

I would like to thank DFAIT for the invitation to participate in this important and timely roundtable on CSR. This is a complex issue and I hope I can provide a helpful industry perspective despite the limited time for the presentation. I also look forward to gathering information that I can take back to CCAfrica and our members. CCAfrica is Canada's national business association for the Canadian private sector in Africa (meaning businesses large and small, educational institutions, and NGOs and other organizations) and we are committed to promoting win-win business activities and practices. As you can see, our mission identifies both CSR and mutual benefits as core objectives. Approx 30% of our corporate membership is involved in mining, energy, engineering, or environmental services, widely defined.

CCAFRICA MISSION

To facilitate and promote sustainable increased trade and investment between Canadian and African private and public sectors, according to appropriate corporate social responsibility (CSR) guidelines, for the mutual benefit of all.

WHO ARE WE?

Created in May 2002, we are over 130 members & growing:

- o 85+ Companies (approx 30% in mining, energy, engineering, & environmental services)
- o 20+ Educational institutions
- o 10+ NGOs & Associations
- o 15 federal & provincial departments & agencies as Associate Members (non-voting)
- o Affiliated African Members: MOUs with partner business associations in Nigeria, Rwanda, Ghana, Tanzania, with additional ones in negotiation
- o Offices: Calgary-Toronto-Ottawa (HQ)-Montreal-Fredericton

Although a young organization, we have undertaken a number of initiatives that directly or indirectly involved CSR issues. These include:

- **June 2003 (Calgary) – Symposium:** “Corporate Social Responsibility & Business Renaissance in Africa” (“Kananaskis Plus One”)
- **CSR Reference Binder:** Distributed at symposium and to DFAIT, including CD-ROM prepared by Prof. Wes Cragg

- **April 2005 (Toronto) – Conference:** “Unleashing Finance and Infrastructure for Africa”
- **June 2005 – Report to Government:** *Unleashing Canadian Entrepreneurship for African Development* (17 recommendations including some directly related to CSR)
- **2006 – Development of a CCAfrica Code of Conduct & Briefing Note on Canada’s role in African Natural Resources sectors**
- **November 2006 (Calgary) – Conference:** “Natural Resources & African Economic Development” & public launch of CCAfrica Code of Conduct



CANADIAN COUNCIL ON AFRICA presents

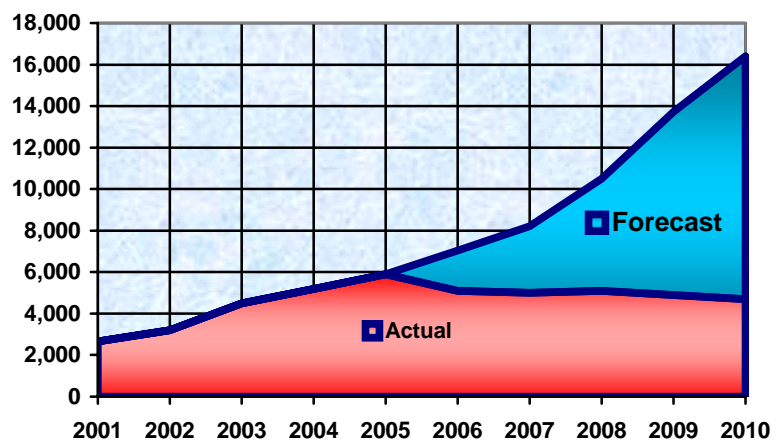
Natural Resources & African Economic Development:
Canada’s role in the 21st Century

Calgary, Canada
November 28-29, 2006

Next month here in Calgary we are hosting a large conference under the theme “Natural Resources and African Economic Development: Canada’s Role in the 21st Century” as well as launching the CCAfrica Code of Conduct. The conference will look at how to better integrate natural resources – particularly minerals, hydrocarbons, and forestry – into the long-term sustainable economic development of Africa. CSR is certainly one part of that wider equation.

The next three illustrations provide a quick snapshot of the extent of Canadian-based and Canadian-listed mining and energy firms investment across the continent. Please note that these cumulative asset investment figures are not the same as market values (in other

Actual and Expected Cumulative Stock of Canadian Mining Assets in Africa (C\$ million) (Note: Market value higher)



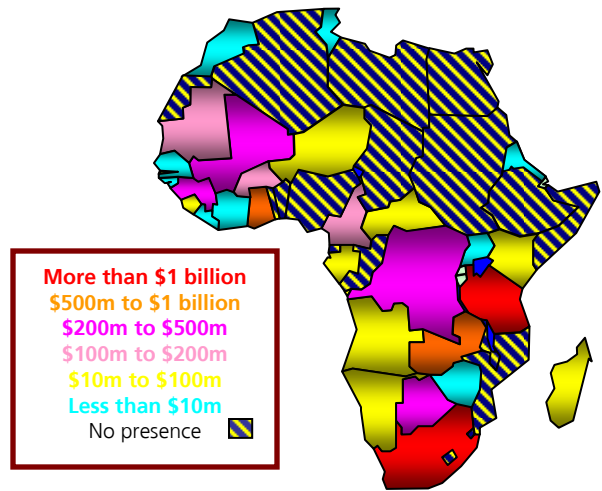
Source: Natural Resources Canada

words, the actual value of assets can be much greater when they are sold). We have all heard the statistics of about how Canadian-based or -listed mining firms are involved in over 50% of mining activity in Africa, etc. The level of planned mining investment in Africa – on mine projects not just exploration projects – should provide the impetus that Canada needs to have a comprehensive strategy, one that ensures these investments are protected, that investments are effectively integrated into host country economic development, and that projects themselves are environmentally and socially sustainable. This means government, business, and NGOs/local communities working together. There is a lot of work to be done.

Africa is geologically blessed, and mining and energy firms have to go to where the resources are. However, for Africa it is the “above ground risks” that weigh much more heavily on considerations of whether or not to go there, and these risks still dissuade many companies and investors. I’d like to point out here that the top four Canadian mining destinations are those countries with a long mining history and/or improved natural resources and governance investment climate. South Africa and Tanzania are the home of the most Canadian investment. Ghana and Zambia are in the second largest category. All 4 countries have experienced healthy or even robust growth over the last few years. None can be said to be conflict zones. Investment will tend to move towards predictable, business friendly investment climates. Of the top ten investment locations, only the DRC is considered a conflict zone.

Canadian oil and gas FDI in Africa is a little over half as large as mining FDI. Energy companies are even more conservative than their mining cousins. Canadian energy MNCs and juniors are generally much smaller than their international competitors,

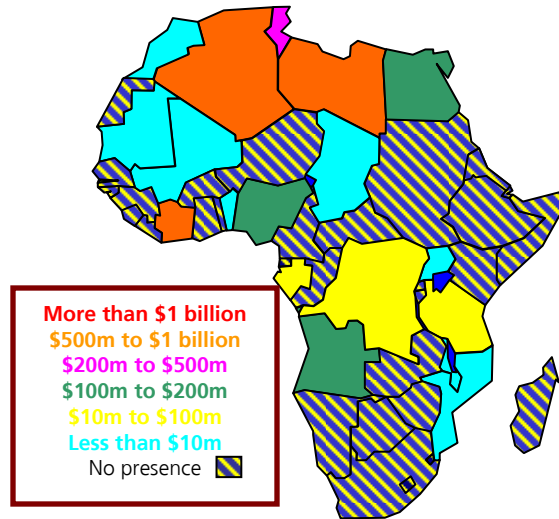
Canadian mining assets 2005
Cumulative Assets/Not Market Value
Approx. C\$5.8 billion



Source: Natural Resources Canada

and their assessment of “above ground risks” are even more stringent. Unfortunately, the case of Talisman in Sudan in the early part of this decade, what I would argue was a unique situation, even for Africa, has caused our majors and juniors to shy away from Africa. They learned the wrong lessons and this, unfortunately, does not help Africa tackle its lingering energy poverty issues. Note that of the top seven (red through green) investment locations, only Cote d’Ivoire is an ongoing if latent conflict zone, and Nigeria has localized zones of conflict. Most energy firms, like their mining cousins, prefer more stable operating environments with a history of oil and gas production, infrastructure, and regulatory frameworks.

Canadian oil & gas assets 2006
Cumulative Assets/Not Market Value
Total: Approx C\$3.9 billion



Source: Natural Resources Canada

Overall, Canadian firms are seen as desirable partners across Africa. While there will always be bad apples in any sector or community, Canadian firms are more likely to be smaller, more accommodating, open to local partners, and, relatively independent. Transparency International puts Canada on its Top Five list of least likely to pay bribes in international business. Canadians generally do bring notions of how they do business at home into their international projects. However, due to their relative size, independence, lack of

Countries whose firms are least prepared to pay bribes:
 Switzerland, Sweden, Australia, Austria, Canada

Countries whose firms are most prepared to pay bribes:
 India, China, Russia, Turkey, Taiwan

TI also named France & Italy as the worst culprits for paying bribes in low-income countries (esp. in Africa).

Source: Transparency International, October 2006

government support, and unwillingness to bribe, Canadian firms are at a tremendous disadvantage around the world and especially so in Africa. Increasing the cost, risks, and complexity of doing business in Africa through extensive CSR related requirements, over and above those already required by both international financial institutions and host governments, without concomitant and active support from the Government of Canada, would reduce Canadian business activity in Africa to the detriment of both the Canadian and various African economies.

Currently, the Government of Canada is a laggard in Africa and this causes concern for potentially mandated CSR initiatives. Recent embassy closings and consolidations, threats to reduce our Trade Commissioner presence, and the complete disconnect between CIDA and the Canadian private sector has reduced the role of the Government of Canada to that of a “cheerleader” on CSR and other economic development issues in Africa. There are very high expectations – by the Canadian Government, by NGOs, by the investment community, by host governments, and by local communities – of what Canadian natural resources firms should be doing on human rights, community development, environmental impact assessments, etc. *Corporate Knights* magazine, in their “Energy/Investment Issue 2006”, provide no less than 18 “Criteria for Company Human Rights Management Proficiency.” It isn’t surprising that only two firms of 20 receive a “good” rating, and both those firms, Nexen and Talisman, are large companies with tremendous resources. No company received an “excellent” rating.

Other than advice, there seems little concrete that the Government can do to leverage its expertise and resources to ensure our firms, especially smaller ones, can develop and implement appropriate designed CSR programs in Africa. There needs to be a comprehensive strategy and my hope is this Roundtable process will motivate that process.

One quick and recent example of the challenges being faced by particularly the non-major Canadian firms is illustrated by Calgary-based Artumas Group. Over the last five years of their commercial effort to use stranded Tanzanian natural gas to produce electricity in the southernmost part of the country, they have been completely unable to

engage the Government of Canada at any level other than as a “cheerleader.” This is despite attracting world class IFI, DFI, and private investors all of whom have stringent due diligence requirements for this \$100 million, complex, gas production, pipeline, power generation, and electricity distribution project. Tanzania is a priority country for Canada, and the project is a priority project for both the previous and current Presidents of Tanzania. Yet there is simply no effective mechanism for Canadian firms operating in Africa to engage Canada to ensure their commercial projects and related CSR activities are, for instance, integrated into national PSRPs or more localized economic development agendas. Firms become frustrated to the point where they no longer seek out advice or support from the Government of Canada as it is simply not worth the effort or disappointment. This is in sharp contrast to most of the OECD countries, including those countries that rate most highly on “effective aid” assessments, and to countries like China and India that are increasingly using state-owned or state-supported companies to deepen natural resources access across Africa.

RECOMMENDATIONS: Moving Government from Cheerleader to Partner

1) Canada desperately needs a comprehensive and coherent Africa Strategy (encompassing aid, trade, investment, immigration, security, etc.) that effectively coordinates government, private sector, and NGO policy & involvement in Africa.



2) Natural Resources have to be understood as critical to African economic development, and policies designed accordingly (related to governance, CSR, sustainable development, infrastructure, etc.)



3) CIDA INC (or some new program) must reflect the realities of international business to incentivize, leverage, and enhance Canadian investment in natural resources sectors to ensure positive and integrated CSR/social investment in local communities.

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