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Chair

Mr. Dean Allison

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• (1535)

[English]

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

I want to welcome our witness today, Maura O'Neill, who is the chief innovation officer and senior counsellor to the administrator, Office of Innovation and Development Alliances, U.S. Agency for International Development.

Ms. O'Neill, welcome today. Thank you for taking the time to come and talk a bit about your experiences in the U.S. and how you've been able to partner with the private sector.

I'm going to turn it over to you. I'll give you just a little bit more time for your statement, since you're the only witness right now. Then we'll go around the room, with government and opposition asking questions.

I'm not sure whether you've been in front of a U.S. congressional committee.

Dr. Maura O'Neill (Chief Innovation Officer and Senior Counselor to the Administrator, Office of Innovation and Development Alliances, U.S. Agency for International Development): I have.

The Chair: So this is going to be easy, as far as that goes.

Dr. Maura O'Neill: I hear you're quite polite.

The Chair: Yes, unfortunately we are. Yes, we're very polite.

Anyway, we welcome you.

Now we'll turn the floor over to you. We look forward to your opening statement.

Dr. Maura O'Neill: Thank you very much, Chairman Allison and members of the committee. I am honoured to join you today from the United States Agency for International Development to discuss the role of the private sector in achieving Canada's international development interests.

I am, as the chairman said, the chief innovation officer as well as the senior counsellor to the administrator of USAID.

As someone who hails from the private sector and has, among my responsibilities at USAID, oversight of global partnerships, I am particularly pleased to be here. I will humbly share some of our collective wisdom that USAID has garnered over the last decade and that I have gained working in the small business start-up private

sector, focused on crafting profitable solutions to ameliorate social problems. I hope to provide insight into the benefits we believe can accrue and are accruing to development when the private sector and donors align their goals.

Also, with respect to time, in my written testimony I have proffered three recommendations. I won't actually go over those in my prepared remarks, but I'd be happy to respond in the question and answer or at some other point. I commend you to those, if you want to dig deeper into how we have done some things and what lessons we might pass on.

Let me start by putting public-private partnerships in the context of our foreign assistance and foreign policy objectives.

Investment in development is a key part of our U.S. foreign policy, along with defence and diplomacy. When President Obama issued his policy directive on development, the first we've had in our country in 50 years, he challenged us to imagine the conditions where AID or aid are no longer needed. He underscored the importance of economic growth. He believed that is actually how it would happen. He said, "Economic growth is the only sustainable way to accelerate development and eradicate poverty", and called for a new operational model based on partnership.

Secretary Clinton has also been a leader in understanding the essential role that economic statecraft must play today in our foreign policy. The Obama administration recognizes that domestic jobs and economic prosperity at home are increasingly tied to the developing world as well.

According to the global bank HSBC, two-thirds of all global economic activity in the next 40 years will occur in the emerging markets in the developing world. Yet we know this will not happen if there are not stable governments and adequate infrastructure of water, power, and Internet, and if people in those countries are ravaged by disease.

We also know that no one host country, one company, NGO, or donor, however large, can afford to do this alone. That is the basis of what we believe partnership is about: using the assets of each of us in a smart way that accelerates development goals cheaper and faster.

USAID has continued to steadily increase its involvement in public-private partnerships over the last decade. Many corporations over this same period have developed very comprehensive social responsibility programs, led by committed and innovative executives who see the value of investing in developing countries both socially and operationally. Most significantly, the private sector is recognizing the value and need for partnering with donor agencies, foundations, and non-government organizations in order to expand their businesses and meet the growing demands of global customers.

I will say at this point something that's in my recommendations. I am not here to defend every single public-private partnership and development that has ever been done, or every corporate social responsibility program of any company. Sometimes we get involved in an all-or-nothing debate that doesn't understand that there are bad companies and there are great companies. What we're looking for is where our development interests overlap with their profit goals or other goals of their company.

We have discovered that aid can unlock local capital and encourage economic growth in countries that lack the resources to incentivize economic growth without assistance. Aid cannot serve as the sole substitute for private capital, nor should it be used only as a tool for humanitarian assistance.

Throughout the world, the most crucial forms of economic engagement involve not only official development assistance, but instead private capital flows, such as remittances and foreign direct investment. In fact, sending money home is now the second-largest financial flow to developing countries. In 2009, remittances amounted to \$307 billion worldwide—an amount two and a half times larger than total official foreign aid flows. We know that if we can partner with these flows towards development we can accomplish more, faster, and improve cost-effectiveness.

• (1540)

The business community also faces operational challenges overseas that are symptomatic of the development obstacles that agencies like CIDA and USAID are attempting to address. Where USAID is interested in guaranteeing access to clean water, major beverage producers see the need to protect the source of their needed product input. That's where our development goals and their profit goals overlap. When a company is concerned with supply chain stability, or when global demand requires a company to dramatically increase its sourcing, USAID seeks to improve opportunities for smallholder farmers or youth entering the workforce.

We see that in our work in Indonesia, where the Consumer Goods Forum, which is a trade association of the largest manufacturers and retailers in the world, has made a commitment to not source their products by deforesting lands by 2020. They've put out that demand, yet supply hasn't caught up. We want to make sure that the benefits of that kind of pull are felt more broadly in countries, so the smallholder farmers have the ability to participate and bring their products up to world-class standards.

Let me tell you a little bit about our history in public-private partnerships, and some of the statistics.

In 2001, USAID recognized that the development landscape was evolving. In the 1960s, U.S. resource flows to the developing world

totalled collectively about \$5.1 billion, with 71% of that coming from the public sector and 29% sourced from the private sector. We've now seen those numbers completely flip around, where official development assistance is only about 17%, and the private capital flows are 83%. So our ability to accelerate demand has us looking at those flows as potentially leverageable against our goals. Thus, USAID created our Global Development Alliance Office. That's what we call our public-private partnerships, so you'll hear me sometimes refer to GDAs, which is just another acronym for PPPs.

We wanted to encourage collaboration with all these significant new actors, so USAID standardized the approach to PPPs. We didn't say, "Just go out there and do public-private partnerships". We said good public-private partnerships that are easy for the private sector to do and retain our goals have a certain set of protocols and a certain way so we can ensure quality and due diligence, but also make it extremely easy for the private sector. So we are the preferred partner for them, rather than a partner of last resort. We created a combination of incentives and directives to jump-start the program nationwide. We trained the staff around the world so we could allow for innovation and the ease and speed of execution of public-private partnerships.

I can give you a quick overview of how the process works.

If you're a private company and you have an idea, we can engage in some preliminary conversations, but we have an open call 365 days of the year for a five-page concept note. That tends to separate the people who are serious players and really want to partner with us from those who are just trolling for opportunities. We ask in that five-page paper what development outcome you might share with us, how much money and other resources you're willing to put up, and what you would like from us. That gives us an opportunity to start from where they're at. Sometimes that is far from where we finally negotiate a deal, but it actually gives us a point of contact. We understand at the front end what's important to them, what they are willing to do as part of this partnership, and what they are expecting from us. I have this watchword in my life that conflict occurs when there's a violation of expectations. So we want to get those expectations up on both parts.

Our partners must match our investment at least one to one through cash and in-kind services, although we are proud to report that on average our leverage over the last decade has been four to one.

• (1545)

Through the use of these GDAs and other partnership models, USAID has generated a thousand partnerships over the last decade with 3,000 different partners, and we've leveraged \$8.8 billion. We've leveraged about \$9 billion or \$10 billion against our development goals. Currently we have 283 active partnerships, for which have an estimated value of about \$8.8 billion.

So as you can see, we believe this is a significant part of what we do. Particularly in a tight budget climate, we strive to get the best development results for the taxpayer dollars that the American public has given us the privilege of deploying. We have garnered and appreciated bipartisan support and thoughtful input from Congress.

Partnerships at USAID are more than dollars leveraged. We know that these private sector partners have big value in terms of supply chains, logistics, and the ability to imagine the conditions where we are no longer needed.

I'll use the example of the Arab Spring. We all care deeply about that becoming an even more stable and modern part of the world, so we care deeply about fair and free elections, but the fact of the matter is that one of the underlying factors around the Arab Spring was the vast majority of young people who saw no economic opportunity.

We're not going to be the employer in the Middle East, but if we work with private companies that have an interest in investing and if we can reduce their risk in some way, we believe that we not only help stabilize the government and our government in democracy work, but we also provide an economic future that provides us more safety in the U.S. and a more prosperous world for our companies as well as others.

Also, we know that in conflict zones the private sector can often assist in the sourcing and delivering of humanitarian assistance where we can't. In the Horn of Africa famine this last year, we were not allowed to go into the southern parts of Somalia. People were dying in the tens of thousands. We worked with private sector partners and others. They were able to get into the supply chains and the traders, and we know that we saved tens of thousands of lives.

So again, if you want to think about public-private partnerships, we recommend that you think about it more broadly than just as dollars that are invested. What other assets can they bring that can help?

It was because we had a long history that we could call up these companies on a moment's notice, whether it was in Haiti or the Horn of Africa. Because of our past relationships, we could lean on them to say that we were having a huge and immediate problem in the Horn of Africa and to ask them if they had operations there, or distribution channels, or food or water anywhere close to the Horn of Africa that they could divert there. We were successful at having them come to the table.

Lastly, I'd like to share with you two examples of public-private partnerships. Today I've chosen ones that we've done with Canadian companies that you know well.

The first one is in the extractive industry in Peru. USAID's poverty reduction and alleviation project in Peru is premised on the belief that poverty is best overcome by helping small businesses—mainly the family-run farming operations that dominate the country—produce quality products that are in high demand. This project has helped small businesses in Peru generate \$300 million in additional sales that would not otherwise have been achieved.

This was measured by collecting baseline estimates of annual sales that a business generated before working with our projects, and then measuring how much sales increased after the relationship. This

is really critical, because we believe that monitoring and evaluation are critical factors. Not only do we want to agree on the development outcome at the front end, but we want to be smart and honest with ourselves and our partners—are we achieving the end goals, and how would we know?

What sets this project apart from a typical development project is its relationship with the private sector. The project has 11 private partners that have helped provide the financing to set up 10 economic service centres currently operating in Peru.

Your mining industry leader Barrick signed an agreement in 2011 with us to create two economic centres in northwest Peru, where 30% of the residents are living below the poverty line. We had operated this project successfully in other parts of Peru, and our public-private partnership with your mining company gave us the opportunity to expand it into a place that is struggling with extreme poverty.

- (1550)

Barrick matched our investment of \$590,000 over a three-year period to establish an economic centre in La Libertad, and in Ancash they contributed another \$270,000. Our target is the creation of 800 permanent jobs and \$4.8 million in incremental sales. But most importantly, long after we've gone, long after the mining company's gone, the kind of infrastructure that will allow long-term sustainable markets for these farmers will remain.

The second example is in mobile banking, which we are already seeing as perhaps the most important development game-changer in decades. To give you some sort of context, there are 500,000 bank branches worldwide, and there are five billion mobile phones. Almost two billion people have access to a phone but no bank account, so they have no ability to participate in the formal financial sector or to start businesses that have access to a bank in order to grow over time. If we could turn every mobile phone into a bank branch or a cash register for small businesses, we believe the economic benefits of financial inclusion could be transformative for poor countries in the world. We're already seeing quantifiable results of this hypothesis in Kenya. Within five years, 70% of the country's adult population has gained access to the financial and banking system through MPesa, the mobile operator's money market.

Now I'm going to switch and tell you about our public-private partnership with Scotiabank in Haiti. My first day of work was the day of the Haiti earthquake, so I hardly went home for a month. But after a month I did board a plane.... I was responsible for anything that was weak or broken in our response efforts and for coordinating our public-private partnership. You can imagine that all of us were extremely busy during that month, because we knew the logistics problems of getting things into the country on a moment-by-moment basis made a difference as to whether people would live.

We went down there after a month, and we realized that not only did 80% of Haitians have access to a cellphone, but 90% of Haitians lacked access to a bank account. We knew again that if we could turn that mobile phone into a bank account, it could really help the infrastructure.

The earthquake destroyed almost a third of the country's bank branches, ATMs, and money transfer stations. We know, as you might expect, that chaos often occurs when you close banks or you don't have access to your money. Here we had 90% of the Haitians who didn't have access to a bank account. For those who did, most of the ATMs or local bank branches were closed, so we said maybe this was the time to accelerate mobile money.

We and the Bill and Melinda Gates Foundation put up a challenge grant. There were two major mobile money operators. We said we would give \$2.5 million to the first one that could get an operational mobile money market up and running. We also said we would give \$1.5 million to the second one, because we wanted both of them to be running for the big prize and not actually standing on the sidelines. Digicel and the Canadian bank partner Scotiabank received the first market award of \$2.5 million for their mobile money product. It allows Haitians complete banking functions, such as cash withdrawals, deposits, and transfers, securely through their mobile phones.

Currently there are 800,000 registered users in Haiti and over 960 agent locations available to serve these clients. In a country where there were fewer than two bank branches per 100,000 people, we've seen nearly a doubling of accessible financial services in less than two years. Scotiabank also told us they are now processing 300,000 transactions per month.

So, yes, development is a long-term business, and it's a complicated business, but we think there are opportunities to really seize the moment and be game-changers. We think this is an example. Mobile money systems serve as a building block for subsequent financial services, and a lot of people who send money home are not so thrilled at what their relatives are spending the money on.

• (1555)

We're working on a project with the Filipino diaspora. On average, Filipino migrants in Canada spend about \$15 Canadian a year on sending money home. We're setting up an operation where they could, through mobile money, send the money directly to the schools in the Philippines so they could pay the school fees. Rather than send it to their brother or their sister or their cousin and hope that the school fees are paid, they actually just pay that directly. So this is an idea of the innovation that we have.

With that, I'd like to thank you very much for the opportunity to share these opening remarks and I commend you to my written testimony for recommendations.

I welcome any questions.

Thank you, Chairman.

The Chair: Thank you very much, Dr. O'Neill.

We'll start our questions over on the opposition side.

Mr. Saganash, you have seven minutes, please.

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

Thank you, Ms. O'Neill, for your presentation. I think what you've brought here is extremely valuable for the work that we need to do. The experience of the U.S. with the PPPs certainly can help us in the direction we need to take in this country as well.

On your department's website, my staff found an article dated April 2012, I believe, entitled "Aligning the Goals of Development and Business". That was the title of the article. That sort of gives me an impression that the goal is to use aid to advance business goals. Is that the case or not?

Dr. Maura O'Neill: No, that isn't the case. It really is to see where the business goals overlap with our development goals. We lead with our development goals and we negotiate hard on behalf of our development goals. We're looking for that intersection where their needs and opportunities overlap with our needs and opportunities as well.

Mr. Romeo Saganash: Thank you.

You mentioned in your presentation the two examples of Barrick Gold and Scotiabank, two extremely profitable companies. There's one thing that's important for me to understand in all of this. When working with a company like Barrick, for instance, does your agency do an evaluation of that private entity itself and how it conducts business around the world, and does that factor into the decision to fund them or not?

Dr. Maura O'Neill: We do extensive due diligence on each of our partners. We make a judgment call on whether there are any black spots on their record, whether they're significant enough that we want to walk away from a deal, or whether we see a change in management and the way they are going forward. So it is a very important part and an extensive part of our analysis of whether we would walk away from a deal or whether we would enter a deal.

The other thing that's of consideration to us is to what extent the indigenous people benefit or are harmed by any public-private partnership. It's incredibly important to us that the indigenous people who live in the area in which this public-private partnership will take place are advantaged by this rather than disadvantaged.

Mr. Romeo Saganash: On what basis has that been evaluated? Is that on the basis of international norms that exist today, or constitutional—

Dr. Maura O'Neill: We generally have conversations. We don't substitute our judgment for them, but we generally reach out to them and listen hard about what's important to them in that process.

Mr. Romeo Saganash: When you evaluate who you will work with, how do you assess a proposal? Is it a combination of the development needs of the community as well as the private business that needs to advance their own business in a given context? How do you...?

Dr. Maura O'Neill: They really have to overlap, because if they're out of whack, then it doesn't work over the long term. We're interested in a partnership that stays together and produces what we think will be a multiple of benefits. If a tremendous amount of benefits accrue to the private sector partner but little or nothing accrues to the country or to the people who live there, then that would not be a public-private partnership we would be interested in.

On the other hand, if all the benefits accrue to the locality, we know that there is a high likelihood that the private company will exit that opportunity well before the term of it. We're looking for that balance where they truly overlap—and to be honest with ourselves about where there's a bridge too far.

•(1600)

Mr. Romeo Saganash: How would you say your approach in working with the private sector compares to that of other G-8 nations, like Britain or France? Can you speak to that as well?

Dr. Maura O'Neill: I would hate to substitute my judgment for theirs, but I would say that every five years a group of OECD countries comes in to evaluate our development assistance program. This past year, as part of that, they rated and evaluated our public-private partnerships and said they were the best in the world. So I can pass that on as a third party that independently evaluated and came to that judgment.

Mr. Romeo Saganash: Do you have any criteria that you use at your agency to determine which companies you will or will not work with?

Dr. Maura O'Neill: In addition to the fact that there has to be a development outcome we share and a path to long-term sustainability without continued USG support, we also worry about reputational risk. We ask whether our entering this partnership would risk damaging the U.S. government's reputation. That's the additional major criterion we look at.

The Chair: Thank you.

What percentage of people who come to see you do you turn down? Do you have any idea?

Dr. Maura O'Neill: I don't know. It is more common that in the initial inquiry they are much further away from an acceptable project for us, so we are completely honest about that. I would say that a third of the time, particularly if they are brand-new companies that have never done business with USAID, we have a conversation about what works for us and how we generate value out of this.

The Chair: Great. Thank you.

We'll move over to the government side now. We have Mr. Van Kesteren for seven minutes.

Mr. Dave Van Kesteren (Chatham-Kent—Essex, CPC): Thank you, Chair.

Thank you, Ms. O'Neill, for coming. It is a great honour for us to have you here.

It is very interesting to hear that you have been rated number one. I think it's a shame we only have you for one hour, because we could probably learn so much from you.

I'm very interested to hear that President Obama has publicly stated that the solution to third-world problems and growth has to be small businesses and the growth of small businesses producing goods, as you stated.

Our committee took a trip last week to Ukraine and looked at some of their problems. I mention Ukraine because it has been stripped of private ownership, like many third-world countries. This is an issue we see in Africa and places like Africa—the absence of private ownership.

Dr. de Soto appeared before us through video, and he stressed the importance of ownership. It seems to be such a prevalent problem throughout the world in former communist countries, but also in places like Africa, where tribal kings have.... And even in our country, in North America, we still experience that to some degree with our first nations. What is USAID doing to rectify that situation? Are you moving to encourage or teach? What has been your approach?

•(1605)

Dr. Maura O'Neill: This is a good addition or complement to what we were talking about. We are huge believers in one of the values that official development assistance—and probably only official development assistance—can do; that is, to help strengthen the enabling environment for businesses to grow, whether it's small businesses or it's large businesses.

I'll give you an example. I'll also give you an example about the small business, because President Obama believes in all economic growth, not just small businesses; it's just that as an aid agency we care about broad businesses.

In Argentina, which is not exactly a developing country, it takes four years to get a business licence. I'm a serial entrepreneur. In Seattle it takes me one and a half hours to get a business licence, and the reason it takes me one and a half hours is because I have to drive from Seattle to Olympia. If I lived in Olympia, it would take me about ten minutes.

What happens is that you have a number of things, whether it's property rights or it's ease of doing business. Then the businesses start in the informal economy and they never get into the formal economy and the country is sort of mired in this economic doldrum. We believe that one of the key roles we play is helping on the enabling environment for entrepreneurship, for public-private ownership.

We also think that technology can play a huge role. I'm a technologist by background, so I understand this may be particularly interesting to me. I'm not so sure that in our lifetime we're going to see property rights completely litigated around the world, but there is a new move to put property rights in the cloud so everybody declares where the boundaries are.

I talked earlier today with a member of the committee about a project where people are mapping their neighbourhoods so we can get maps. This is a belief that if you could declare property rights in the cloud, over time we could create that much faster than governments could. We think that technology, as well as the enabling environment for this, is really key.

One last thing on large business versus small business is that I'm from Seattle, and Boeing is a major employer there. I like to think of global businesses—Canada has so many world-class global businesses—which often provide the anchor tenant in these developing economies. We're proud of Boeing, but we have hundreds of suppliers to Boeing that are small businesses operating in Washington State. We believe that a number of the global companies, whether they come from Canada or Europe or the U.S., can create the kind of anchor tenant that you have in a mall in these countries to provide huge opportunities for small businesses locally.

Mr. Dave Van Kesteren: I'm drawing a blank. What's your organization that sends young people overseas to work?

Dr. Maura O'Neill: The Peace Corps.

Mr. Dave Van Kesteren: The Peace Corps, yes.

We conducted a study about two years ago. We haven't completed it at this point. The election disrupted that. We were talking about the possibility of developing something similar to that with retired civil servants. I wonder whether you have explored that.

Again, with so many of these emerging economies, especially in countries like Mongolia, as an example, there is a real desire to move forward and adopt some of the principles of democracy but they have absolutely no infrastructure. I'm curious if USAID has experimented or begun to experiment, and what success have they had?

Dr. Maura O'Neill: Both the Peace Corps and USAID have experimented with that. You don't have to be 21 to enter the Peace Corps; you could be 55 or 60 and enter the Peace Corps with your specialized expertise.

When the Berlin Wall fell, AID stood up 22 missions in eastern Europe. One of the Supreme Court justices of Washington State went over to Estonia, and he set up the entire court system. We think this is a huge opportunity for expertise, whether it's in democracy or governance.

In Ghana they were growing a lot of pineapples, but most of them were being rejected by the buyers. In one of the big beverage companies embedded in the department of agriculture in Ghana there was a logistics expert—not somebody who actually knew anything about agriculture, but a logistics expert. They went from rejecting most of the pineapples to 90% of the pineapples being accepted a year later and making enough pulp to satisfy the local needs, as well as exporting the pineapples to Europe.

I'd say that we don't do as good a job as we could about accessing that talent, but you're absolutely right, it can be a.... We have really reached out, particularly in the diaspora, and we have a big initiative of accessing the diaspora, because they have huge skills and are very motivated to go back to help their home countries in some way.

•(1610)

The Chair: Thank you very much, Mr. Van Kesteren.

We'll move back over to Mr. Eyking. You have seven minutes.

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

Thank you, Ms. O'Neill, for coming here today.

You alluded to developed countries, or G-20 countries, and said that one of the best ways for them to help underdeveloped countries is through foreign guest workers. These workers are working in their countries and sending money home. You even mentioned that you're helping with the money transfers. It goes to the schools and to facilities like those. So you must be very much in favour of that.

Would you be concerned if some of these G-20 countries started limiting these foreign workers who are coming in? Not only would you be disrupting these men, mostly, who would have to go back to no jobs, but you would also have to backfill with aid to these countries, because you would.... Do you see it as both a really good thing for the businesses in a developed country and as a really good form of aid? Should a country not really look at changing that policy?

Dr. Maura O'Neill: The foreign guest worker program and immigration in particular is beyond the scope of AID or my remit. I would say that it's not something we actually take a position on.

Hon. Mark Eyking: You alluded to how important it was to these countries.

Dr. Maura O'Neill: But it's not only guest workers. It can be citizens. It can be wherever there are remittances.

My mother was born and raised in the U.S. She adopted a family in Uganda that she has helped support for a long time. She sends them money. She can only send them money when she finds somebody who is actually going to Uganda. And she worries about whether it ever gets there.

Remittances apply not just to foreign guest workers. It's the whole range of who the remittances are coming from in developed countries and why.

Hon. Mark Eyking: The other thing you mentioned was the emerging economies, such as the BRIC countries. Two-thirds of the big increase in economic activity in the world is going to come from those countries.

That being said, when you look at Brazil, Russia, and India, they're not really big players in international aid. China is starting to play a big role, especially in Africa, but it's very different, let's say, from that of the European or American countries. They almost have a bit of a colonialism mentality when they send in aid. There are all these strings attached. They have first dibs on the commodities and things like that.

What is your concern? What is the United States thinking of doing about it? We have that kind of aid coming into Africa, with those strings attached. But also, you're attaching aid to big companies that are coming in and delivering it. Are there any concerns about that, from a U.S. standpoint?

Dr. Maura O'Neill: We don't have an assistance relationship with China, but we do with a number of the BRICs. What we have done is work with India and Brazil, in particular, to try to help them with development assistance and to have them partner with us to do it in ways we think fit our values and our approach.

Hon. Mark Eyking: Exactly.

Dr. Maura O'Neill: We've done it with India, on food security in Africa, and we've done it with Brazil on chicken farmers in Mozambique. What we're trying to do is take the people who are transitioning from patronage to partnership, as Secretary Clinton would say, and partner with them in a way that meets our values with respect to development.

Hon. Mark Eyking: In your opening statement you mentioned President Obama. Focus on countries that will not need aid in the future is what I think you said. Is that what you said? Help them get off the aid. Can you expand on what you meant by that?

Dr. Maura O'Neill: What President Obama said is let us imagine when aid is no longer needed. I'll give you a specific example.

One of the very first countries AID ever operated in was South Korea. South Korea had a lower per capita income than any of the countries in sub-Saharan Africa, and now it is an economic powerhouse. That's obviously the gold standard of what we would like. If you compare North Korea to South Korea, in the future we'd like to see more South Koreas.

It is an aspirational goal. I'm not suggesting that in our lifetime the 79 countries in which we operate will become South Korea powerhouses. But we think about our aid and our approach very differently if we start with the end or our exit strategy. That's what he was challenging us to do.

• (1615)

Hon. Mark Eyking: Do I have more time?

The Chair: You have two minutes.

Hon. Mark Eyking: I have two more questions.

You mentioned how many countries you're doing now. Is it 79?

Dr. Maura O'Neill: It's 79.

Hon. Mark Eyking: Right now, the present government here is really diminishing the number they're focusing on into the twenties. That being said, if a country decides to not help a whole bunch of countries, who's going to fill the void? Does it end up putting more on the shoulders of the United States?

Dr. Maura O'Neill: Well, I don't know the answer to that. What I do know is that we are trying in countries from which people are exiting—particularly in Africa, where there are a lot of mineral resources, so we imagine the conditions are such that they can afford this—to set up some enabling conditions so there's transparency and there are goals so that transition goes well. I think it becomes all the more important for not only public-private partnerships but also foundations and NGOs. It becomes all the more important to begin to think about remittances and the whole capital flows to these countries and how you can leverage them to create better outcomes more quickly.

Hon. Mark Eyking: You mentioned what you're doing in Peru, helping them. I don't know how many farmers you're helping in Peru, but is it more than just helping them with growing techniques? Do you also help them in opening trade links? For instance, if they're growing a lot more blueberries or raspberries, or whatever they're growing, do you also help them with airlines and with opening up channels for them to flow their products? Is the United States doing more than just helping them with their growing techniques?

Dr. Maura O'Neill: Part of it is access to markets domestically. What I don't know, but I will make sure I get back to you on, is whether the scope of that project includes any export. Primarily, we have looked at increasing the robustness of domestic supply chains, and we've been focused on export commodities, but that doesn't mean we don't think that's a valuable source of foreign direct investment and private capital flow. So I'll take that and get back to you on the trade piece.

The Chair: Thank you very much.

We're now going to start our second round, which will be five minutes. Mr. Dechert and Ms. Brown are going to share their time.

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

Thank you, Dr. O'Neill, for being here today.

You mentioned the importance of diaspora remittances. Both Canada and the United States have very significant diaspora populations from virtually every country in the world. Can you tell us a little bit about how your organization has worked with diaspora business entrepreneurs from the United States to try to make investments in those home countries? How do you motivate them? I commend you for the project with the school fees in the Philippines. A lot of the people who live in my city come from the Philippines and they work very hard to send that money back, and it's to go for circumstances like that, to support families back home. It's terrific that you're helping to make those flows go directly to the schools and other institutions that support their families.

I also note that you're working with Scotiabank in Haiti, and perhaps other places. These electronic payment mechanisms I think could be helpful in facilitating those remittances at a lower cost than the current costs of remitting funds to many of these countries through other third-party organizations.

Perhaps you could comment on the whole diaspora business situation.

Dr. Maura O'Neill: I'll tell you three things.

One is that Secretary Clinton and USAID have set up a diaspora alliance, which she announced a year ago, and we will see partnerships, and it will really get off the ground at the end of July. So we want to develop an infrastructure over time that is independent of us so that you don't necessarily always have to have us as the broker in terms of diaspora projects.

The second thing is that where specific diaspora know about specific projects, oftentimes the foundation representing that diaspora or some other has come to us with a specific proposal, and we've looked at it. If we believe that it creates enough value, we may co-fund it.

The last one, which we're most excited about—and we've tried it in Africa and in the Caribbean—was a marketplace. A lot of these members of the diaspora have actually made a fair amount of money, and they want to invest in the countries, but they don't actually have any deal flow. So we have developed an African marketplace and a Caribbean marketplace—and in these cases we did so with Western Union—through which we go find a bunch of small businesses that are interested in expansion capital, and we provide transparency to the diaspora in the U.S. We've done it twice, with Africa and with the Caribbean, and we're about to do our second African marketplace. We think that has a lot of applicability.

The Chair: Thank you very much.

Ms. Brown.

• (1620)

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

Dr. O'Neill, thank you very much for being here.

There are two things. First of all, I just want to clarify something Mr. Eying alluded to. Yes, although CIDA has narrowed its focus to 20 countries for the bulk of our money, Canada is still very much present in a multitude of countries, mostly through our bilateral programs. We share them with USAID, through the World Food Programme, through UNICEF, GAVI, the global partnership fund and particularly through our maternal newborn and child health initiatives. So we're still present in many countries.

I want to go back to your discussion about the project with Barrick Gold in Peru. You talked about Barrick's targeting the creation of 800 jobs. You talked about those being permanent jobs. In what sectors are those growing? How do you see those becoming embedded in the economy so that these 800 jobs are providing ongoing income for families, providing tax dollars as permanent revenue to Peru? How do you see that happening?

Dr. Maura O'Neill: The bulk of these jobs are in the agricultural sector, all across the supply chain. I'm sure there are other jobs, but the bulk of them are in agricultural supply. Many of these smallholder farmers just don't have adequate access to markets for their products and they are subjected to middlemen taking the bulk of the profits on the way, as well as spoilage. I don't know what the number for Peru is, but I know that in India there's 40% post-harvest waste or loss. We know that in most of the countries, including Peru, it has to do with storage logistics and access to market. Most of those jobs are in the agriculture sector.

Ms. Lois Brown: If we look at the history of Canada, a hundred years ago Canada was basically an agricultural country, as was the United States. Think of the number of innovations that came out of farming communities that grew into major businesses all on their own. It means that there's great hope for those jobs to stay permanent.

Thank you, Mr. Chair.

The Chair: Thank you.

We're going to move over to Madam Laverdière, for five minutes.

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

Thank you, Dr. O'Neill. Thank you both for your presence today and for your very interesting presentation.

I would like to follow up on what seems to me an important point. Barrick is working on producing jobs in the agricultural sector, which means that those jobs are not strictly related to Barrick's own activities. Do you see what I mean?

Dr. Maura O'Neill: They have an interest, and I can get you the specifics on these 800 jobs. I was told that they were in the agricultural sector, maybe some of them are in mining. But the idea behind our public-private partnership is a development goal that makes the benefits of the economic activity more broadly felt in the community in which the mining is happening. That was the idea behind the focus on these economic centres. It was not just to make sure that they had adequate workers for their mining, but rather a broader set of benefits.

[*Translation*]

Ms. Hélène Laverdière: Thank you very much. That really is a very important point.

To start off, I am going to ask a quick question that may seem a bit ridiculous, but that is important. Briefly, what are the main development goals that you are referring to?

• (1625)

[*English*]

Dr. Maura O'Neill: We have four main development goals: food security; adequate health, particularly on eliminating preventable deaths; economic growth, because we believe that broad-based economic growth is essential; and the last one is humanitarian assistance, primarily around disasters. Those are our four goals. We have an overarching goal that's a presidential initiative around climate change. We want to make sure that all of these are done in a more climate-friendly way.

I should note that we don't oppose, and we can see as a development goal, sometimes partnering with large businesses to provide them the kinds of infrastructure training and business skills for the local businesses providing supplies to them. While it is not our primary goal to make sure that we recruit and train people for their growth businesses, whether Barrick or Intel, we do think that a whole set of enabling environments can be useful. That could directly benefit the business that's involved in their operations.

[*Translation*]

Ms. Hélène Laverdière: Thank you very much.

One thing that really struck me in your presentation is that you work with Scotia Bank, Barrick Gold, and so on. Do you work with companies from around the world, or is there a trend? Approximately what proportion of your partners are American companies?

[*English*]

Dr. Maura O'Neill: I don't know the percentages off the top of my head, but I can tell you we are open for business and do partnerships around the world. We do partnerships with businesses in both developed and developing countries, small businesses as well as large.

Not surprisingly, we haven't solved all the complications of doing a partnership with a big organization like the U.S. government. More often than not, we have partnerships with large businesses, which can be in-country or all around the world. So long as we share a development goal, we're fine with whoever it is.

Ms. Hélène Laverdière: Thank you. It's a very interesting aspect. There is a big picture. You have those partnerships with private companies, but you still work with NGOs. Do you have tripartite partnerships where there would be USAID, NGOs, and private enterprise?

Dr. Maura O'Neill: A huge portion of our partnerships have an NGO or an implementing partner. For example, after the Haiti earthquake, Coca-Cola came to us. They own the Odwalla brand. They wanted to source more mangos from Haiti. Haiti has a huge production of mangos, but they aren't of export quality and can't be put in juices. We partnered with an NGO to work with the local farmers and the processing so that they could teach them the world-class standards for mangos. This way, Coca-Cola, through it's Odwalla brand, could be in the position to buy more of them. That's an example of where the tripartite relationship helps everybody.

The Chair: Thank you very much.

We're going to move over to Ms. Grewal.

Mrs. Nina Grewal (Fleetwood—Port Kells, CPC): Thank you, Chair.

My thanks to Ms. O'Neill for appearing today and assisting our committee with its study of how the private sector can assist Canada in achieving its developmental goals.

I understand that your organization has been working more and more with the private sector in support of the foreign policy goals of the United States. The private sector accounts for about 80% of all investment in the developing world. From your experience, what are the benefits of working with the private sector to achieve development and humanitarian goals? Could you provide some examples from the experiences of USAID?

• (1630)

Dr. Maura O'Neill: Thank you.

I would actually go so far as to say that I think working with the private sector has been essential to meeting our goals. I'll give you a couple of specific examples.

Afghanistan has been a complicated country for all of us for quite some time. Now about half of their civil servants are actually paid in cash. They think that about 50% of the police and the military do not show up every day, and in large part it's because they're getting their salaries, they're walking to the bank to get their money out of the bank, and then they're walking to their families to give them money.

So we partnered with the largest mobile operator there—we've gone on to expand this program to all mobile operators—and we ran a test in which the police officers were actually paid through mobile money instead of this cash. We discovered that they got a 30% raise. That was the estimate of how much more they got, on average. Another way to look at it is that this was the amount that was siphoned off between the time the money left Kabul and the time it got to a police officer.

What's really critical about this is that not only is there that sort of corruption or fraud tax being paid, but at 30% less, those police officers were being paid less than the Taliban was willing to offer them. When they got their full salary, we were then above what the Taliban was paying.

We don't have an infrastructure in Afghanistan to actually pay electronically, nor does the Afghan government, but the mobile company does. We've been so thrilled with that kind of experiment that we now have created an innovation fund to try to get all the mobile companies in Afghanistan to start using mobile money. As you know, Kabul Bank, the largest bank, also collapsed, so it's not dissimilar to Haiti. When you have a collapse of a major part of the financial infrastructure, the ability to stand it up in a very different way....

There are a lot of issues in making mobile money safe, so we worked very closely with our treasury department to make sure this is not a new vehicle for the bad guys to be raising money or deploying money in money laundering and terrorist financing. We think these issues are complicated, but that gives you an example of where we think that as an aid agency we would never have had the ability to pull that off without a partnership with the private sector.

Mrs. Nina Grewal: Could you please also tell us something about the neglected tropical disease program? Has this been a really successful program, and has it received any support from the private sector?

Dr. Maura O'Neill: We are really excited about a partnership we did on neglected diseases, particularly deworming. A lot of kids in the developing world don't show up at school every day. We thought it was because the parents wanted them to work in the fields or because the adolescent girls were menstruating—any number of reasons why. We found out that a lot of the kids aren't going to school because they just feel lousy. They don't have access to clean water and they're getting intestinal worms.

An academic did a study about 10 to 15 years ago and said that if you give them one small pill, a deworming pill, once a year or twice a year, it actually.... In a randomized control trial—much like drug discoveries—they found that school absenteeism dropped by 25%. But most importantly, that study was neglected for a long enough period of time—meaning nobody scaled it up—that they then could go back and track those kids. They said, “Well, they showed up to school, but did it really matter?” It turns out that they stayed in school longer and that as adults they are making substantially more money—20% more.

So we did a public-private partnership, which we are enormously excited about, with a hedge fund out of the U.K. They set up this hedge fund, the Children's Investment Fund Foundation, and said, “We'll return money to our investors, but our money will go into a foundation to help kids”.

They've been wildly successful, so they have \$2 billion in this foundation, and they are now paying for the distribution in all of Kenya. So we're covering all of Kenya. The pharmaceutical companies are donating the pills. With our partnership with a foundation in Texas, we are starting the process of expanding that to three or four countries. We like the fact that it's evidence-based. We like the fact that there are unconventional partners—you wouldn't think of hedge funds as being conventional partners for neglected disease—and we're scaling it across an entire country and ultimately the continent.

• (1635)

The Chair: Thank you. That's all the time we have.

Mrs. Nina Grewal: I have a very short question.

The Chair: They are all short, but you're over by about 30 seconds.

Dr. O'Neill, that is all the time we have, but I'm going to let you have the last word. You didn't get a chance to summarize your recommendations. Would you do that for us? I know you have to catch a plane, but could you take a couple of minutes to summarize your recommendations for us?

Dr. Maura O'Neill: I offer three recommendations for your consideration. We have found that these elements have been critical to creating successful public-private partnerships. They accelerate the achievement of development results, mitigate the risk of unintended consequences, and increase the likelihood of sustaining.

First, you need to have top support and incentives for partnerships. If people don't see it as part of what they are going to be evaluated on they're not going to do it—if it's a “nice to have”, but not a “must have” as part of that. I talk about how we have used incentives at USAID to do that.

Second is to create an easy on-ramp for partners so you become the preferred partner. You're the place people want to partner with. They want to bring their money and assets. Have candid discussions about the core competencies of each partner and their motivations. Also, as I said yesterday, don't fall in love with the deal. Be willing to walk away from it if you smell a rat or you don't think the objectives align sufficiently.

Third, we have three words we wake up with every day and go to bed with at night, not just on our public-private partnerships, but on everything we do. Focus on three elements for partnerships: impact, scale, and sustainability. If you don't think about those at the very beginning, they won't miraculously happen in a partnership or when the partnership is coming to an end.

In conclusion, I appreciate your thoughtful study of this issue over the last decade. I hope I've been able to provide some insight and assistance as you think it through. We look forward to learning from you as you move forward in this area as well.

Thank you, Mr. Chairman.

The Chair: Thank you very much.

We're going to suspend for a few minutes to change witnesses.

• (1635)

_____ (Pause) _____

• (640)

The Chair: Okay, we'll get started again.

I want to welcome Karyn Keenan, a program officer with the Halifax Initiative Coalition.

Ms. Keenan, thank you for being here today. We're looking forward to your opening comments. After your comments we'll go back and forth with some questions so you can clarify or go deeper into some of the things you've said.

I'll stop talking and turn it over to you. You have ten minutes.

Ms. Karyn Keenan (Program Officer, Halifax Initiative Coalition): Thank you, Chair.

Thank you for the opportunity to speak before this committee. For those of you who aren't aware, the Halifax Initiative is a coalition of development, environmental, faith-based, human rights, and labour organizations that works to democratize the international financial system. The coalition, which was created in 1994, seeks to make public financial institutions more transparent, democratic, and accountable.

My comments today will address the extractive sector, which is the focus of Canadian programming to promote the private sector in developing countries.

As a lawyer, I've worked on Canadian policy and law regarding the overseas extractive sector for over 15 years. While living in Peru, I worked directly with indigenous communities affected by the operations of transnational mining companies. Later, as a consultant to Amnesty International, I examined the impacts of a gas pipeline on indigenous communities in Peru.

In 2006 I was a member of the advisory group to the Canadian national round-table process that examined Canadian extractive operations in developing countries. Others have testified before this committee regarding the relationship between private sector investment and development. They reminded committee members that private sector investment per se does not lead to sustainable development. In fact, such investment can, and often does, undermine development.

A complex set of political, legal, institutional, and social conditions must exist in order for the wealth generated by the private sector to contribute in a meaningful way to the sustainable development of a country and its people and to ensure that the often devastating costs associated with private enterprise are both minimized and internalized.

We know that in most places in the developing world those conditions do not exist. This poses a dilemma for any thoughtful government considering the promotion of its companies as a mechanism to enhance development in the global south.

I'd like to spend a few minutes exploring these issues by focusing on the example of Peru, which is the country that features most prominently in CIDA's new programming in support of the private sector and is a country that I know well. The extractive sector plays a central role in the Peruvian economy. Like many other resource-rich countries, Peru was subject to a structural reform program imposed by the World Bank and the International Monetary Fund. The program began in Peru in the early nineties, after Alberto Fujimori came to power. Fujimori is currently serving time for embezzlement, bribery, and extrajudicial killings.

The structural reform program in Peru sought to facilitate private investment through a radical liberalization of the country's trade and investment framework. This included privatization; lower taxes and royalties, such as the elimination of all royalties on mineral production; the introduction of stability agreements; and the elimination of important social and environmental protections. Foreign investment in the mining and the oil and gas sectors has grown significantly since then.

By the late 1990s, Peru had one of the lowest levels of tax revenue in Latin America. Despite impressive economic growth, high levels of poverty persist, particularly in areas rich in mineral deposits and in oil and gas.

In a recent report concerning violence and social conflict, the Peruvian national ombudsman explained:

After 10 years of continuous economic growth, with an average annual increase in real GDP of 7.15% and 20 years of free market economics, and despite the fact that poverty has ostensibly decreased, there still exists a large sector of the population that lives in a situation of poverty or extreme poverty that has not seen any substantial improvement in the quality of their lives.

Peruvians are marginalized from public decision-making processes, often receive little to no benefit from extractive investments, bear the burden of the often devastating environmental and social costs associated with these activities, and are beaten, incarcerated, and killed when they stand in defence of their rights.

Given this context, it comes as no surprise that the Peruvian extractive boom has been accompanied by an explosion in conflict. According to the Peruvian ombudsman, extractive investments constitute the single most important source of social conflict in the country. In a recent report, the ombudsman reveals an increase in social conflict of over 300% in the past five years. The office reports an increase in the number, intensity, and geographical extension of social and environmental conflicts.

I will give you a few examples.

In 2009 indigenous people in Peru mounted a major protest regarding the adoption of new legislative provisions that further facilitate extractive operations in their territories. On June 5 the national police attacked the protesters, triggering a violent confrontation that resulted in the deaths of 33 people. The prime minister was forced to resign over the government's handling of the incident, and Congress repealed a number of the contested decrees.

A more recent conflict in late 2011, concerning Newmont's proposed Conga mine, triggered the resignation of the prime minister and the entire Peruvian cabinet less than five months after President Humala was sworn into office.

Last month I accompanied a delegation of indigenous Achuar leaders from the Peruvian Amazon to the House of Commons. Their traditional territory has been included in an oil concession held by a Canadian company, Talisman Energy. The Achuar have seen the neighbouring rivershed devastated by an American oil company. Their neighbours can no longer eat local fish or animals. The Achuar came to Canada to demand that Talisman leave their territory.

Finally, this week two indigenous people were killed and a state of emergency declared in Cusco, at Xstrata's Tintaya mine in Peru.

The conditions required to ensure that extractive investment supports sustainable development are clearly lacking in Peru. Yet Peru is the single most important destination for new CIDA-sponsored projects promoting the extractive sector.

How is the Government of Canada addressing this issue? One approach would be to support the development of a robust governance capacity in Peru and other developing countries. A complementary option would be to ensure that the overseas operations of Canadian corporations that benefit from government support are effectively regulated in Canada.

How does Canada fare on these fronts? First, it's important to note that Canada finances the World Bank and the International Monetary Fund, and that it holds seats on the boards of directors of both institutions. This means that Canada shares responsibility for the structural reform program that undermined the Peruvian government's capacity to both regulate the extractive sector and to exact a fair proportion of the wealth generated by extractive companies for the benefit of its people.

Canada further weakened Peru's hand when it signed a free trade agreement with that country in 2008. The agreement includes investor state provisions that will make it difficult for Peru to strengthen its regulatory framework in favour of local communities without running the risk of being sued by affected Canadian companies.

This has been the experience of the government of El Salvador, which was sued by Canadian mining company Pacific Rim, under the Central American free trade agreement, when it declined to grant the company a mining licence.

For over ten years CIDA funded a project that sought to enhance the Peruvian government's governance capacity regarding the mining sector. As researchers at the University of Quebec at Montreal have reported, the PERCAN project was limited in scope, focused on conflict resolution, and did not address issues of legitimacy, responsibility, and accountability that underlie mining-related conflict in Peru.

The project included an inherent bias in favour of mining, seeking to make the activity more socially acceptable. It did not contemplate the promotion of processes and institutional capacity to address the extreme power imbalances that exist between multinational companies, communities, and local governments, or to create conditions for truly participatory processes of decision-making and oversight concerning mining operations. In fact, the number and intensity of mining-related conflicts in Peru grew significantly during the tenure of the PERCAN project.

Not only has Canada undermined Peru's capacity to effectively govern multinational companies, it has also refused to regulate the overseas operations of Canadian extractive companies, relying instead on ineffectual voluntary initiatives.

The Conservatives defeated a modest bill that was introduced in the House of Commons in 2009 that would have ensured that any extractive company receiving financial or political support from the Canadian government satisfy international standards.

Mr. Bob Dechert: Opposition members voted against it as well.

Ms. Karyn Keenan: Well, we can talk about that.

Until conditions in Peru and other developing countries address the enormous power differential between companies and local actors, are protective of communities' political, economic, social, and cultural rights, and ensure that companies make meaningful contributions to state coffers, extractive investment is unlikely to promote sustainable development. Any government programming that promotes extractive investment in the absence of such conditions cannot credibly claim to contribute to sustainable development.

Thank you.

The Chair: Thank you, Ms. Keenan. I'm sure you'll have lots of questions to follow up.

Mr. Saganash, you have seven minutes, sir.

Mr. Romeo Saganash: Thank you very much.

Thank you for your testimony to this committee.

I know your organization has done a lot to raise awareness about the activities of Canadian mining companies abroad. In 2006 you produced a map of mining activity by Canadian companies around the world. I notice that a number of nations where these companies are active are the same 20 nations of focus for CIDA now. That includes Colombia, Mali, Tanzania, and you just spoke about Peru as well. They're on your map and on the list of 20 countries of focus for CIDA today. That doesn't even include mining firms where we have funding from CIDA. Barrick Gold in Burkina Faso is an example.

Are you seeing a greater connection between Canadian mining interests abroad and CIDA funding on the other hand?

Ms. Karyn Keenan: I certainly see greater convergence between those two things in the new CIDA programming that's part of the Canadian government's corporate social responsibility strategy. I hadn't considered the overlap between cases where communities and workers have raised issues about Canadian companies' operations and countries where we're providing ODA, especially not in the context of the mining map, but there's definitely a convergence of those two things now through this new policy, the corporate social responsibility policy, and the programming.

That's a concern for my organization. We're worried that the impetus for this programming is more about the promotion of Canada's commercial interests than positive developmental outcomes for the countries where those investments are happening, for the reasons that I outlined in my comments. I don't believe that in countries such as Colombia, Peru, Tanzania, and Mali conditions

exist to ensure that those investments are making a significant and positive contribution to development.

Mr. Romeo Saganash: I represent a riding where there are a lot of mining companies. These same companies do operate abroad as well, throughout the world. One thing that strikes me a lot when I look at this is the fact that they seem to be able to do the right thing, at least in my riding. I participated in many of the agreements and negotiations that led to good agreements with first nations people in my riding, as recently as two weeks ago. Yet these very same companies do not seem to know how to do things right in other countries abroad.

What do you think they need to do differently when they do their activities abroad?

Ms. Karyn Keenan: That's an excellent question, one I think I could spend a lot of time answering.

You know, it may sound trite, but it's things like respecting basic human rights. I mean, the allegations, the credible allegations, that have been investigated by reputable organizations regarding the operations of Canadian companies overseas include such things as forcibly relocating people from their traditional areas, causing them serious bodily harm, gang-raping them, killing them.

So as a start, I would say refrain from participating in or allowing the people who you hire or contract to become involved in those kinds of serious human rights abuses. That's a simplistic answer, but that, it seems to me, would be a good starting point.

Mr. Romeo Saganash: I'd like to have your opinion on what you see as the proper role of the private sector in international development.

Ms. Karyn Keenan: The private sector has an important role to play in development. I don't think that's in dispute. I reviewed the testimony of the people who testified at this committee before me, and I don't see any dispute about that factor. The question is how, and under what conditions.

As I said in my comments, I don't think conditions exist in countries such as Peru and the other countries you mentioned to ensure that extractive investment by multinational companies would lead to positive developmental outcomes. I'm talking about public institutions, policies, and processes that can provide effective oversight of those corporations, and can use the wealth that's generated by those companies to respond to their citizens' needs. That's not happening, and I don't see it happening in the short term.

Mr. Romeo Saganash: I have a very quick question then. I'm almost afraid to ask this one. In your view, is there another country that would serve as an ideal model for Canada with regard to international development?

Ms. Karyn Keenan: Do you mean specifically with respect to this new CSR programming, partnering with the extractive sector?

Mr. Romeo Saganash: Yes, I do.

Ms. Karyn Keenan: I can't think, off the top of my head, of a country where the kinds of conditions that I'm describing—robust public institutions, pro-poor policies, an effective and independent judiciary, truly participatory decision-making, etc.—exist in a way that would guarantee that wealth generated by Canadian companies would contribute to real and long-lasting developmental outcomes. Off the top of my head, no, I can't.

The Chair: Thank you very much.

We are now going to move over to the government side.

Mr. Dechert, you have seven minutes, please.

Mr. Bob Dechert: Thank you, Mr. Chair.

Thank you, Ms. Keenan, for being here.

At the outset, I wanted to mention something you brought up, which I think was Bill C-300 in a previous Parliament. You mentioned that the government defeated it. You probably remember that there was a minority government at the time, so to defeat any bill would take the votes of people from multiple parties. In fact, the Liberal Party industry critic voted against that bill, as did I. I voted against that bill, quite frankly, because I thought it would be hugely detrimental to the Canadian economy in the extractive sector, in the financial services sector, and in many other sectors. I thought it was a rather poorly drafted bill that would have done substantial harm to Canada and very little good to other countries. That was supported by many MPs from many parties.

You mentioned Peru. I understand that you've had some experience there. I don't know if you had an opportunity to hear our previous speaker, Dr. O'Neill, from USAID. She mentioned specifically that USAID was partnering with Barrick Gold, in Peru, on a project she said had created 800 jobs, most of which are in agriculture, not mining.

It sounds to me like a pretty good project for Peru and it has had some positive outcomes. Some mining companies, if they are just in there to extract resources, will train people to work in the mines, and when the ore body is finished they'll leave. Perhaps those people will have skills they can use elsewhere and perhaps not. But in this particular project, partnering with USAID, they're creating jobs that have nothing to do with the mining industry. I don't see what the objection to that kind of project would be.

You may also be familiar with a CIDA project with World Vision Canada, which is a very reputable organization that supports people in poor and developing countries around the world. It happens to be headquartered in my city of Mississauga. It's just a spectacular organization. It's supported by people across Canada, very significantly by people in Mississauga. I can tell you that they did just an incredible job of helping people in Haiti after the earthquake. They raised a huge amount of money from Canadians and put it to good use making lives better for people in Haiti who were recovering from that earthquake and rebuilding their economy.

That is an organization CIDA has partnered with. It has also partnered with Barrick. That project in the municipality of Quirulvilca is benefiting a thousand families. It is strengthening the municipal authority's ability to work with the national

government to use a greater share of the mining revenue locally in that community to diversify its economy.

CIDA is putting up \$500,000. It's being implemented by World Vision. And Barrick Gold is putting up \$500,000. I wonder why that would be a project anyone would want to criticize. It seems to me that what they're doing there is leveraging the work Barrick Gold is doing creating jobs locally and they're taking that economic benefit far beyond that particular industry. Isn't that the kind of thing we want to see happening in developing countries? Those resource companies have contributed to making Canada the prosperous and peaceful place it is, with one of the highest qualities of life in world. When our ancestors first landed in this country, the resource industry was what got this economy moving in the first place. It built our economy. Why wouldn't that work in a place like Peru or in other countries in the world? Those same companies, as Barrick did here, can do it elsewhere. If the taxpayers of Canada want to help those countries develop, we want to show them how it was done in our country.

We have developed some of the best, most successful, most environmentally sensitive, and most progressive programs in the world in terms of employee health and welfare programs, and we've developed them here in this country. They've made this country prosperous. We want to help people in other countries. That's something Canada knows about. Canada is home to the largest mining industry in the world. We're home to the finance business for mining around the world. We've got the expertise in finding the ore bodies, exploiting the ore bodies, and financing the whole project. We have all that in-house. That's something Canada has that not many other countries in the world have.

If we want to help people in poor countries around the world develop their economies, doesn't it make sense that Canada would work with an industry that we know, and try to re-create in other places what we saw happen in our own country so successfully? We're doing that through these programs with reputable organizations, like World Vision. I assume you don't have any problem working with an organization like World Vision.

Perhaps you could comment on that USAID project, the Canadian project with Barrick Gold, and tell me what you think of those projects.

The Chair: You actually have 30 seconds. I'm going to let you answer the question, though.

Ms. Karyn Keenan: I want to respond to several points very quickly.

First of all, had the Conservatives who were in the House of Commons voted for Bill C-300, it would have passed. Secondly, it's hard to see that Bill C-300 would irrevocably damage the extractive sector, given that the mining and oil and gas companies in Canada already claim to adhere to the standards embedded in that bill.

On the question of whether I object to USAID's project or World Vision's projects in Peru, of course I don't object to those projects. I question CIDA funding such partnerships for the reasons I enumerated in my comments, which are that CSR projects cannot replace public policy and institutions that are dedicated to poverty alleviation. In fact they can undermine those policies and institutions, and that's my concern.

The Chair: Thank you very much for the quick response after that very long question.

Mr. LeBlanc, seven minutes is yours, sir.

Hon. Dominic LeBlanc (Beauséjour, Lib.): I won't take six minutes and 30 seconds for the introduction, Mr. Chair.

Thank you, Ms. Keenan, for being here. Thank you for your comments, which I think are instructive in a number of areas.

Perhaps I could pick up on some questions that my colleague Mr. Saganash opened up with. He asked you whether, in your view, there were any public-private partnerships around public money going to companies in the extractive sector. I think you asked for precision, and he agreed that was the case. You couldn't think of a circumstance where those investments would be a valid use of taxpayers' money, and you used a very compelling example of where it can go off track badly.

What about other sectors? You're right, we have tended to focus on a partnership in the extractive sector, but I'm thinking of some large multinational agrifood companies. McCain Foods from New Brunswick, for example, has a number of initiatives in developing countries around growing potatoes. Can you see other sectors of the economy where...?

You're going to tell me, lawyer that you are, that it will depend on the project, the terms of reference, the objectives, and so on, but as a general idea, I think the extractive sector is more complicated than perhaps other sectors where there may be an opportunity for a less complicated or polarizing partnership in terms of its local impact. Can you think of other areas of the economy or in developing countries where it might be easier to structure something that would have some merit, at least on the face of it?

Ms. Karyn Keenan: I don't know. The sector I know the best is the extractive sector. But what I would say is that you anticipated my answer, that it would depend on the project or the particulars of the investment. I would say, yes, that's important. But more important are the other things I've been trying to emphasize so far this afternoon, which are the conditions in the country where the investment is happening—that is to say, whether there is an effective policy in an institutional context, a framework and capacity to allow the government where the investment is taking place to regulate the company, to levy appropriate taxes and royalties so that it can then spend on social programs, where there's an independent judiciary so there can be accountability, and where there's transparency about all of those things.

That seems to me to be more important, regardless of the sector from which the investment is coming, than the specifics of the project.

Hon. Dominic LeBlanc: I don't disagree with that observation.

Isn't there, then, an inherent contradiction? On the one hand, the extractive sector is working—because many of these minerals are underground—in countries where they're sorely lacking in some of those reliable, transparent, democratic institutions, basic things like the rule of law, as you say, the independence of a judiciary, some public financial system that has any sense of public support and transparency in terms of governmental finance, anti-corruption laws and so on. It seems to be a curse that many of these minerals are in countries that unfortunately haven't advanced to where I'm sure they want to be or where we would like them to be. Then you have these Canadian companies, because that's the sector of the economy they operate in, going after these mineral deposits, which is not in and of itself inappropriate, but because of the context it becomes that much more complicated.

Does your group have a view on what the Government of Canada, and particularly CIDA, public institutions in Canada...? You touched on a few multilateral financial institutions, but what could domestic Canadian institutions like CIDA do in a more robust way to help some of these countries implement or achieve greater institutional stability and transparency as a precursor perhaps to other forms of development?

My sense is we've missed an opportunity, after the Arab Spring and we hope the emergence of some of these democracies, to help them at a very critical time build greater capacity in public institutions in their own countries, and therefore there may be a backsliding and we may find ourselves in a similar situation or worse situation than before some of these circumstances led to such an increase in hope. Can you see a greater role for Canadian public institutions in that aspect?

Ms. Karyn Keenan: First of all, you mentioned that there seems to be extractive investment and the lack of the kinds of conditions that I described. There seems to be a coincidence or they seem to happen in the same places. I would say that's an accurate observation, and it's not an accident; it's by design. That's what I was trying to explain about Peru. The programs that were imposed on Peru, that decimated public institutions and public policy, happened in many developing countries—and most developing countries—that are rich in mineral, oil, or gas resources. So that happened by design.

I wouldn't minimize the role of the multilateral development banks and multilateral institutions as creators of this problem but also as potential agents to solve this problem. Canada has a very important role in those institutions. Not all countries are privileged to have positions on the boards of directors of both the IMF and the World Bank and all of the regional development banks. Those organizations of course are still very important in influencing policy development in these areas. I would say Canada has an important role within those institutions to help developing countries that would like to create more robust policies and institutions to do so.

With regard to CIDA, I think CIDA has done some very good work in these areas in promoting institutional strengthening in areas like an independent judiciary and so on. But I fear CIDA is moving away from that kind of programming and it's redirecting funds to things like corporate social responsibility programming. So I think there's probably capacity in CIDA and experience to draw on regarding the kinds of initiatives or areas that I would prioritize.

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

We'll see how long until we have bells and votes.

We'll start with Ms. Brown.

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

Ms. Keenan, I think that both our extractive industries and the members of this committee would take offence at the suggestion that our extractive companies are going into other countries and making rape and pillage their norm. I know people who are in the extractive industries, and they are fine, upstanding people who run reputable companies. So personally, I find your characterization highly offensive.

I shouldn't speak for the rest of the committee, but I think this is an accusation that goes beyond the pale. I have attended the PDAC convention in Toronto, the prospectors and developers convention. It's enormous. It's attended by people from every country in the world. Every country that has a booth there places a high value on the expertise of Canadian companies and the reputation of the Canadian extractive industry. They want our companies to go to their countries and do business there. I could probably name 50 countries off the top of my head with whom I have had conversations.

I have been in Burkina Faso. I have seen the wonderful project that Iamgold has in that country and the wonderful work that they are doing to create alternative economic opportunities for the people of Burkina Faso. These people are thrilled that they now have a school for their youngsters and a training centre for their young people, who are getting the ability to do electrical and plumbing work, and take real jobs into the economy. They have a health care clinic populated with competent health care workers who are providing assistance to the people of Burkina Faso in an area that is four hours removed from Ouagadougou. So there are good things going on with our extractive industries.

We can also look at the Equator Principles. You talked about Bill C-300. Canadian extractive companies comply with the Equator Principles. We have a counsellor—there are no complaints against Canadian companies she's dealing with. We have a fine reputation around the world. You talked about Talisman. Talisman was in South Sudan, and there were some accusations against Talisman. Talisman threw up their hands and decided to pull out. China went in, and we know the sad tale that's ensued.

You've heard Dr. O'Neill's testimony. You heard what she said here. What you're telling us is 180 degrees removed from the good work that USAID is seeing done. They talked about 800 permanent jobs being created in Peru in the agricultural sector. I've visited countries in Africa where, in tandem with Canadian companies working in Kenya, we have agricultural projects going on in

Ethiopia. We have agricultural projects that are creating real opportunities. The private sector, the extractive industry, they're all part and parcel of this. It's not that we're only working in that area. CIDA has much money going into capacity-building in these countries—developing judicial processes, developing a civil society. It can't be one or the other. Civil society, a fair and open judiciary, transparent elections—these things can't happen unless there is a reliable and growing economic process happening at the same time.

When you look at these things happening in tandem, is it not possible for CIDA to partner with companies and make life better for people in these emerging economies?

The Chair: Once again we're out of time, but I'll ask Ms. Keenan to answer the question if she would like to.

Ms. Karyn Keenan: I don't know where to start. I guess I would encourage the honourable member to—

Ms. Lois Brown: She's speechless.

Ms. Karyn Keenan: No, I'm not speechless. I don't know where to start.

I guess I would encourage the honourable member to review testimony given before this committee on Bill C-300 and to review statements of claim before the Ontario and Quebec Superior Courts regarding the operations of Canadian companies, the Norwegian pension funds documents, and the websites and publications of reputable organizations like Amnesty International and Human Rights Watch. I can't imagine how anyone could review those publications and not come away with concerns about the operations of Canadian extractive companies overseas.

The Chair: Thank you very much, Ms. Keenan.

Ms. Ève Pécelet (La Pointe-de-l'Île, NDP): For the record, Mr. Chair, a point of order.

The Chair: I doubt that it will be a point of order, but go ahead. Let's hear it.

Ms. Ève Pécelet: Yes. On a point of order, I just want to clarify that the previous witness didn't say that there were 800 jobs created.

An hon. member: Yes, she did.

Ms. Ève Pécelet: They were looking—that's what's written in her testimony—

The Chair: Okay—

Ms. Ève Pécelet: They were looking to create 800 jobs. There haven't been 800 jobs created yet—yet.

The Chair: Okay.

Ms. Keenan, thank you very much for your testimony today.

Ms. Karyn Keenan: Thank you for the opportunity.

The Chair: We do have bells.

We have your testimony on record.

With that, the meeting is over. Thanks.

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