, and also pharmaceutical companies, civil society organizations, and private foundations. All these people have a common goal of providing cheap immunization to the developing world.

● (0905)

What the alliance does is this. It really reinforces and strengthens existing systems on all levels. Here it is also worth underlining a very specific private sector initiative of the Government of Canada, the advanced market commitment for pneumococcal vaccines that made vaccines affordable to millions of children worldwide. What the Government of Canada did was this. It actually provided a guarantee to those pharmaceutical companies that were willing to provide vaccines at a cheap cost around the world. That drove the cost of the pneumococcal vaccine to 5% of its original U.S. market price.

Let me just finish by talking about the global fund, which, since its inception a decade ago, has basically brought together private sector businesses, corporations, business federations, etc., with the public sector and civil society in a huge alliance to fight the pandemics of tuberculosis, malaria, and AIDS. The private sector contributed, for instance, $182 million to that partnership in 2008. The most famous examples are consumer marketing initiatives like RED, which, through co-branding with partners like American Express, Nike, Apple, Starbucks, etc., have raised more than $150 million U.S. to fight AIDS in Rwanda, Ghana, Lesotho, and Swaziland.

I could also speak later about initiatives in the banking sector, where Canada has some strength, and also the mining sector.

● (0910)

[*Translation*]

In summary, for Results Canada, it is clear that the private sector can play a paramount role in economic development, in particular in the microfinance sector.

Moreover, the private sector can also play an important accessory role with regard to health, in particular as concerns immunization and prevention, in the context of the fight against widespread pandemics.

There only remains to thank you for this opportunity to present our viewpoint. Thank you.

[*English*]

Thank you very much, Mr. President.

The Chair: Thank you very much.

We're going to start with our first round over here, with Ms. Sims, for seven minutes, please.

Ms. Jinny Jogindera Sims (Newton—North Delta, NDP): Thank you very much.

First of all, I want to thank you for coming before us today and making your presentations. They are very informative. I've learned a lot about Brandaid today, and I didn't know too much about the work you did, so I want to thank you for that.

I also want to acknowledge the work your organization does. I had the pleasure of attending your conference with your volunteers along with my colleague Dean a few weeks ago. I was so impressed by the commitment of your volunteers who came from right across this huge country and were willing to give up their weekend to do the important work your organization does. Not only that, but I also have to commend you for doing what must have been an amazing job with them, because their lobbying sessions with the MPs that followed your conference were really very focused and very good.

We're here today to talk about microfinance, our foreign aid, and the role of the private sector, but I also want to talk a little bit about the fact that a lot of your campaigns are centred on the Global Fund to Fight AIDS, Tuberculosis and Malaria. I met with your groups that came around and really appreciated the fact you did it zonally, because the people who came around to meet with me were from Vancouver Island and the Vancouver area. So I could actually relate to the work back there, and we could have a connection that way.

The work you're doing in the area of AIDS, malaria, and tuberculosis is absolutely amazing. Since being on the Hill, I've learned a lot more about tuberculosis and its connections and impact than I knew before. The global fund saves millions of lives. We know that. But it is going through a very difficult time right now. I've been looking through the newspapers, seeing some of the headlines saying that the global fund for world health is halting new programs and beginning to scale back even on some of the programs it does.

I have to commend the Canadian government for its very generous pledge to the fund. We know that in your own communications recently, you actually said:

> Tell Canada's Government that you support a bold pledge for the global fund that will support cost-effective programs that save lives from these deadly infectious diseases.

You've acknowledged that in your communications.

However, when I start digging into this, I'm getting a little bit concerned about the programs that are being cut and the programs that are not being started. Really, from the information I've been able to gather, even though we have pledged what I would say is a good amount of money, I'm not sure how much of it has actually been given to global fund. The last time I looked at the website, I saw that we hadn't transferred any money over yet. My fear is that we're putting lives at risk, if the global fund is in that kind of a critical condition.

So what is your sense—

● (0915)

Ms. Lois Brown (Newmarket—Aurora, CPC): On a point of order, Mr. Chair, just so that it's on the record, Canada has transferred all of its committed money to date. Our next payment is not due until into the new year, so our commitment to the global fund is up to date at this point in time, and we will continue to make good on the commitments we've made. I just want that on the record.

The Chair: I'm not sure that's a point of order, but anyway, we'll go back to Ms. Sims.

Ms. Lois Brown: Absolutely, it is.

Ms. Jinny Jogindera Sims: Thank you very much for that clarification. The website maybe hasn't caught up yet. It isn't up there, so that's why I was going down that road. I am pleased that the money has gone and that the next amount of money is coming in the new year.

Have you had conversations with CIDA about this, and what has been your information?

Mr. Jean-François Tardif: I'm happy to see that we share the same enthusiasm about the effectiveness of the global fund against AIDS, TB, and malaria, and perhaps share the same concerns around the table about the fact that the global fund could receive more funding and do more really extraordinary miracles in saving lives and protecting against those infections.

The concern is that there will be no further new programs at the current level of funding. That's why the head of UNAIDS has recently declared that there's a need for an emergency funding session for the global fund. But of course we have to salute the fact that an increase was pledged by the Government of Canada. The issue of the cashflow is critical. Pledging is important, but actual money in the bank is what matters at the end of the day.

When we met with the CIDA director general responsible for the payment, he assured us that it would happen before December 31 of the current year. I have not received any further information on whether it has happened or not The website of the global fund is updated only once a month. So we are assured that it should have happened or will be happening in the next few days. We have been following up and have not received confirmation yet. That's where we are.

Ms. Jinny Jogindera Sims: Thank you.

The good news for us today is that my colleague across the way has shared with us that the transfer of funds has taken place, and there's just a lag in the reporting. The funds are there.

I thought you did an excellent job of presenting the roles of the public and private sectors and how they can be complementary. Though we realize the critical role the private sector can play, do you still see a major role for the public sector as we do our international development work?

The Chair: Jean, we have about 30 seconds.

Mr. Jean-François Tardif: Payments are really important, and if further payments can be front-loaded, that would make a huge difference.

The public sector is fundamental, and we in Canada know this. We like our public health and education institutions, and I think they would be the things to export to the rest of the world.

Ms. Jinny Jogindera Sims: Thank you.

The Chair: That was very well done—right on time.

We'll start with Ms. Brown and then move to Ms. Grewal.

Ms. Lois Brown: Thank you, Mr. Chair.

Just for the record again, I really want to clear up the issue of the global fund. Canada increased its commitment to the global fund recently. We have been up-to-date on all of our commitments. The call needs to go out to other global fund donors to ensure that they participate in the same way Canada has.

On the issue of payment, I hesitate to say this, but the reality is that we had debate in the House on the estimates. The estimates were held up in Finance by considerable argument, shall we say. We were anxious to see them go through, but the government cannot spend money until the estimates have been passed by Parliament. We were beholden to the opposition members to participate in getting those estimates passed so we could continue to spend the money Canada has committed.

As far as front-loading, it has to be recognized that the government needs to have its own revenue stream. Our commitments to the global fund, along with any other commitments we have made, are part of the estimates we have to pass in the House of Commons. So when those quarterly estimates come up, it is important that our opposition members understand they are part of the process of getting that money into the hands of those to whom we have made those commitments. I think it's important that the public understand that part of this puzzle.

I am turning this back to my colleague now. I needed to put that on the record.

● (0920)

The Chair: Thank you.

Mrs. Nina Grewal (Fleetwood—Port Kells, CPC): Thank you very much, Mr. Chair, and thank you very much to our witnesses for their time and presentations.

Mr. Brohman, what kinds of challenges does Brandaid face in developing countries with regard to the regulatory, governance, and security environment and available infrastructure?

Mr. Cameron Brohman: First, could I make one point that I think is relevant? Here's a book called *Brand Aid: Shopping Well to Save the World*. It's not about my company; it's about brand aid. It's highly critical of Product Red and the global fund. I'd highly recommend it to everybody who's interested in this debate and this issue.

I can answer your questions now. The kind of problems we face in developing nations, especially Haiti, with regard to infrastructure are very complex and don't seem to be improving. With infrastructure that helps producers, especially small producers, get their products to market, you face several obstacles, from no road for getting get your product into the capital and to the airport, to regulatory practices that simply make it so complicated to export product that an artisan or a small producer in a country like this wouldn't even attempt it on their own.

Brandaid Project sees a business opportunity here to partner with small producers in developing countries and to give them the kinds of resources and know-how and savvy of the global market that they simply don't have. That partnership works very well.

One assumption we made that I think we have to revisit is that, after a year or two of this, of course they'll know how to do this themselves. The great example of fantasy thinking was that when the Internet came along and e-commerce, this would automatically transform the global economy of small producers. They would all become their own marketers; they would all have access to global markets. Nothing like this happened.

The IDRC, the International Development Research Centre, did a landmark study a number of years ago on e-commerce and its effect on small producers. It concluded that less than 5% of market potential for small producers had been reached in the e-commerce revolution. It's an intricate subject but it speaks to the need for professional branding and marketing.

Last year, $500 billion was spent on advertising globally—just on advertising, not including marketing. To give you an idea of how big that is, in a good year, maybe $35 billion is spent on making movies, and we know how big an industry that is. Advertising creates a kind of soup that we don't even understand. It's like explaining water to fish. We're in it so much that we can't even acknowledge its presence. The vast majority of small producers in developing nations are completely excluded from this necessity, if they want to sell into the global market.

Brandaid Project came into existence based on two very solid beliefs. One is that global poverty is a business opportunity. For some people it can be a moral obligation to display their charitable nature, but it's really a business opportunity. Properly approached it can make money for business, including small, medium, large, and multinational businesses. The other very strong belief of Brandaid is that to solve infrastructure problems—all of these problems—takes business. Business is invented to create prosperity where poverty used to be, and only business can do this.

I don't know if that helps.

● (0925)

Mrs. Nina Grewal: Yes, that helps a lot.

My other question goes to each one of you. Please tell us, does the private sector need to be playing a bigger role in development efforts and why?

The Chair: You have 45 seconds to answer that.

Mr. Jean-François Tardif: We're all in favour of the private sector. Indeed, we hope there'll be private sector participation in the global fund that we mentioned just a minute ago, because it's important. Right now we only have money for the standstill. We'll need further contributions from donors and also the private sector, if you want to scale up the fight against those pandemics. Of course, the delivery on the ground is also important. So yes, indeed, we need more private sector participation.

The Chair: Thank you very much.

I'll turn it over to Mr. LeBlanc.

Hon. Dominic LeBlanc (Beauséjour, Lib.): Thank you, Mr. Chairman.

Thank you to the witnesses for coming this morning and for making your presentations, which I think all of us find very interesting and worthwhile.

I had three specific questions, and one, to Mr. Brohman,

[*Translation*]

and two for Mr. Tardif.

[*English*]

I find the concept of Brandaid very interesting. I certainly share a lot of what you said on the importance of taking things that, to us, might seem basic private sector advertising and marketing principles and opening the door for developing economies and local artisans to a path they wouldn't have dreamed of being able to touch. Done properly, it can have great effects for them.

You talked about some obstacles. Haiti, perhaps, is an example of a place where you're very active. I'm curious to see what other projects, complementary to Haiti, you might look at. You talked about infrastructure and other obstacles. My experience in some of these developing countries is that the government bureaucracies can be riddled with corruption. For someone trying to get a container full of home furnishings to Macy's from the port in Port-au-Prince, it's not as simple as arriving with a truck and loading it onto a boat. There must be endless bureaucratic obstacles, some of which open an opportunity for corruption.

I wonder whether that is the case and what you can offer as help to those artisans who would be victimized by local bureaucracies, police, and other businesses. The whole chain of getting product to market leaves them very vulnerable, I would think, to predators along the way. I'd be curious to hear about that.

[*Translation*]

Mr. Tardif, I'm going to ask all of my questions one after the other, and perhaps I will have time then to hear your answers.

You said two things that really got my interest, specifically that Canada has certain assets as well as a certain leadership in the financial and mining sectors. You ran out of time to give us more details on that. I would like to hear more.

[*English*]

The other interesting thing you said when you were talking about micro-credit is that profit must not trump the social objectives. You began by saying that one of the important elements of business—and this was Mr. Brohman's take on it—was profit, and that we had to recognize that.

I'm wondering how you propose to balance those two. I'm not disagreeing with you, but I'd like you to expand on that, because this may be the crux. Hearing of a 90% interest rate, we all reacted. It seems appalling. Mom Boucher and the Hell's Angels might operate that way; you don't think of it as some social objective. But you came close to saying that there may be a social objective to that kind of loansharking. I'm curious to hear you expand on that.

Thank you.

Mr. Cameron Brohman: Infrastructure is a problem everywhere. As to your reference to corruption, we regard that as being a different system. We don't call it corruption; it's simply a different system, a different way of doing business. It has to be understood that way and it has to be approached that way.

In terms of getting product out of countries like Haiti, it's not so difficult. Getting containers into the country is where money is made, on import duties and customs duties. That is usually where things are held up to ransom.

● (0930)

Hon. Dominic LeBlanc: So in your experience, some local artisan who may be achieving some economic success because of the work of Brandaid and your partners hasn't yet been vulnerable to predators on the road from his micro-factory or artisan workshop to the port and onto the boat?

Mr. Cameron Brohman: Not so much. It's mostly with imports coming into the country that extortion takes place. As I said, it has to be approached as a different system. You just have to understand it differently and deal with it appropriately.

Hon. Dominic LeBlanc: So instead of an excise duty or something, what you're saying is that it's a different way that some people may pay what we would otherwise regard as charges.

Mr. Cameron Brohman: Or as taxes.

Hon. Dominic LeBlanc: These are informal taxes that don't often end up in a consolidated revenue fund.

Mr. Cameron Brohman: That's right. But it does redistribute wealth.

Hon. Dominic LeBlanc: It also concentrates it in the hands of people we would view as criminals.

I'm teasing you.

[*Translation*]

Thank you very much.

Mr. Tardif?

Mr. Jean-François Tardif: Let's talk about the financial and mining sectors. These are sectors in which Canada has a comparative advantage. Indeed, banks are more important, and the mining sector is very present both in Canada and elsewhere in the world.

I would like to give you two examples. These are not Canadian examples, but Canada could easily emulate them. First of all, in Ghana, in Africa, the AngloGold Ashanti company submitted a proposal to the Global Fund to Fight Aids, Tuberculosis and Malaria, and received funds to launch a project. This project was very successful. The company itself provided over $1.7 million in equipment, expertise and infrastructure over the five years of the program. So that is one example where the private sector really played a leadership role.

Then, in the banking sector, the Standard Bank of South Africa concluded an agreement to provide free financial training to those who received money from the Global Fund to Fight AIDS, Tuberculosis and Malaria, so that they would know how to manage the funds, etc. The bank provided this financial and accounting training. It's a very simple thing, but one that has a very practical and useful impact in the field. So those are the two examples I wanted to bring to your attention.

There are two things to underscore with regard to the 90% rate. We are in favour of profit, but not excessive profit. The 90% rate is very high. However, two weeks ago, I spoke to Mexican representatives of the non-profit sector who were present at the fifth Global Microcredit Summit in Spain. I asked them how much interest they charge, and they replied that they too asked for 90%. The private sector and the non-profit sector were asking for the same amount.

I should also mention that we accept profit essentially to ensure the continued survival of the undertaking, its financial viability, and not to enrich the investors, as Muhammad Yunus has pointed out himself. This allows the business to meet its costs. We have a very clear example of that outside the field of microcredit, in the association between the Grameen Bank and the Danone Yogurt company in Bangladesh. This association has allowed them to provide very low-cost yogurt everywhere in Bangladesh. This yogurt contains nutritional supplements, micronutrients aimed at raising the level of nutrition in Bangladesh. This was done so as to cover all of the costs of expansion throughout Bangladesh without repaying the investors. This is what is known as social enterprise. I think it is an important model if the private sector is to contribute to international development.

[*English*]

The Chair: Thank you very much.

We'll move to the second round now, for five minutes of questions and answers.

Ms. Brown.

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

And thank you very much to the witnesses.

Mr. Brohman, you made the comment recently that global poverty is a business opportunity, and to solve problems you need business. Personally I would concur with that. I think there are great opportunities there for the taking.

I've had the opportunity to do some travelling in emerging economies. I was actually in Bangladesh with Results Canada when Katy Wright was leading that delegation, and I learned a great deal.

I had the opportunity to spend an hour with Muhammad Yunus. And I would encourage members of this committee to read his book, *Banker to the Poor*. It's not altruistic. Grameen Bank and BRAC Bank are competitors in that society, in the same way that Royal Bank and Bank of Montreal compete here. They are quite upfront with the fact they charge a 20% flat rate for interest, so it is a profit making organization. It's a bank that offers banking services, insurance, cell phones—everything is with the bank.

My question is what role do you see microfinance having? Is there an opportunity there that is going to generate employment and create profits for the business to encourage those businesses to stay sustainable?

I'd also like to ask, with regard to these jobs that have been created through Brandaid, what the employment rate is. What are the lifestyle results from the employment? Is it making changes for families who now have profit to perhaps spend on education or better living conditions or health care?

Can you give us some observations there?

● (0935)

Mr. Cameron Brohman: As far as microfinance is concerned, I've seen a lot of microfinance up close and, certainly, artisans tell us all the time that they're not going to borrow any money unless they have a purchase order. They're not going to go into debt unless they know they can repay that money, because they and their families will simply get further behind.

I think one very important thing to remember is that, just as in our society, you can go out and get a bank loan and do business, but if you can't sell your products and get them to market, you'll end up in debt and be worse off than ever. For us, this points to the fact that along with microfinance—especially for producers who have a product that can find its way into export markets—they need micromarketing as well. Micromarketing is something that Brandaid Project has basically invented, and we're developing that practice.

I forget the second part of what you wanted to understand.

Ms. Lois Brown: It was about the employment it's creating and how that is changing lifestyles for the Haitian people you are involved with.

Mr. Cameron Brohman: Let me try to explain the importance of branding, because I think it's often something that we take for granted in our society. It's a word we only assume we know the meaning of.

In an emerging economy context, branding is crucial, because it refers to the issue of intellectual property. I can give you the on-the-ground example in Haiti of Donna Karan, the DKNY brand, a huge global brand. Donna Karan went to Haiti, as Macy's did, and began doing business with very small producers, atelier-level producers, micro-entrepreneurs, or one person who perhaps had three to five employees. What they did, of course, was simply revert to business as usual with large players coming in to small economies and taking advantage of the desperation of those small players' need for any kind of purchase order. So what they did was buy product, had product produced under the Donna Karan brand, or under the Macy's brand....

Brand is something that captures value. That's why people have brands. That's why if you put Nestlé's brand or Tim Hortons' brand on your doughnuts, you will get sued by many, many lawyers and lose a lot of money. The brand protects value. It does the same thing with micro-producers. I'd like to quote a study done by Light Years IP, a major organization in Washington, D.C., which did this work in West Africa. They studied the effect of big branding on small producers in the coffee industry and, I think, in the cacao industry in West Africa. What this study concluded was that small producers were retaining less than 3% of the value at the source, because they sell their coffee to Nestlé, the biggest coffee buyer on earth, and the Nestlé brand captures that value.

This has led to some very interesting developments. Divine Chocolate is a product that was created in partnership with some Europeans and 20,000 cocoa farmers in Ghana in West Africa. Prior to this brand coming into the market, those 20,000 cocoa farmers sold their chocolate to Hershey's. Hershey's has a brand, so Hershey's made the money. Hershey's was then setting the price for cacao, and that was getting lower every year to the point where, like in the coffee business, farmers were harvesting their cacao and losing money, because they had no control over the value chain. They couldn't capture any value at source.

Divine Chocolate came along, a brand that is a 50-50 partnership between some very smart European marketers and the farmers themselves, a co-op of 20,000 cocoa farmers, and they created their own brand. They took it to market. It's highly successful in Europe, and that value returns to the owners of the brand, the cocoa farmers.

This is what Brandaid Project practises. The baseline studies that we've completed for this CIDA project are for four communities, and they're baseline studies at the front end of this project. What we intend to demonstrate is that when we create brands that protect the intellectual property—in this case, designs that artisans originate for products—those products will go into the market under a brand name that those artisans own, and the value captured at source will be something like 20% to 25%. Currently, as I said, it's less than 3%. In some cases it's less than 1%. Of products that are exported, five to ten cents of every dollar stays in Haiti—and that goes for apparel, commodities, mangos, coffee, everything.

So branding is crucial to capture value, and it's crucial also to security in the market and market share.

Am I making myself understood?

● (0940)

The Chair: That's good. I'd love to hear more on this, but we're out of time. They're all good discussions.

I'll move over to Ms. Sims for five minutes.

Ms. Jinny Jogindera Sims: I'll be passing over to Hélène soon.

One of the things that's very clear out in the real world and in this room is that the global fund is hurting, and as a result it isn't able to do its work. Canada made the commitment a year ago, and I think there was an expectation on the part of the global fund that it would be getting money each year. I know that the estimates were just passed last week, but this commitment was made a long time ago. I want to get it on the record that as of yesterday, according to the information we have, the global fund had not received the commitment from Canada of $180 million. It is going to be paid, but it has not been paid yet.

I'll pass it back to Hélène.

Ms. Lois Brown: I have a point of order, Mr. Chair. The due date for the global fund money is December 31. Canada is committed to making that payment by then.

Ms. Jinny Jogindera Sims: I'm so glad to be told that it hasn't been paid yet.

Thank you.

Ms. Lois Brown: It's not due.

The Chair: I thought we were talking about private...payments

Madame Laverdière, I'll turn over to you.

Ms. Hélène Laverdière: Thank you very much, Mr. Chair.

Thank you very much to all our witnesses for being here today and for a very interesting presentation.

[*Translation*]

While listening to the discussions on microcredit, I got the impression at certain points—I may be mistaken—that we were talking about two different realities. Mr. Brohman talked at some length about a type of microcredit that is probably more institutional. He referred to purchase orders, exports, and so on.

Indeed, there is a branch of microcredit that may be more traditional, such as the one I saw in Africa and with regard to which Mr. Tardif was saying that they had to reach the poorest of the poor. This is microcredit that seems much less based on concepts such as acquiring market share, exports and purchase orders. In a small community, the purpose is to be able to buy what you need to make fabric and sell it to your neighbours.

Am I mistaken in saying that we must make a distinction between these two approaches?

● (0945)

[*English*]

Mr. Cameron Brohman: You're not wrong. I thought I mentioned that the producers we deal with are the ones who have products that have a chance of being exported. I couldn't agree more that rural women, especially, need a little credit help to buy supplies for their small businesses. I think it's indispensable for that.

[*Translation*]

Ms. Hélène Laverdière: I also listened with a great deal of interest to the Results Canada presentation concerning the fact that...

[*English*]

I'll switch to English. I feel sorry for the translators; I do that once in a while. Sometimes my vocabulary is better in English than French.

The public sector is better equipped to provide public goods such as education. I think you mentioned a few studies on the subject, and I would like you to expand on this.

Mr. Jean-François Tardif: I am just going to say that the theory about public goods is very simple: Who benefits from a population free of contagious diseases? Well, we all benefit, so it's not a private good to have a world free of disease, but it's actually all of us who benefit. So it's not a private investor who will be able to capture a private value out of this. That's why public authorities are definitely better positioned because they represent the public interest.

That being said, I think we all know here that we wouldn't want to have our education or our health services depend on whether Inco, in our mining town, had a good year or a bad year, or whether we just figure or don't figure in their branding plan for that moment. It just doesn't work. So it is important that we have this really important backbone of health systems. And I think most organizations and most countries agree on this. The United States still believes a lot in the private sector backbone, but I don't think they have a track record that really inspires that much confidence in that area.

So, overall, we would say it's not subject to debate. The real question is this: Can the private sector help in some of the delivery there? Can it assist in some of the funding mechanisms, etc.? There are innovative financing mechanisms, for instance, where governments can issue bonds to pay later, and offer some prices through advance market commitments. The private sector can help in marketing those bonds in the future and participating in branding exercises. I think it's those types of partnerships that we need to look at—without a substitution effect but a synergistic effect of sorts.

The Chair: Thank you very much.

Mr. Wallace, it's over to you.

Mr. Mike Wallace: Thank you, Mr. Chair.

It's my pleasure to be here this morning. I want to thank our guests for coming.

I'm not normally a part of this committee but I'm happy to be here today. I'm going to focus my questions on the Brandaid Project, just for my understanding. There is a foundation and then there is Brandaid Collections. Is that a separate organization? Or is it the same organization fed from one to the other?

Mr. Cameron Brohman: Well, there's a for-profit and a not-for-profit. It's a hybrid model.

Mr. Mike Wallace: So the collection side is for profit?

Mr. Cameron Brohman: Yes, it is.

Mr. Mike Wallace: So when you are dealing with an artisan in Haiti, are they assigning you some future revenues? Or how does that work?

Mr. Cameron Brohman: How does it work? Well, Brandaid Project partners with artisan associations, and these artisan associations produce product to fulfill purchase orders for Brandaid Project, which then exports the products into global markets. It finds markets for them.

Mr. Mike Wallace: So your organization is the marketing arm that just didn't exist before and you take a cut of whatever they make on that. Is that correct?

Mr. Cameron Brohman: We're for fair profits.

Mr. Mike Wallace: Yes, okay.

So what do you need the foundation for?

Mr. Cameron Brohman: Specifically, when the earthquake hit we did our marketing well. So we got purchase orders and we discovered that the producers no longer had places where they could produce product, that is, workshops. A subsidy was needed. Even the private sector needs to be subsidized in the emerging economies, and there was no government subsidy. So we formed a foundation to raise money to rebuild, to create infrastructure that wasn't there so they could become profitable enterprises.

Brandaid Foundation was formed to raise money from the Clinton Bush Haiti Fund. We raised about $100,000. We rebuilt 10 workshops. They filled the purchase orders.

● (0950)

Mr. Mike Wallace: The foundation, then, takes donated cash—I don't know about supplies—and then they're helping just your own Brandaid Collections organizations. Or do they help—

Mr. Cameron Brohman: No, they rebuilt workshops on the recommendation of that artisan association. Brandaid didn't determine which workshops would be rebuilt; the community did.

Mr. Mike Wallace: What did you need CIDA for?

Mr. Cameron Brohman: We didn't need CIDA. We thought that Brandaid Project was a very successful model. We believe in it, so we wrote a project proposal and submitted it to CIDA, because we were recommending that the Canadian government support the launch of brands for all the reasons I've cited. CIDA then got back to us and said, “Well, this isn't Canada's focus in Haiti. Our focus is professionalization of the police and judicial reform”. But when the earthquake hit and Brandaid Project got Macy's involved, we ended up on the front page of *The Globe and Mail*. The Government of Canada contacted us and said, “It's a good idea after all. We want to do this”.

Mr. Mike Wallace: Is that through Collections or through the foundation?

Mr. Cameron Brohman: That's through Collections under Brandaid Project as a company.

Mr. Mike Wallace: As my colleague, Dominic, mentioned, we all raised our eyebrows at the 90% interest rate, and so on. How do you feel, as Brandaid Collections, about those exorbitant numbers? To us, it seemed like a lot of money that people were paying in interest charges.

Does your group have a view on that?

Mr. Cameron Brohman: Yes, I have a view on it. I think it's outrageous. That's something that started Muhammad Yunus in a certain.... Microfinance began as an action study at a university in Bangladesh. It ended up with 700,000 women depositors owning the bank. I think that's tremendous success. But, of course, this demonstrated to the private banking sector globally how lucrative this area can be. You can't regulate every moneylender in the world.

Mr. Mike Wallace: It's listed here that you're the co-founder of Brandaid. Who is the other founder?

Mr. Cameron Brohman: It is Tony Pigott, president of J. Walter Thompson, JWT.

Mr. Mike Wallace: Okay.

Do I have any time left, or not?

The Chair: You have 30 seconds.

Mr. Mike Wallace: Thank you for your time.

The Chair: Thank you.

We're going to move to our next round.

We'll go to Mr. Dechert, for five minutes.

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

Thank you to all the witnesses for appearing today. I think each of your organizations is doing some very interesting work.

I'd like to pose a couple of questions to Mr. Brohman.

I think we've all travelled to developing countries. We've gone there with the perception that there probably wouldn't be much of great quality or value in the products being produced in those nations. Then you get there on the ground and see that they have some pretty interesting, high-quality products, especially artisan products. But we don't know about these things in the west.

One of the things that's always struck me is that there's a perception in more developed countries that nothing that comes from Haiti or certain countries in Africa could be of very good quality. Therefore, you don't even bother to look at the products from those countries. How does your organization help build a perception of the quality of products coming from those regions of the world, and how important is that in your business?

Mr. Cameron Brohman: That's a great question. It's music to my ears, because that's really what we're interested in doing. We're really committed to that.

I'll tell a little story about where I've been. I've been to London talking to Selfridges. Selfridges, for anyone who doesn't know—and you can go to its website—bills itself as the coolest department store in the world. And it certainly is. It's an amazing place. As well as selling products, they have in-store events designed to draw people into the store, to collect media attention, and be involved with the culture. They're looking for things, new ideas, for this.

We presented something to them called Voodoo Nouveau, New Voodoo. They said yes, to make a long story short. Voodoo Nouveau really speaks to what you're asking about, the problem of country brands and the impact this has, if they're negative, on the economy of a country.

I first went to Haiti in 1977. I was young and looking for adventure, and it was the scariest place on earth. I wanted to go there to see what was so scary, and I certainly found out. I saw over the subsequent 25 years how that scary reputation completely frightened everybody away from investing in Haiti, and from even going there for a holiday. That impact isolated the people, the culture, and the country. Obviously, it didn't bring any dollars into the country for people. It just contributed to an ever-declining economy and extreme poverty. Haiti got poorer over the last 25 years because of this.

Changing Haiti's brand is something Brandaid Project has really cut its teeth on. I think it has culminated in identifying what the real problem is. It's voodoo. Thanks to Hollywood's demonization program, which has been going on for decades, people think of voodoo as.... Well, we know what people think of voodoo. Voodoo, in fact, is the heart and soul of a people. It's an incredibly courageous religious tradition. In the 20th century, Haiti was occupied twice. During both of those occupations, voodoo was outlawed. It was against the law to dance or beat drums. Temples were razed, and sacred artifacts were burned. Finally, President Aristide, whatever you may think of him, created voodoo as the national religion of Haiti, by presidential decree, and all Haitians breathed a sigh of relief, because they no longer felt ashamed of this great spiritual tradition.

To take that brand problem head on and try to do something about it in an economic context is really the very exciting program we're going to launch with Selfridges during design week in London, England next September.

● (0955)

Mr. Bob Dechert: Do you actually advise these small artisan entrepreneurs on the design of their products, the construction and quality of their products?

Mr. Cameron Brohman: Yes, thank you. Getting things to market includes design. Design is a huge component.

Mr. Bob Dechert: Also packaging...?

Mr. Cameron Brohman: Packaging, but especially design.... With the CIDA project we, of course, are working with Patty Johnson, who's an internationally known Canadian industrial designer. She is designing completely new products using traditional skill sets. A modern designer comes into these environments and in a collaborative effort with artisans with ancient skills and ancient cultural traditions, they channel the combination. When modern market design meets that, the results are very exciting and you get new and very good products. So we've taken their production to a new level with a new price point and new expectations.

Mr. Bob Dechert: Do you feel that you're creating a class of entrepreneurs in a country like Haiti? At what point do you think your organization can step back and let them go on their own?

Mr. Cameron Brohman: Artisans are not marketers, and we've learned this the hard way despite the best expectations. So what I think is suggested by your question is that there's room for a new section, a new vocation, and new job creation of micro-marketers who service the needs of micro-producers and micro-entrepreneurs and micro-enterprise. In the day of Internet e-commerce and globalization that we live in now, I think this can work very well. We're training these kinds of people in a pilot process, and I think that by the end of the CIDA project, which runs out in early 2013, we will have created a new kind of occupation called micro-marketers, who know how to market products on the web and how to work with small producers. Artisans are artists; they're not marketers.

The Chair: Thank you.

Just for clarification, before I move back to Ms. Sims, is the CIDA project then helping in this fashion? What exactly are the CIDA project outcomes, or what are they hoping to do?

Mr. Cameron Brohman: There are formal, tangible outcomes in terms of export value. There's a figure that we need to sell this many products. Also, CIDA tells us time and again that they're very concerned about intangible benefits, about things that may not directly contribute to the export value, such as the seminars that we designed. We have designed three seminars through 2012, where people from JWT Montréal, professional marketers, the best in the world, will travel to Haiti, and artisan organizations in Haiti, Femmes en Democratie, and the like, will convene artisan-sector representatives and we're going to take on branding, micro-marketing, and all of that area.

The Chair: So part of what CIDA is doing is to help these people build capacity, whether it's through marketing, etc., finding a...?

Mr. Cameron Brohman: Yes.

● (1000)

The Chair: Okay, excellent. Very good.

Back over to Ms. Sims.

Ms. Jinny Jogindera Sims: Thank you.

I really want to commend you for bringing Selfridges and voodoo together. I have to tell you, it's one of my favourite stores when I go back to England. Now I'll have to pay special attention to the voodoo element, right?

Some hon. members: Oh, oh!

Ms. Jinny Jogindera Sims: But my question really seeks some clarification on something you said earlier. You actually were contacted by government, rather than responding to a proposal that CIDA put out?

Mr. Cameron Brohman: No, we submitted the proposal to CIDA long before we were contacted and were told that it was a great proposal but it was not what the Canadian government was focused on in Haiti. The artisan sector was outside of what they were doing there. But, as I said, when the earthquake hit, the Clinton Foundation convened a summit in New York, the Clinton Global Initiative, a conference that Brandaid Project was asked to lead, because we were already working in the artisan sector in Haiti when the earthquake hit. We had a certain expertise and we immediately commissioned an assessment study. So we went to New York and we led this conference, and one thing led to another.

Ms. Jinny Jogindera Sims: Thank you.

My next question is for Results Canada. I think you've shown the symbiotic nature of the private sector supporting the great work that the public sector does. It's no secret that the NDP has been very vocal about the impact of the freeze on our aid and how that is actually leading to real on-the-ground damage to programs, etc. We know that you're doing some excellent advocacy in this area. I've had the same people sitting in my office that some of my colleagues had, saying that we should lift the freeze. As you know, despite the rough economic times it's going through, England is going to live up to the 0.7% commitment that it made a long time ago. So can you expand for us on the importance of lifting this freeze?

Mr. Jean-François Tardif: That's quite an important question. At Results Canada, we see an economy that may not be growing as fast as we wish. But it is growing and the aid budget is not, which means that our aid is a smaller and smaller proportion of our national wealth. We wouldn't want to see that happen many years in a row. We're already among the least generous nations, and we don't want to be moving towards the back of the pack. We need to reverse that freeze. At a minimum, we would want to be able to pay for inflation and population growth in the developing world, so that we keep the same impact in terms of lives saved. We need to expand our aid programs so that we can continue the fight against pandemics, offer an education to the 67 million children who have no school to go to, and give access to water and sanitation.

[*Translation*]

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

Thank you for your presentations, gentlemen.

Mr. Tardif, you highlighted the importance of the public sector in financing and development. The public service is, then, in a certain way, the steward of the contribution to development of the private sector businesses. To my mind, this concept is important. Obviously, we have to stay the course and move forward in that direction.

My question concerns the durability of these projects, and it is also addressed to you, Mr. Brohman. How and at what point will the local population be able to be directly responsible for its own development?

Mr. Jean-François Tardif: I will begin, if you will.

I think that this is quite fundamental. I will give the example of the mining company Teck Cominco, in Canada. It supports micro-nutrient programs, involving zinc, to be specific. Zinc is provided to very poor populations, such as in Senegal, for instance. This allows them to better resist the effects of diarrhea. That is an excellent thing, but Senegal's development cannot be based on foreign contributions. So local health, nutrition and education systems have to be bolstered.

The international community is, in large measure, favourable to that. I also think that the private sector sees its role as making a contribution and providing help, in fact, rather than stepping in as a substitute. I think that that is in fact much better, in the social arena particularly.

● (1005)

[*English*]

The Chair: Madam Groguhé, that's all the time we have.

We're going to finish off with Ms. Brown. Then we'll break for a bit and get into some committee business.

Ms. Brown.

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

For the record, Mr. Chair, I want to reinforce the fact that Canada has doubled its aid to Africa since we took government. We have also done the most important thing, of untying our aid. That allows far more efficient use of the money so that more help can go to emerging economies, developing countries, and putting more money into the hands of organizations to purchase vaccines at the best possible prices so that more people can be assisted. In the past, when our aid was tied, fewer people could get access to vaccinations because of the cost. That's important for Canadians to know.

Mr. Brohman, we had as a witness a couple of weeks ago, a gentleman by the name of Hernando de Soto. I don't know whether you're familiar with his work.

I'm glad you are. I don't have to give you a synopsis of it.

One of the most important things he talked about was property rights, and how emerging economies have such difficulty because people who want to be entrepreneurs are extralegal; they're outside the legal boundaries. He talked about that in light of the people, entrepreneurs, who are setting up shops and don't have access to capital because they don't have any assets in real property.

My question is about these artisans you are assisting. Haiti is having a very difficult time with property rights—as in real property and the ownership of property—and their judicial system is also very limited at this point. How are you protecting them?

If I could just add another question: how many women are part of these artisan groups?

And in helping these people become profitable, how are you then taking pressure off the aid that needs to go into these countries for the future?

Those are a lot of questions.

Mr. Cameron Brohman: Your first question was on Mr. de Soto's recommendation that poor people who are currently renting a hut in a slum, paying anywhere from $200 to $1,000 a year, be given a deed to that land. They then have collateral that essentially makes them liquid, and they can borrow money.

Was your question about how Brandaid was ensuring that?

Ms. Lois Brown: How are you helping to ensure that they have, not so much real property, but copyright essentially. You've got artisans who are creating brand. How do you protect that?

Mr. Cameron Brohman: We sign contracts with our partner producers. The contracts specifically define what we regard as the intellectual property, and it belongs to the producers. So when a product is designed, even when it's designed by Patty Johnson, who works for Brandaid and CIDA, the intellectual property of that design, the copyright of the creator of that design, belongs to the producer, to the artisan. That's a Brandaid policy.

Ms. Lois Brown: With whom is it registered?

Mr. Cameron Brohman: We're working on how to register this to protect it in any real sense. I can't give you a black-and-white answer on that. The legal systems in Haiti and other places are complicated. We now have the advice of Gowling Lafleur, which is the biggest copyright law firm in Canada, and also JWT's law firm. We also have work being done on this by a law firm based in London who are the global experts on trademark, and who are doing this for us pro bono. But what they're going to do is to find the answer to your question: how do you protect this? All we know so far is that Brandaid commits not to put all of this value under our brand, like Macy's, like Donna Karan, which is what's currently happening. We have a model that returns 20% to 25% of the retail price to the producer. That's higher than anybody else's. We believe in profit, but we believe in fair profit, not winner-take-all capitalism.

I don't know if this answers your question, but our mandate has a red line and we simply can't guarantee anything in some of these environments. What we can do is that once we get the product into the market, we can decide who gets what, in terms of a fair profit split, who gets a credit for that IP. That's what we can do.

● (1010)

Ms. Lois Brown: So, effectively, you're saying that when this pro bono work is being done, it's aid in another form?

Mr. Cameron Brohman: It is.

Ms. Lois Brown: It's expertise aid, is it not?

Mr. Cameron Brohman: That's absolutely right. But it's a subsidy, as I call it, and things have to be subsidized. But these two law firms took this on pro bono, because they said this is interesting, and it's innovative, and nobody's doing this. We're always looking for things that can put us in a leadership position.

Ms. Lois Brown: May I go to my second question?

The Chair: I was going to wrap up around quarter after. We could do one more round, with an NDP and a Conservative member. I think we could get all our committee business done in less than half an hour.

So should we have another round? Okay.

I'm going to wrap it up with that. We're going to come over here, but we are going to come back for one more round. This will be the final round, which is just going to consist of Ms. Sims and then probably Ms. Brown, or whoever on that side decides to take it. This is for five minutes and for sure it's the last round.

Ms. Sims.

Ms. Jinny Jogindera Sims: Thank you, Chair. I really want to congratulate you on making a very wise choice.

Voices: Oh, oh!

Ms. Jinny Jogindera Sims: I'm going to go back to Mr. Brohman and just ask a question, because I'm still struggling with this. You applied for a grant through CIDA and you were rejected?

Mr. Cameron Brohman: We weren't rejected. They said that they liked it very much, that they'd like to keep the proposal open.

Ms. Jinny Jogindera Sims: So it was kept open?

Mr. Cameron Brohman: Yes.

Ms. Jinny Jogindera Sims: Then did you apply again when there was a call for proposals?

Mr. Cameron Brohman: No, we didn't.

Ms. Jinny Jogindera Sims: So who would have phoned you at that time?

Mr. Cameron Brohman: Here's what happened. We work with TFO, which you might know. The trade facilitation office is a kind of intermediary between CIDA and organizations and companies that have never done business with CIDA before. TFO exists to create export opportunities for producers in emerging economies to export their products into Canada. TFO wanted very much to work with Brandaid on this proposal. They kept in touch with CIDA and acted, I think, as a kind of steward of this. I don't know. All I can tell you is that when the Macy's deal hit the media, the ministry, DFAIT, saw it and contacted Brandaid and said that since the earthquake things had changed a bit. The Canadian focus prior to that was—

Ms. Jinny Jogindera Sims: Do you know who contacted you?

Mr. Cameron Brohman: Gee, I don't know. It was just someone.

Ms. Jinny Jogindera Sims: It just seems a bit out of the ordinary for our processes and the way that the CIDA funding works. I just wanted to get clarity for myself.

Mr. Cameron Brohman: I think it was out of the ordinary. That's true. But the proposal was in the channel, and I think the earthquake changed everybody's perception of what the needs were in Haiti.

Ms. Jinny Jogindera Sims: Okay.

Chair, I would like to take the rest of my time so that Jean-François could answer the question that was asked of him earlier.

The Chair: Do you remember what the question was?

Ms. Jinny Jogindera Sims: Do you remember what—

[*Translation*]

Mrs. Sadia Groguhé: The purpose of my question was to determine the importance of the public sector in investment—as guarantors of the private sector, in a way. As for development, I also wanted to know how, in practice, the population comes to own this development so that it becomes sustainable and perennial.

My question is for both of you.

● (1015)

Mr. Jean-François Tardif: That is a very difficult question. How can you appropriate development when each inhabitant is living on less than a dollar a day? It's quite difficult.

To begin with, there has to be a local tax system, or at least, those who live on more than a dollar a day there must pay their taxes, which would provide local institutions with a local source of funds.

The other thing is to foster the participation of citizens in these countries, so that people may set their own development priorities.

And finally, local participation is equally important in the development of institutions that are not only public, but also community institutions, and sometimes private ones—for instance, microcredit institutions. Ideally the point would be to have, as our colleague here mentioned, borrowers who own their own bank, as in the case of the Grameen Bank. This is the same thing as cooperatives, etc.

Mrs. Sadia Groguhé: To further the development of these microbusinesses, that basically involve artisans, what measures should be taken in your opinion to make these projects sustainable and stable?

[*English*]

Mr. Cameron Brohman: It's about creating a brand identity and brand assets, so that the producer owns something other than simply the skill and the means to fill an order for somebody who then has a long-lasting and sustainable business. It's about market share. Sustainability for our businesses is based on our knowing that I'm in the market this year, I'm going to be in the market next year, and the year after, and that I can build this. But you can't do that unless you have a brand identity and a way to enforce it.

Sustainability, in our view, with artisans and small producers is based around that.

The Chair: Thank you very much. That's all.

Did you have a quick comment, Katy?

Mrs. Katy Wright (Director of Campaigns, Results Canada): I just had one really quick comment to add about the microfinance model, in particular, Grameen Bank in Bangladesh.

What you see happens over time. This doesn't happen right away, but over time the original borrowers in a particular town or village, or something like that, would be reinvesting their savings within their own town, within their own small bank that's owned by the people who have received loans. Then they become the people who are the bankers in their own community through their own savings they have generated, and then they expand that circle of borrowers. They decide who else in the community gets to borrow small loans.

A microfinance model can have a very important aspect of local sustainability, because it builds a very local, very small capacity to access credit for the larger community.

The Chair: Thank you very much.

Who has this final round here?

Ms. Brown.

Ms. Lois Brown: I'll go back and finish my question to Mr. Brohman if I may.

Mr. Brohman, I'm really interested to know what the percentage is of the women involved in your artisans groups, and how is their development of wealth changing their lifestyle and that of their families?

Mr. Cameron Brohman: It's 50-50, of course, according to CIDA and our protocols.

How is it changing their families? Artisan activity is very much a family business and, of course, it involves children working after school and learning the trade of their family business.

In many respects, any artisan business involves men and women, but in terms of the four communities that we're working with, two are dominated by men and two by women. Two of the communities are textile based, so they're embroideries, quilting, and sewers. Those are the female communities. The benefits those women are deriving from this work is, I would say, night and day. All women work in Haiti, for sure, but to see women who have a skill increase their income because the products they're producing are now more marketable because they're better designed and better produced and they have some marketing and a route to market.... To see the impact on their lives is....

As I said, we've just done the baseline study at the start of this project, and we're going to measure it again at the end, after purchase orders have been filled. I could tell you better then, but I know that their incomes are probably going to triple at least.

● (1020)

Ms. Lois Brown: Do you see any of this success starting to help build the country's capacity? I think particularly of the regulations that need to be built around this. Obviously Haiti has a long way to go to reconstruct even some of the institutions it had in the past. One of the issues that we deal with is property—and here I mean real property in the sense of places to build. There is a lack of a registry system.

Are you seeing any impact, or is it too early to tell at this point whether or not this is going to have any impact on the greater good for Haiti?

Mr. Cameron Brohman: I believe it will, and we are seeing some indications of that. Immediately after the new president, President Martelly, was elected, Brandaid was invited to present to the new economic team. What we presented was an expanded version of the CIDA program, based in the artisan home furnishing sector.

What we said was that Haiti did not need no logos, but more logos. We needed more brands from Haiti. So we proposed a mango brand, a national coffee brand, and chocolate, cacao, and vetiver brands, the essential oil that is the fixative in all perfumes. Haiti, in fact, is the world leader in vetiver production, and the world can't produce enough vetiver. So these are branding opportunities. We were met with absolute optimism about this and are now working closely with the new government and some other players, including Digicel, which also has something called Haiti brands. They also think that Haiti needs to rebranded.

To answer your question, what we see happening is a pushback from the bottom up, from small producers, in Haitian society. The artisan sector is very important in Haiti. At one time it was the third biggest industrial sector; the handmade economy was the third biggest economic component. Everybody in Haiti wants to return to that great day.

Haiti is tremendously creative and has the capability to export products, as China does now.

Ms. Lois Brown: Thank you very much.

The Chair: Thank you to our witnesses. Thank you very much for being here. It has been very informative. It's great to see Brandaid Project, because this is something new for our committee to hear and learn about. Of course, it's good to see our friends at Results, as well.

I'm going to suspend the meeting for just a second while we say goodbye to our witnesses. Then we're going to come back in camera to discuss committee business.

[*Proceedings continue in camera*]

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