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# **Standing Committee on Foreign Affairs and International Development**

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**EVIDENCE**

**Wednesday, March 14, 2012**

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**Chair**

**Mr. Dean Allison**



## Standing Committee on Foreign Affairs and International Development

Wednesday, March 14, 2012

•(1530)

[English]

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

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

I want to take the time to welcome our witnesses. We have Larry Reed, who is the director of the Microcredit Summit Campaign. Welcome, Larry, and we appreciate your taking the time.

We have Keith Weaver, who is a member of the board of directors from MicroEnsure LLC. Welcome to you, Keith.

From Opportunity International Canada we have Doris Olafsen, executive vice-president. Welcome, Doris. We also have Dale Patterson, who is a member of the board of directors.

Mr. Patterson, we're going to start with you, sir. We'll go through the testimony from each of you, and then we'll have a chance for the next hour or so to go around the room and follow up with some questions. You have 10 minutes.

I'll start the clock and turn the floor over to you, sir.

**Mr. Dale Patterson (Member, Board of Directors, Opportunity International Canada):** Thank you very much. I appreciate this opportunity, no pun intended.

Good afternoon. My name is Dale Patterson. I'm a member of the board of directors of Opportunity International Canada. I'm pleased to be joined by my colleague Doris Olafsen, our executive vice-president.

We welcome the opportunity to present our views on the role of the private sector in achieving Canada's international development interests. We commend the Canadian government for being committed to delivering international assistance that is efficient, focused, and accountable, and for focusing on sustainable economic growth strategies that resonate with our global mandate.

Opportunity International was founded in 1971. It is a leading microfinance network focused on establishing banks to provide access to savings and credit to the poor. We are currently operating in 20 countries.

Our mission is to provide scalable, sustainable microfinance services, including loans, savings, training, insurance, and other financial services, to reach the lowest echelon of the economically

active, with a focus on increasing their income, improving food security and access to education, and creating jobs.

Opportunity International currently owns 15 formal financial institutions, including seven banks. It developed the first wholly owned microinsurance company, MicroEnsure. The rest of Opportunity's implementing members are non-governmental not-for-profit organizations. Opportunity International Canada is one of five support partners, along with Australia, Germany, the U.K., and the U.S. The support partners' primary role is to raise funds for, and awareness of, opportunity to invest in Opportunity microfinance initiatives.

Opportunity International Canada is a microfinance organization founded and established in 1997 by David Stiller, a Canadian businessman and former chair of a Canadian relief organization. Stiller was disillusioned with the inability of relief work to make poor people less poor and, together with a group of like-minded people, began to explore the idea of creating a Canadian affiliate of Opportunity International. In 1998, Opportunity International Canada received its official status as a Canadian registered charitable organization.

Since 1998, Opportunity Canada has supported work in five countries in Africa—Mozambique, Ghana, Malawi, Uganda, and Rwanda—and six in Latin America—Colombia, Honduras, Nicaragua, Dominican Republic, Costa Rica, and Peru.

Opportunity Canada is governed by a Canadian board of directors, which currently numbers eight individuals. The current president and CEO, who also serves as chairman for Opportunity Canada's board of directors and sits on the global Opportunity International board, was appointed in mid-2011.

Opportunity Canada also has more than 120 ambassadors, known as the Governors Council, who serve as the public face of Opportunity International in communities across Canada. Donors and volunteers, this group invests their time, lends their name, and are spokespersons for helping to raise funds and awareness across Canada.

Since 1998, Opportunity Canada has raised \$34 million in donations and grants, with a total of \$23 million raised since 2006. CIDA has provided support to Opportunity Canada for over 10 years and since 1999 has disbursed approximately \$2.7 million to leverage Opportunity Canada's programming. Of Opportunity Canada's 2011 revenues of \$5.5 million, CIDA accounted for 4%, which is \$212,000.

In 2011 Opportunity Canada was pleased to receive a three-year \$2.5 million CIDA commitment for capacity-building that will positively impact 300,000 people in Ghana and Mozambique. The CIDA match of one-to-one will attract one-to-two in private funding.

Opportunity has a strong presence in Latin America and is pleased that as of January 2012, the Superintendent of Finance of Colombia granted Opportunity Canada a constitutional licence to establish a formal financial institution. Opportunity Canada was a catalyst in moving this venture forward and is vested as a minority shareholder, having raised \$2 million of the \$10 million in capital needed to establish this formal financial institution.

Opportunity Canada, with a staff of 13 FTEs, relies on an actively engaged volunteer base that spans the spectrum across the country, from elementary schools to universities, from the small business owner to a large franchise, from a corporate boardroom to public and private foundations. Individuals and community groups such as Rotary have partnered with Opportunity to spread the word, fundraise, and partner with our global programs.

Opportunity International, a faith-based organization, serves all people regardless of race, religion, ethnicity, or gender. It has committed to a triple bottom line.

The first is large-scale outreach, which is defined as "reaching the greatest possible number of the economically marginalized in both urban and rural areas".

The second is financial profitability and sustainability, providing highly valued, quality financial services to clients that ensure an appropriate return to shareholders.

The third is transformational client impact, providing to those living in poverty the opportunities to improve their lives economically, socially, and spiritually.

• (1535)

Transformation reflects Opportunity's interest in changing the lives of clients using the vehicle of financial services. Opportunity's signature services include loans, savings, and insurance, with a focus on training. Through training and business growth, clients are transformed. Opportunity is currently serving two and a half million savings and loan clients, and our repayment rates stand at 95%, with 89% of our clients being women.

Opportunity has close to a million savings accounts, and the average client has \$113 on deposit. In 2008, Opportunity made a strategic decision to significantly increase banking services in the rural areas of all the African countries in partnership with the Bill and Melinda Gates Foundation and The MasterCard Foundation. With the foundations' partnership commitment, Opportunity was able to develop a program to provide 1.4 million people with access to savings accounts, including 950,000 in rural areas, and loans for more than 90,000 smallholder farmers in the four countries of Malawi, Uganda, Ghana, and Rwanda, by 2014.

Opportunity's strategies to expand the number of banking outlets include deploying a range of cost-effective delivery channels, including satellite branches, kiosks, mobile vans, ATMs, and point-of-sale devices. Opportunity's unique business model is focused on integrated service and holistic transformation, in

comparison to other microfinance providers that prefer financial services.

Opportunity is innovative. It has used technology and created solutions to improve the well-being of clients. Just as the range of services has been transformed, so too has the landscape of funders and of service providers. Opportunity is one of the leading Canadian organizations focused only on the core business of microfinance. In recent years, microfinance has matured into an industry funded by government, major donors, investment capital, private donations from individuals and corporations, and peer-to-peer lending, as well as by foundation grants, investments, and guarantees.

In addition to traditional microfinance institutions, other providers have also entered this market, including mainstream commercial banks. We commend Canadian parliamentarians for recognizing the immense potential of microfinance as a strategy to support the very poor. We are encouraged that in furthering its goal of growing small business, CIDA has committed to supporting activities that will strengthen and increase the availability of financial institutional products and services, including microfinance, which will result in greater job creation for the poor.

With the specific emphasis on women, microfinance is a strategic solution helping to end global poverty. We would recommend that the Canadian government continue with the strong commitment to microfinance and would suggest that additional funding be allocated for microfinance targeted at the very poor. Catalytic and highly-producing partnerships are critical to moving the microfinance agenda forward.

To quote one of our major partners, Reeta Roy, CEO of The MasterCard Foundation,

Opportunity International focuses on developing cost-effective and sustainable solutions that can unlock that potential to create jobs, generate profits, provide for families, and ultimately overcome poverty. That strong and core belief in the power of the entrepreneurial poor is one of the reasons we at The MasterCard Foundation are proud to partner with Opportunity as we work together to promote financial inclusion and prosperity.

Mr. Chair, we at Opportunity International look forward to continuing our partnership with the Government of Canada to ensure the development, implementation, and growth of sound public policy objectives. I'll be happy to answer questions when we have concluded.

**The Chair:** Thank you very much, Mr. Patterson.

We'll now move to Mr. Weaver, from MicroEnsure LLC.

**Mr. Keith Weaver (Member, Board of Directors, MicroEnsure LLC):** Good afternoon. It's an honour to be present today at this committee hearing. The study is very important.

I will describe MicroEnsure's work, which I believe is a good example of how an organization is able to work together with both public and private sector partners to pursue important development objectives.

The mission of MicroEnsure is to protect the poor in developing countries against a variety of risks by using insurance. The poor do not have anything to fall back on. They don't have savings. They don't have a government safety net. A death or illness in the family—which is effectively an economic unit—or a calamity such as a fire or natural disaster can have huge ramifications. The insurance that we arrange is designed to meet their needs and is priced to be affordable and to provide value to those paying for it.

MicroEnsure has operations on site in five countries—the Philippines, India, Ghana, Tanzania, and Kenya—and we are active in others, including Rwanda, Mozambique, Malawi, and several in the Caribbean. In total, we have arranged for 1.6 million insurance policies that cover 3.3 million people.

The business model for MicroEnsure has three main components: the front office, which distributes the products; the risk carrier, which covers the risk; and the back office. For the front office, the insurance is distributed through a series of partners, including microfinance institutions, agriculture, banks, community groups, and, more recently in Ghana, Tanzania, and Kenya, mobile phone companies. Through these partners, we are able to provide low-cost access to insurance products for the poor.

Now, we're not an insurance company and we do not directly carry any of the risk. Instead, we work with insurance carriers that are licensed and regulated in the countries we are operating in. Due to the nature of the risk and the service levels we require, we also work with reinsurance companies. In some cases, we are connected through our own cell captive.

As the back office, we design products, train staff, and educate clients, but also we administer the programs and pay claims on behalf of the insurers. The five operating companies that I mentioned earlier are locally incorporated and licensed as either insurance agents or brokers and earn commissions on the insurance premiums that are generated.

Either locally or in our head office, we will fill the gaps between what our partners and insurers can do and what must be done for the products to work. As an example, we have our own administration systems that keep track of who is insured and who the beneficiaries are. We generate invoices on behalf of the insurance company and we also pay claims out of that system to those who qualify. Because we are focused on this market and have the volumes involved, we can do the administrative work more cheaply than a typical insurance company can.

We presently have a portfolio of products. However, not every product is offered in every country, depending upon what the need is, the partners we are working with, and what gaps we are able to fill. In general, though, we are delivering the products I will now describe.

We're delivering life insurance both for the primary insured and for his or her family members.

In terms of health insurance, while there are several variants, at its most comprehensive we are providing in-patient hospital coverage in both India and Tanzania.

There are many calamities that are disastrous for poor families and their small businesses. We offer property insurance packaged together with a microloan to help to offset the cost of replacing inventory if a small business is affected by a fire, a storm, or even political insurrection.

We offer weather index crop insurance. MicroEnsure is a leader in the development of this product. It insures farmers against too much or too little rainfall during a growing season. Because of our expertise in this product, we are often sought out to provide technical assistance. At present, we have technical support projects in Zambia, Tanzania, Malawi, and four countries in the Caribbean, including Jamaica, Grenada, St. Lucia, and Belize.

• (1540)

Funding for these projects comes from, among others, the International Finance Corporation and BMU, the environment ministry of the German government. These projects provide technical training for local staff in how to implement these products and how to develop and distribute it through small farmholders.

Earlier in its development, MicroEnsure did work on a few projects funded by CIDA through grants to Opportunity International Canada. However, since 2007 funding to develop and expand has been generously provided by the Bill and Melinda Gates Foundation. The Bill and Melinda Gates Foundation has allowed us to research opportunities and to test different approaches; some of them have been successful, while others have not worked out quite as well as we would have liked. Opportunity International is the parent body for MicroEnsure, and it has also encouraged the company to innovate in this area.

Thank you for your attention. I would be pleased to answer any questions that you might have.

• (1545)

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

We are now going to turn it over to Mr. Reed, who is with the Microcredit Summit Campaign.

**Mr. Larry Reed (Director, Microcredit Summit Campaign):** Thank you very much, Mr. Chairman.

I thank you for this opportunity to speak to all of you. I understand that many of you had a late night last night and I thank you for your attention today.

This is an important matter to discuss, I think, this area of how government funding can be used to leverage private funding so that the overall impact is much greater than either the private sector or the government could do on their own. I think the field of microfinance provides an interesting example of where that has happened and also provides examples both of the success that can happen and of the dangers of public-private partnerships. I'll go into that in just a little while.

First let me explain the Microcredit Summit Campaign. The campaign started in 1996 with a goal of seeing 100 million of the poorest people in the world reached by microfinance.

At that time, when we did the numbers, there were six million people being reached by microfinance. Our goal was to see 100 million reached in 10 years. We met that goal. We met it a year late, but we did meet it.

We had a big celebration here in Canada around that goal. We had our global summit in Halifax. At that summit in 2006, we reviewed our goals and set two new goals.

The first goal was to see 175 million of the world's poorest families reached with microfinancial services. The second goal was to see 100 million of those families actually move out of poverty. As a guidepost, we're using the extreme poverty line of \$1.25 per day. We want to see 100 million families move from below \$1.25 per day to far above that line. As you can imagine, this is actually the much more challenging goal that we face right now.

I will talk more about how we're going into that, but let me step back to this issue of public-private partnerships and what microfinance can teach us about these sorts of partnerships in regard to how they go right and how they sometimes go wrong.

When I started working in this area in the microfinance community, I actually got my start with Opportunity International, so it's good to be back with my friends here. That was 28 years ago. At that time, the only funding going into microfinance came from governments and from private donations.

About a decade ago, all the governments of the world combined were putting about \$400 million a year into microfinance. Now, I should mention here that Canada has been one of the leaders and one of the key innovators that has made all of this happen. Early on, CIDA supported the Grameen Bank and BRAC, in Bangladesh. They then were small start-up organizations and now are two of the world's largest microfinance organizations. Canada has played a lead role in this from the very start, and it's a role of leadership that I think Canada can continue to play.

I've talked about how this started with just government investments, with \$400 million in government funding a decade ago going into microfinance, plus more private donations. Today there are over 100 microfinance investment funds in the world, with a combined asset base of over \$8 billion. That investment by governments has helped to build microfinance organizations to a scale such that private money has now entered in. Private money sees that there are both social and financial returns to be made in this area, and they've built this large base of funding to fund the continued growth of microfinance.

Let me pause here and talk about the key role that government played. My research tells me that the historical example of a microfinance organization that goes the farthest back is the Buddhist temple loan system of 400 A.D. in China. We've had microfinance systems around for that long, for over 1,500 years.

It didn't grow to any sort of scale until the 1980s, when governments got behind this effort and helped build this concept to a scale that the private sector then could come behind and continue to support. Government played a leading role.

Lately, though, microfinance has shown that there are times when the public-private partnership doesn't work as well as it should. We've seen examples in several countries recently, such as Morocco, Bosnia, and Pakistan, and then more recently in the state of Andhra Pradesh in India, where the finance has led to a funding bubble. There has been overindebtedness happening among clients, and sometimes that has led to overly harsh collection practices, with the net result of working with very poor people who are trying to improve their lives being that they instead have become overindebted and worse off as a result of an intervention that was supposed to make their lives better.

• (1550)

That's a challenge we need to look at now, and look at honestly. What did we do wrong? How did our good intentions lead to this negative impact, in some countries, on the clients we were seeking to serve?

I think government and the private sector working together can make a market. They can create a market where none existed before, or where none existed at a scale the private sector could involve itself in. The partnership can also break a market, if it's not done right.

The challenge, I think—especially from the government side, when it is investing—is to shape the market such that the incentives and the rules of the game are set up so that the public good for which the government was investing continues to happen, even as private sector players come in and begin to become the dominant funders in the market.

I want to provide a few lessons from my experience in microfinance. What could we have done differently and how could we have shaped this market better, with cooperation between civil society, government, and the private sector, to avoid some of the difficulties we've had?

The first lesson, I would say, is to make sure early on that you establish the rules for standards of behaviour. Because of these problems in the microfinance community, we've established a basic ethical code that all microfinance providers should follow. It's called the client protection principles. It's promoted by a group called the Smart Campaign, and it has been adopted widely in the community.

In my opinion, we should have done this two decades ago. It makes sense. We more or less assumed everyone's good intentions back then and didn't do the work to make sure that this code was put in place and that everybody was trained in it from the very beginning, when they started working. We're having to go back and do that work now. Establishing a code of behaviour is very important.

Second, and this is an area where government funding can be very important, is to establish metrics for the social side of the investment. Is the social good the government is investing for actually being accomplished? In our work, poverty alleviation is one of the main targets, but until recently the microfinance community hasn't had in a way of measuring whether that is being accomplished. We could tell stories about individuals who have moved out of poverty, but it has been difficult to say whether our client base overall has moved out of poverty. Because there was no social measure, financing decisions were made around financial performance measurements: who had the lowest arrears rate? Who had the highest growth rates? Who was generating the highest levels of profit?

All the money started to flow to the same small number of institutions. We have that \$8 billion in investment. We also have international financial institutions making investments in microfinance organizations, and we have governments making direct investments. They're all flowing to the same institutions. In fact, 50% of the investments from the international financial institutions go to the same top 10 institutions in the field.

There should be a metric that those institutions with a social purpose can use to measure who's doing the best at accomplishing the social purpose, and the money should flow there. The purely private money can flow to the areas that have the best financial performance. Without the metric, all the money stacks up in the same places, and funding for innovation, funding for people doing the most difficult part of the work, is not available.

What we're doing in the Microcredit Summit Campaign is establishing a seal of excellence for poverty outreach and transformation. What the seal will do is recognize those institutions that, working with the very poor, can show that over time their clients are moving out of poverty. By awarding the seal, we hope to direct more funding in this direction and learn from the best practices of these institutions.

Again, I think government support in developing these indicators, in developing the metrics used, can help direct private and social capital in a way that creates the greatest good for the people you're trying to serve.

• (1555)

I appreciate this chance to talk with you. I encourage this group to continue looking at these public-private partnerships and the potential for them, but also, as you look at them, to look at ways in which the government can establish the rules of the game, can establish incentives and metrics that help that money flow in the direction of creating the public good that you are investing for.

Thank you very much.

**The Chair:** Thank you, Mr. Reed, for those concrete, specific examples for us.

We're going to start with the opposition. Go ahead, Ms. Sims. You have seven minutes.

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

I want to thank all of you for coming and making presentations. They were very informative. I always appreciate getting those perspectives.

I think a couple of you can have a go at my first question—Larry touched on it in his presentation—which is about some of the downsides of having microfinancing without the checks and balances.

Earlier this week we had Scotiabank here at the committee, and they made a presentation as well. They told us about the work they are doing around microfinance, just as you have. We agree today, as we did on that day, that microfinance can play a powerful role in elevating people out of poverty, especially for women. We've seen some evidence of that out there, albeit anecdotal evidence.

However, as you know, microfinance and microcredit have been the subjects of growing criticism. You touched on that again today.

In February the *Winnipeg Free Press* published a story, and perhaps it's the same one you were referring to. Here it just says "Indian state"; I'm not sure if it was Andhra Pradesh.

It says, "Indian state pushes microfinance prosecutions after revelations of lender links to suicides". The government there blamed a spate of suicides on aggressive lending and collection tactics. If you were at a really deep level of poverty and then on top of that you got into some microfinance debt that you were struggling to pay back, you can imagine what kind of psychological pressure that could place on you.

You've touched on it, and I'd like you to expand on it a little bit more for me, but I want to give others the opportunity as well.

How would you respond to these criticisms? Do they have a sound basis? What can organizations like yours do to prevent predatory lending practices?

Sometimes I think we could almost ask the same question of our lending institutions here in the western world. This situation is not unique to the developing world, but what's unique in the developing world is that it's very fragile. Members of society become the targets and the victims.

**Mr. Larry Reed:** Thank you very much for the question. As I said, this is a challenge we face, which was fuelled in part by financial institutions that wanted to grow and had access to large amounts of capital, but had to keep growing. The discipline of lending broke down in some areas, so they weren't checking repayment capacity. Sometimes the same client received four or five different loans from different microfinance organizations and was basically using one loan to pay off the last one.

That this has happened is a black eye for the industry. The suicides have been widely reported. As I understand, the suicides in India tend to follow the agricultural production levels, but I think in many cases microfinance organizations made pressures on clients worse when they overindebted them, and then they were using techniques that caused more embarrassment to the client when they were trying to collect the money.

I can't figure all the reasons that go into it, but I do know that if any of those suicides were in part caused by these sorts of pressure tactics, it's something we have to make sure doesn't happen again.

In the microfinance industry we have a set of client protection principles. They include things like checking on the client's ability to repay, knowing what are acceptable and unacceptable collection practices, and making sure that the client has the right sort of product for their need. I've been involved with a group that is training microfinance organizations on how to implement and be assessed against these practices. We would like to see them codified in the regulations in a country. That's one area in which we want to make sure this doesn't happen.

The other is to balance the financial incentive with the social incentive, as I was saying before. If organizations are rewarded not just for financial performance but also for social performance, then they will focus more on making sure their clients are better off and making sure they can demonstrate that their clients' lives have improved.

• (1600)

**Ms. Jinny Jogindera Sims:** Thank you very much.

**Ms. Doris Olafsen (Executive Vice-President, Opportunity International Canada):** I can speak to that directly for Opportunity Canada.

We acknowledge that risk has increased, because microfinance has evolved and now includes consumer loans and non-microfinance purposes. That increases the risk. Just as in Canada, as you have mentioned, irresponsible borrowing is more likely when a client borrows for consumption or to meet an immediate need.

At Opportunity International we have addressed this issue. We've looked at the client protection policies. We've adopted them. We have our own code of conduct that calls for responsible and affordable products to be delivered to our clients. Accordingly we ensure every client goes through a screening process to ensure loans are indeed being used for enterprise development. If there's credit scoring in the country, we check to make sure the client is not encumbered with other loans, because our mandate is always to ensure we are not overindebting our clients.

We conducted a survey over the last three years, surveying 60,000 clients, and only 5% of those clients had another loan. We police ourselves to ensure that our practices are living up to some of the principles Larry spoke to. We're trying to get better at it constantly all the time. It's continual improvement.

**Ms. Jinny Jogindera Sims:** Thank you very much.

Do I have time for a follow-up question?

**The Chair:** You have time for a very quick one.

**Ms. Jinny Jogindera Sims:** I'd like an answer from both of you, if possible.

Microfinance does play a role, but it's not the answer to the eradication of poverty. It's one tool, and it's only one tool, that can be used out of a myriad of tools and strategies.

Would you agree that it is not the magic pill for the eradication of poverty?

**The Chair:** Just give a quick response, Mr. Reed.

**Ms. Jinny Jogindera Sims:** That's why I made the question....

**Mr. Larry Reed:** Yes, absolutely. I agree.

**The Chair:** I don't think you have a choice.

**Mr. Larry Reed:** The challenge is to find how microfinance can work better with other development interventions.

Keith spoke about health insurance; how can we provide financing for education, not to be a sector to itself, but rather a supportive element of the process of development? People in poverty face many constraints, and access to finance is only one of them.

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

Mr. Van Kesteren, you have seven minutes, sir.

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

Thank you all for appearing before us.

You're all NGOs, so you are not-for-profit organizations, correct? I'm curious and I commend you for the work you've done. You talked about some of the problems you had. I'm going to suggest something. I don't know if we can get into a discussion about this, but the problem I can see with an NGO, as opposed to the private sector, is that really you want to get this money out there; that's great, that's wonderful, but there's a real push to get people to take advantage of these services. Am I right in saying that? That's really your objective. Your objective is to get out there, and so on.

I'm looking for the balance. We have a little expression in the House. We'll say, "He's mowing your grass." Are you sometimes mowing the grass of...? We had, for instance, the Bank of Nova Scotia here, Scotiabank. It has some microfinance services as well. Do you cross over into the private sector sometimes? Is there a little bit of maybe a conflict there at times? Do you find that?

• (1605)

**Ms. Doris Olafsen:** Conflict in...? Is competition what you're referring to?

**Mr. Dave Van Kesteren:** Yes.

**Ms. Doris Olafsen:** I think we've recognized there's enough room for all of us in the sector because, Larry, you mentioned a percentage of how many entrepreneurial poor are actually being reached globally. We identify where we can best serve with our services in the countries where we can work.

I think there's enough room for many to be in a microfinance business. That's why I think accountability and transparency are critical. The metrics, the measurements, the intervention are true to the business mandate we have as a not-for-profit organization. Holistic transformation is our mandate, so we're very focused on not just delivering finances but delivering services as well.

**Mr. Dave Van Kesteren:** Are your interest rate charges competitive with the private sector's?

**Ms. Doris Olafsen:** Very much so.

**Mr. Dave Van Kesteren:** Mr. Reed, you're from the States.

**Mr. Larry Reed:** Yes.

**Mr. Dave Van Kesteren:** What part of the States are you from?

**Mr. Larry Reed:** Chicago.

**Mr. Dave Van Kesteren:** Chicago. I was trying to figure out the accent.

You've probably heard the story that the Pilgrims were the first socialists in North America.

**Mr. Larry Reed:** There's a party in my country that doesn't believe that.

**Mr. Dave Van Kesteren:** They were socialists, and they darned near starved the first year. I don't know if you know the story.

**Mr. Larry Reed:** Right, right.

**Mr. Dave Van Kesteren:** The story goes that they had good Christian principles and they were going to share everything, but the problem was that it didn't work. There were those who worked hard and those who didn't work so hard, so they discovered that sometimes it's difficult to apply your principles.

Again, I commend you for what you're doing; I'm just wondering how you manage if you don't have that competition, that need to satisfy your shareholders.

Maybe somebody could help me out.

**Mr. Larry Reed:** I'll offer a few things in response, because these are very good questions.

There are questions with the whole area of public-private partnership. Where does one end and the other begin? Is there a dividing line? Is there an area of overlap?

The first point is that this wasn't being done by the private sector.

**Mr. Dave Van Kesteren:** That was one of my questions. I'm glad you answered it.

**Mr. Larry Reed:** To start with—

**Mr. Dave Van Kesteren:** You started out with this.

**Mr. Larry Reed:** Right. When we started, no major bank was making loans to poor people, so the non-governmental sector had to get involved. It was motivated by wanting to help people in poverty move out of poverty. In doing that, they developed techniques and systems that for-profit organizations were able to apply, and then they found that this could make money, so they began to get involved.

What is happening is that there's a whole lot of overlap between the two. Opportunity, for example, is a non-profit organization here

in Canada, but it owns for-profit banks in other parts of the world. It's the shareholder that they have to report to. There's a lot of blending when you have this mix of social mission and private mission. Then as you get to the upper tiers—the more easy-to-reach client base in more accessible communities—you get to purely private models.

In other words, instead of a clear dividing line, what we have is this space in which there's a lot of blending going on. It's the job of the NGOs, the job of the socially motivated, to keep pushing down-market, to keep finding the client bases that are harder and harder to reach, and to continue the R and D work that the private sector will later pick up.

**Mr. Dave Van Kesteren:** You're like trailblazers. You're out there making the soil fertile, and after that comes the private industry.

Do you see opportunities in new areas that haven't been explored yet? Are you looking at some new areas that possibly could exist?

I think Mr. Weaver would like to speak.

•(1610)

**Mr. Keith Weaver:** Maybe I could add a few comments from a microinsurance perspective.

When we started—which wasn't that long ago, early 2000—there was no involvement in insurance at all. There was no interest in it.

Then the positive implications started to become very real. There was research done on what poor people wanted, what they needed. It was almost like philanthropic venture capital to try to get that started, because the market was not providing it. It's clear now that there are ways to approach life insurance; it's a simple product, it's easy to do, and it's easy to make it work.

There still is a challenge, which is to put together health insurance, because that is a much more complicated thing. It involves many more parties and it's much more sophisticated, so there is research needed, with pilot projects and testing, to make sure that these things work before it will get to the point where the private sector will start looking at it and see that there is an opportunity there and start working for it.

There is an element of philanthropy that provides a certain type of almost venture capital to meet the social purposes, but in the end you would hope, as that develops to a point where it becomes reasonable or where there's a stabilized structure, that it would then be an effective market that could be taken over by private industry.

**Mr. Dale Patterson:** I will just add one quick thing. In the international network we have, each of the regions we work with has its own organization, its own governance, its own board, and its own loan officers.

It's interesting that Keith uses the term “venture capital”, because part of the issue is ensuring that there's due diligence done in the field. We don't do that directly; we rely on our partners to do it.

That takes you through need and how we respond to need. If a region in the world comes to us to say that they need  $x$  number of dollars to finance, because there is a requirement in a particular country, we'll go across Canada and raise that money, but in terms of the due diligence that's done, it's up to the local partner and the loan officer to, in fact, vet the potential clients.

They do the interviews. They go out and see them and they verify a number of things; we're driven by the need, through our partnership relationship, to satisfy that internationally.

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

Mr. Eyking, you have seven minutes.

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

Thank you for coming here, witnesses.

I have three questions. I think the first one would go to Mr. Patterson or Ms. Olafsen.

You stated, I think, that when microfinancing took off, Canada was there at the front end helping. It must have been through CIDA. How does CIDA stack up right now, compared to British or Scandinavian countries? Is it involved with dollars? Is it involved in infrastructure? How does their current ideology compare to what it was earlier in how they want their money spent? What's the short version on how CIDA has changed? Are there expectations there from you guys?

**Ms. Doris Olafsen:** CIDA is very results-focused and is driven by impact and outcomes. We went through an audit about a year and a half ago with CIDA. I would say that DFID and USAID likewise focus on outcomes.

We have to continually improve the metrics, as Larry mentioned, but working towards sustainable, economical, and results-based leadership development is also critical for us and for CIDA. That is a model USAID and DFID definitely are aligned with. We work in many countries. DFID and CIDA have worked in countries in Africa on common projects.

• (1615)

**Hon. Mark Eyking:** I think one of my colleagues alluded to India and the problems they had there with the farmers. One of the reasons was not just that they were poor and had more debt; one of the key reasons for suicide—there was an article in the *The Economist* about this—was that their land was destroyed. Yes, they could obtain money, but they bought too much chemical fertilizer and they ended up killing their soil at the end of it. They lost their land too, which is a key part of their lifestyle. I think that article talked about the importance of microfinancing.

The key thing is how, especially if you're with new countries and new philosophies.... You could give a guy chainsaw financing, but it's not very good if he's going to clear-cut. You can give a fisherman an outboard, but if he's going to get out there and just clean it out.... When you get into these countries with microfinancing, do you sit down with governments? Financing is key to how they're going to manage their resources. You know, you could destroy the resources if there are no checks and balances.

I guess that's my question, Mr. Reed. It's easy to go in there and say, "Okay, we have money and we're going to peel it out", but unless you know what they're doing with this money.... The Conservatives alluded to not having shareholders, so it's easier to give money and there's not much accountability, but I think you also have a bigger responsibility in terms of what you're doing with the environment and what's being left. How does that play into your decision-making when you go into countries?

**Mr. Larry Reed:** Again, this brings up the issue of motivation and how the private financial motivation and the social motivation work together.

Institutions that are motivated to be sustainable and that also measure their success by the progress of their clients tend to focus a lot more on what their clients are doing with the money and whether or not the clients are in industries that will survive. They help train clients to move from basic buying and selling to more valued-added type activities. In farming they help look at an organization like BRAC, which trains local people to set up a business to provide farming advice and access to good inputs and things like that. If you're focused on what is going to make the biggest difference in improving the life of the client, then you start paying attention to all of those other things.

In India we had a situation where there was the potential for short-term private gain. The idea was to have an initial public offering and sell off shares so the owners could become wealthy in a short amount of time. That skewed priorities or motivations a bit. In private capital, if you're taking a long-term view, you care about the same things, because your business doesn't survive if the land goes bad. If you have a situation where you can get a huge gain in a short amount of time and you have to ramp up your business as fast as possible in order to do that, then you stop paying attention to those long-term interests and you just want to show big numbers on your income statement. The result is that you end up harming your clients.

**Hon. Mark Eyking:** My last question is for you, Mr. Weaver. It's about MicroEnsure. There's a statement here that in India, in China, 3% of the people in poverty are using microinsurance, and in Africa it's only 0.3%. It says here that in 23 of the poorest 100 countries in the world, there's no identified microinsurance activity, representing over 370 million people.

It seems that MicroEnsure is a key to part of the basket here. How can we get those numbers to change, so that they come into play more? Would the bank have not only money and insurance? Is there a combination we should be doing here?

**Mr. Keith Weaver:** When we started off with the Bill and Melinda Gates Foundation, we were originally targeting entering 21 new countries. At the time we were in three of them, so we had a whole process to try to evaluate how we can get into those countries.

Since then, we've learned a lot. Each country, unfortunately, is pretty well unique because there's a series of regulatory issues and a series of foreign direct investment restrictions. There are all sorts of combinations and local market practices that make it exceedingly difficult to do that.

At this stage, we do not have funding to enter new countries. If a donor came to us and said they'd like us to consider such-and-such a country, we'd seriously look at that and try to develop it. It's a question of a combination of funding, new distribution technologies and approaches—think mobile phone—and covering off a large number of countries. We're planning to ramp that up big time over the next couple of years. As well, it's a question of the will to get in there and do it.

• (1620)

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

We've got time for two more questions. We're going to go to the Conservatives and finish off with the NDP.

Mr. Williamson, you have five minutes, sir.

**Mr. John Williamson (New Brunswick Southwest, CPC):** Thank you for being here today.

For Opportunity International Canada, I find it interesting that you first got involved with the microfinance sector in 1971, which seems to predate a lot of the excitement that we've seen over the last decade, including the Nobel Prize, I believe.

Can you talk a little bit about how it's changed? What's the environment like today? I want to ask you a little bit about your business model in a second, but I'm curious to get a sense of how it's changed over 40 years.

**Mr. Dale Patterson:** Opportunity International was a large international organization, and we decided we wanted to be part of it as Canadians and followed the model they created. We've plugged in as partners who raise money in five countries and disburse it over 20-plus countries.

The model is refined as we offer more products. I think what's unique about the OI model is the international network, and that's what separates us from a number of others. We have organizations in different parts of the world where there's due diligence, where you have a local partner that has its own board that it's responsible to. You have senior management loan officers. There are several levels of accountability that we count on in the partnership. That's enhanced.

You saw the stat earlier about how small CIDA has been in terms of our overall budgeting activity. We made a very conscious effort when we started that we would not be CIDA-dominated. We wanted to build an organization that CIDA would be part of, we wanted to have the credibility of working with CIDA, but we didn't want to be a CIDA-dominated organization, which is why it's been a very small percentage. We continue with that strategy going forward.

Doris made reference to the other CIDAs around the world. I what's also happening as well is that these agencies are coming together to try to bring together the development agencies of three countries with the opportunity partners in those three countries and increase the bang for the buck.

The other thing that's happening, and this is an important element, is the multiplier effect. If we can have a dollar invested and turn that into three, four, or five by multiplying it through other government agencies or other private agencies, that just gives us a greater return here in Canada. I guess that's one of the changes.

**Ms. Doris Olafsen:** I've been involved with microfinance for a decade, and I would say the biggest change I've seen globally is savings. The poor identified to us early on that saving was important, but there was nowhere to save their funds, so that's one of the reasons Opportunity International moved toward establishing formal financial institutions. That was so we could take on savings and take their funding on deposit, and we could then turn around and lend that to the poor, which is a lever and allows us to increase our capacity and reach further, farther, faster.

That's one of the biggest changes I've seen: the poor now save.

**Mr. John Williamson:** I'm curious. You mentioned twice in your brief that you're a faith-based organization, which I think is nice to see. Tell me about your integrated service holistic model. You're clearly delivering not only a service, but you're also delivering a banking service, and it sounds as if you're delivering other things as well.

Could you talk about that a little as well, please?

**Ms. Doris Olafsen:** We're very values-based, and that comes out of our faith-based orientation. I mentioned the code of conduct; because of that, we're driven to two that stood out, and I wrote them down.

We have 10 principles in our code of conduct, including treating all people with dignity, fairness, respect, and without any discrimination. Our code of conduct also speaks to making every effort to provide responsible and affordable products, so we're driven by our values to be transparent, authentic, and accountable to our clients as much as to our donors and partners.

• (1625)

**Mr. John Williamson:** Let me come in with an anecdote. You're going to go in with a different world view, perhaps. I was in Sierra Leone a number of years ago, and an example of a microcredit arrangement that failed was a farmer who took out money to buy pigs; because there was a significant Muslim population, he wasn't able to sell any of his pork.

I would think this is an example in which having different people involved from different backgrounds is going to benefit you. In any kind of arrangement with banking, there are always going to be examples of projects failing, but in looking at problems from various perspectives you'll often see things a little differently, I would think, as well.

**Ms. Doris Olafsen:** Right.

Two weeks ago I sat in Kigali, Rwanda, with a group of our clients. There were Muslims and people from the whole community. They're part of our community we work with and serve, and that is part of our mandate: to be very inclusive. We live from a very values-based perspective in delivering the service.

We're inclusive and we work in all communities around the world. It is our reputation to not be discriminatory in how we live that out.

**The Chair:** Thank you very much. That's all the time we have; we're going to have to finish off here.

We'll start with Madame Laverdière for four minutes.

**Ms. Hélène Laverdière (Laurier—Sainte-Marie, NDP):** Thank you very much. I will be sharing my time with Ms. Sims.

Thank you very much to all of you. I want to apologize, first, for arriving late, but I had parliamentary duties to fulfill.

I'll be very brief with my question.

It really came out in some of your presentations that the ways of doing microfinance and microcredit can be quite different depending on whether you are a not-for-profit organization or a for-profit organization. In fact, as not-for-profit organizations don't have the need to satisfy their shareholders—of course, they need to satisfy their donors—they can focus more directly on the needs of the people they are trying to help, which provides a different focus.

I'm wondering... This is really an open question. We've heard about problems such as suicide rates....

I'm sorry, I'm losing my English. I'll switch to French, if you don't mind.

[*Translation*]

We have heard about suicide rates and I am wondering whether we have data, whether the trend to put more pressure sometimes on borrowers is not likely to be stronger in for-profit organizations than in non-profit organizations. I am also wondering whether that could eventually have an impact on suicide rates and on other problems that we have identified under microfinance and microcredit.

Thank you.

[*English*]

**Mr. Larry Reed:** Thank you. That's a very interesting perspective.

I wish the world would divide itself as evenly as for-profit and non-profit, but my experience is that it doesn't. There are some for-profit institutions I've seen that are highly socially motivated and have great impacts on their clients, and there are non-profit institutions I've seen that, in their chase for more funding, have applied some of these practices that are abusive.

There hasn't been enough time to carry out the studies in India to see the difference. The difference that I've heard about is not research-related but rather more anecdotal.

It's complicated in India because the government wants savings to go into state-owned savings banks, and they don't allow many microfinance organizations to take in savings. However, when those institutions that did have a banking licence took in savings, their

clients stayed with them and continued paying even when the politicians said they didn't need to pay back their microfinance loans. They knew the money they had borrowed was their neighbour's money, so they wanted to make sure that money went back.

A group that takes in savings also tends to be more conservative in its growth projections, just because it knows it needs to protect the deposits it has on base. It's not losing money that some investor from outside has put in or some donor has put in; this is money in their community that they have to make sure is protected.

The other difference I've heard about anecdotally is that those organizations that invested more in their clients, whether for-profit or non-profit, and had active training programs and group meetings that added value to their clients tended to survive this crisis much better than those that did not invest much in their clients.

● (1630)

**The Chair:** Thank you. That's going to be all the time we have. We're going to have to cut it short because we have the minister coming, and I know you'll want to have a chance to ask her questions.

To all our witnesses, thank you very much for spending the time and being here with us today.

With that, I'm going to suspend the meeting so that we can change witnesses. Then we'll go from there. We'll suspend for a couple of minutes.

● (1630)

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

● (1635)

**The Chair:** I want to welcome everyone back. We have a chance to hear from our minister pursuant to a standing order. I'm not going to go through all the standing orders here, but we welcome the minister.

Minister Oda, thank you very much for being here. We're going to give you 10 minutes. I know we're limited for time; we'll just get started and hopefully we'll get as many questions in as we can before the bells.

I also want to welcome Ms. Biggs, the president of CIDA. She has been here before. Thank you, once again, for being here.

We also welcome Arun Thangaraj, who is the director general for business planning, resources management, and systems with CIDA. Welcome. Thank you very much.

Did you have a question, Madame?

**Ms. Hélène Laverdière:** I'm sorry to interrupt you all, but we think we could go until 5:30 without problems.

**The Chair:** Well, let's just see how we're doing for time. We're going to need unanimous consent for that. I'm sure the minister will probably give us a question or two after that, but let's see. We all have to get back to the House. It's a little more difficult than when we were in Centre Block.

We'll just turn it right over to the minister for 10 minutes. We look forward to hearing your comments.

**Hon. Bev Oda (Minister of International Cooperation):** Thank you very much, Mr. Chair.

Ladies and gentlemen, colleagues, good afternoon. Today I would like to update you on my trip to the Horn of Africa last July, and then to follow with Canada's response to the humanitarian situation in the Horn of Africa as well as the Sahel region. In addition, we'd like to provide you with information on supplementary estimates (C) and the main estimates.

[Translation]

First, I would like to say a few words about our commitment to Africa in order to provide context for our work in the Horn and Sahel.

Over the last few years, there has been significant progress on a number of fronts in Africa.

[English]

Some African countries have seen strong policy reforms and increased productivity levels in agriculture and food security. There are now more children in school, particularly girls, than ever before. Canada is committed to Africa and continues to deliver results.

Through support from CIDA, Africa's economies are growing more sustainably. For example, Ghana has had an average agricultural sector growth rate of about 4.3% over recent years, thanks in large part to investments from Canada.

Fostering democracy is another area where Canada's support has yielded results. For example, in Kenya, CIDA is supporting women's rights, promoting women's access to political participation, and supporting judicial reform.

As promised, our government met its G-8 commitment to double our international assistance to Africa. In 2009-10 Africa received more than 50% of CIDA's food aid, 61% of its agricultural support, 63% of CIDA's health support, and nearly 65% of CIDA's bilateral spending on maternal, newborn, and child health.

Of the funding Canada committed as part of our Muskoka initiative on maternal, newborn, and child health, 80% will flow to sub-Saharan Africa. Canada was the first G-8 country to fulfill our commitment in L'Aquila to improve food security and sustainable agriculture.

• (1640)

[Translation]

The African continent is undoubtedly one of those regions with the potential to flourish. But when we look at Africa's potential and development, we cannot ignore the continent's mounting humanitarian needs.

[English]

As I speak, an escalating food security and nutrition crisis in the Sahel region in western Africa threatens more than 10 million people. Canada is currently the second-largest country donor to the humanitarian response in the Sahel. Two weeks ago I announced support to improve access to food and nutritional support as well as community-based treatment of acute malnutrition, livelihood support, and access to safe water.

CIDA's support to the World Food Programme alone will help provide more than 7 million people in Niger, Chad, Mali, Burkina Faso, and Mauritania with life-saving food assistance.

In the meantime, across the continent a combination of factors have plunged the Horn of Africa into a dire humanitarian crisis. Canada responded quickly to meet the needs of millions of people affected by the drought, particularly those suffering from the famine in Somalia. With Canadian support, the World Food Programme and partners are now feeding around 5.2 million people across the Horn of Africa.

In part with CIDA's support, the UN High Commissioner for Refugees has also been able to meet the ongoing needs of nearly a million Somali refugees in Djibouti, Ethiopia, and Kenya.

As part of Canada's response to the drought in east Africa, we are requesting \$70.4 million in supplementary estimates (C) to meet our July 2011 commitment that the government would match donations by Canadians to the east Africa drought relief fund.

As you know, last July I visited camps in and around Dadaab in northern Kenya to see first-hand the extent of the humanitarian crisis at that time, and I gained a better understanding of what would be needed. Since then, the famine in Somalia has decreased from six regions to three, but the circumstances remain extremely precarious. We are monitoring the situation closely, and Canada remains committed to helping the suffering in this region.

I'll now give just a few remarks regarding supplementary estimates (C) and the main estimates for the next fiscal year.

CIDA's supplementary estimates (C) include a proposed increase of \$359.4 million to our grants and contributions authorities and an increase of \$52,400 to our operating authorities. The increase of \$359.4 million to CIDA's grants and contributions authorities consists of several items.

[Translation]

In addition to Canada's fast-start financing commitments under the Copenhagen Accord and our response to the drought in East Africa, CIDA is seeking additional authorities of \$100 million for grants to international organizations.

• (1645)

[English]

This additional authority does not require additional funds, nor does it obligate CIDA to spend this amount. Rather, it provides CIDA with the ability to address the global requirements for humanitarian assistance in areas such as food and nutrition.

Other items that accounted for the increase in CIDA's budget are transfers to and from other government departments, and we can give you details on those if you require.

We also have an increase of \$52,400 for CIDA's operating authorities for the following items: a transfer of \$30,000 from the Treasury Board of Canada Secretariat departmental audit software initiative and \$22,400 in increased funding to support the delivery of Canada's fast-start financing commitment under the Copenhagen Accord.

Our budgetary expenditures presented in the main estimates for 2012-13 are \$3.4 billion. I can answer any questions on this, and the president can help out with more information on the main estimates as well as the supplementary estimates.

I would like to point out that on the grants and contributions front, some things have gone up while others have gone down.

The increase is the result of the \$20.9 million for maternal, newborn, and child health and a \$1.5-million transfer from DFAIT for international platform costs.

The decrease comes from transferring \$18.4 million to DFAIT for the Canada Fund for Local Initiatives and sunsetting \$12 million in respect of Canada's commitment to the International Organization of La Francophonie water and sanitation program.

Our report on plans and priorities, which will be tabled in early May, will provide more detail on strategic outcomes and contain information on objectives and initiatives and planned results.

I have left out a few pieces of information, but if there are questions, I think this information will come out in the answers.

Thank you.

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

Owing to the tight timeframe, I want to ask the committee to stick to our time.

Ms. Sims, we're going to start with you.

**Ms. Jinny Jogindera Sims:** I want to thank the minister and the staff for coming here to meet with the committee today.

Minister, I hope you will be available to come back again after the budget and after your more detailed report is prepared, so that we can have further discussions.

**Hon. Bev Oda:** I'm available at the committee's request.

**Ms. Jinny Jogindera Sims:** Oh, that's delightful.

A big concern that has been coming forward has to do with the shifting focus at CIDA. This shift is leaving smaller and well-established non-profit development agencies behind. They're really feeling left out. In fact, a recent report from the CCIC shows this. After chronic delays under the new partnership branch funding formula, we are now getting a real picture. Good projects are being abandoned half-done, NGOs are laying people off, and partner agencies are being cut.

The new funding formula has also put a chill on public advocacy work, especially in areas that are controversial for the current government or when advocacy is critical of your policies. The most

notorious example was when Kairos did not get funding, but we now see that there are many others. This has raised some anxiety in light of our commitment to long-term systemic development to address our key mandate, which is poverty.

Minister, isn't it time to admit that this new competitive bidding process announced in 2010 is pitting NGOs against one another and has frankly been a mess?

**Hon. Bev Oda:** Thank you for the question. It certainly enables me to hopefully be able to give you a full and comprehensive answer on this issue.

Let me first point out that we believe government aid and development is not about organizations; it's about helping people who Canadians want to see helped. It's about making sure that we're making a difference in their lives on a long-term sustainable basis.

In order to do this, we believe that we have to analyze and make sure that we are making our selections on a merit-based process. Consequently, as I say, in terms of sustainability we are actually asking what happens after five years of funding. How is this project, how are the outcomes, and how are the improvements going to be maintained by the local community, by the local leadership in the community, or by the governments that are implicated there?

There is no shift in focus. Since our government took office, we've said that we were going to make our international assistance effective, and effective means making a real difference, a difference that will impact and also maximize the value of our aid dollars. We believe that this is what Canadians want to see. They want to see that people in poverty are not only lifted out of poverty but are also able to stand on their own, and able to stand on their own over the long term.

• (1650)

[*Translation*]

**Ms. Hélène Laverdière:** Thank you, Mr. Chair.

Thank you, Madam Minister. I am pleased to see you here today.

Madam Minister, on December 23, you announced some \$142 million for new development projects. I am not sure whether you have looked at the statistics and realized that just over 11% of that money goes to Quebec NGOs.

Madam Minister, do you feel that percentage reflects the place of Quebec and of linguistic duality in Canada?

[*English*]

**Hon. Bev Oda:** Thank you very much for the question.

Let me first say that I believe that our partners in every province in this country are reputable. They certainly do have a long experience, but again, as I said, we want to make sure that Canadian aid dollars and assistance dollars are going to the best projects.

The uniqueness—which I'm very proud of—that Canada and particularly our Quebec partners are able to offer is the advantage of working in the French language. I think this is one place where we could stand up and directly offer help in Haiti. We saw many partner organizations from Quebec being supported by CIDA to help Haiti with its reconstruction and recovery.

As I said, Madame, we want to make sure that we're providing the support with a people focus: the people who we want to see being helped to go to school, to get better educated, and to get their health care. Consequently, as I say, we support a number of Quebec organizations, but that doesn't necessarily drive the rationale on how the money...the decisions on where the support goes.

[*Translation*]

**Ms. Hélène Laverdière:** Thank you very much, Madam Minister. But the outcome remains that only 11% of the funding went to Quebec organizations that can work not only in Haiti, but also in francophone African countries, for example, and all over the world where Canada has a presence.

In fact, Madam Minister, we know that, over the past few months, you have met with many private sector representatives. Yesterday, I met with representatives from the Association québécoise des organismes de coopération internationale (AQOCI). That is the largest network of development organizations in Quebec. I am sure you are familiar with their work.

Having said that, those people told me that they wanted to meet with you on a number of occasions, but to no avail. Then they wanted to meet with Minister Lebel, Minister Paradis, representatives from Quebec, but they were not able to do so.

Madam Minister, could you make a commitment to devote as much time and energy to Quebec cooperation organizations as you devote to other organizations, such as private companies?

Thank you, Madam Minister.

• (1655)

[*English*]

**The Chair:** Thank you.

Minister, please give a quick answer.

**Hon. Bev Oda:** Certainly we'll meet with all organizations, and we do not necessarily select by province. We look to see what we want to do, what subject matter we want to make progress on, and make invitations. A number of Quebec representatives were invited to many of the round tables I have had.

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

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

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

Thank you, Minister, for being here today. It's very important that all Canadians have the opportunity to hear about the things Canada is doing with its development dollars.

You know that we've been undertaking a study in this committee on how the private sector can be engaged with our development money to augment what we are doing in developing countries. We're

doing some pilot projects right now with some of the mining interests in other countries. There are some who have said that all we're doing is augmenting their corporate social responsibility, but we know that in the work they are doing, the private sector can help make things more efficient.

You talked about making this sustainable for the long run. We have a great example in Burkina Faso. I think it was Chris Eaton who gave us a comment about what WUSC is doing there in cooperation with IAMGOLD.

I wonder if you can tell the committee a little about what's going on with these three pilot projects we've undertaken, and how they are working.

**Hon. Bev Oda:** Thank you for the question.

As you know, they were announced in September, so they're at their very initial stages. These are projects that were developed with Canadian organizations. The Canadian organizations then made a proposal and request to CIDA. CIDA was not part of the partnership, which was first developed before they came to CIDA.

Of all the major developing countries, Canada is latest in forming partnerships with the private sector. Other countries—our British, Australian, and American colleagues—have undertaken projects and are increasing those partnerships with the private sector. In fact, it has been noted that Canada is late to the table, and I think we have great opportunity here.

People have noted as well that in order to get a sustainable reduction in poverty... I'll just quote, as we'll all recognize, Bono, who said, "A lot of people realize that the real way out of poverty is never aid. It's commerce." Others have said that states with ample resources, strong economic institutions, and good public policies will face the best in the future. Raising people out of poverty means not aid but enabling them to have the opportunity to get good, productive jobs and to increase their family incomes. If you build up a good economy for the country, that's what sustainability is about.

The international community forecast shows there are primarily two major areas for economies of developing countries to grow. They are agriculture and the natural resources sector. In the natural resources sector we're playing a big part, according to the forecast for growth of economies and jobs in those countries. I think Canada has a unique opportunity to have some very good, reputable mining companies and good NGO organizations come together to make sure they are making a difference.

There are the three projects, but we really have to catch up with our other major donors and take advantage of some innovative ideas. As I said, they have expertise in many of the fields. They have innovative approaches, etc., and they want to make a contribution. There are many mining companies, whether they're Canadian or any other country in origin, that are doing their corporate social responsibility.

I was in Mongolia. The mining companies there are contributing to the social development of Mongolia at a higher level than Canada's aid and development program could ever do. Consequently, we want to have them contribute, working with the NGO community, to give us the additional expertise and an additional approach to innovative new ideas on how to ensure we're going to grow the economies and create jobs.

A large proportion of the populations of developing countries are youth. In the future, over 52% of the population in these countries will be youth. We have seen recently what happens when a majority of youth are unemployed: they have nothing to do, nothing constructive, etc., and their alternatives are something that I don't think we as Canadians want them to choose.

• (1700)

**Ms. Lois Brown:** Minister, you attended the PDAC convention in Toronto. I think you were a speaker there. I was there very early on the Sunday morning and had the opportunity to walk through the whole convention before the luncheon, and it was amazing to me to see the number of countries that were there, African countries in particular, that know that Canada has an expertise in the extractive industries. They are there really begging Canada to come with the expertise and to create jobs in their countries.

I have another question, if I may. We had three representatives from microfinance here in the first hour of our committee. Could you speak to the issue of microfinance and CIDA's participation?

**The Chair:** Minister, there's just a minute left.

**Hon. Bev Oda:** Sorry?

**The Chair:** There is one minute left.

**Hon. Bev Oda:** Can I just make one comment about my encounter and meeting other countries? The ministers of mining actually asked to meet with me. When I visit countries or when I attend conferences, in every case—Honduras, Peru, Mongolia—I ask them how Canada can help, and they say they want to learn about our mining regulations. They want to learn about our public service. They don't want aid; there are many countries helping them with aid. What they want is something they believe Canada can offer to them.

On microfinancing, as you know, Canada is a strong supporter of microfinancing in many countries. There was a recent conference on microfinancing, and one of the experts said that microfinancing has been great. It has been good for job creation. The next step is business growth, because they've got to have businesses that will create jobs. It's a great initiative, but the next step that I think all the donor countries are looking at is how to create jobs and grow businesses.

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

We're going to move back over for the last question of the first round to Mr. Eyking.

**Hon. Mark Eyking:** Thank you, Minister, for coming. I've got quite a few questions, and I'll try to get them into my time.

The first question comes out of your estimates here. Under the program activity column, beside the fragile countries and crisis-affected communities, I see an \$8 million cut there.

I'm concerned about that cut, especially given the Arab Spring. One of the things we as Canadians are supposed to be doing and are committed to doing is dealing with democracy and capacity-building. When we see countries such as Tunisia, Libya, and Egypt—and also around the corner, of course, there is Syria—what are we going to do if you have all these cuts? How are you going to commit to this region in any substantial way if there's a cut of \$8 million?

What's the game plan for Syria? Are you engaged in the diaspora there? Are you helping them out, getting the charitable status? What are you doing with the whole Syria issue?

That's my first question. You've cut \$8 million. How are you going to do all that capacity-building and deal with Syria just around the corner?

**Hon. Bev Oda:** I'll ask the president to speak about the \$8 million; then I will follow up with Syria.

**Hon. Mark Eyking:** I have to be quick, because I only have so many minutes. She'll have to be pretty precise.

**Hon. Bev Oda:** I don't think that's a cut in programming, but I'll let the president explain the number for you.

**Ms. Margaret Biggs (President, Canadian International Development Agency):** That's a planning figure, sir, and that number may change. It's a small adjustment. We don't plan.... In our funding for those major fragile states—Haiti, Afghanistan, Sudan—we plan to be pretty constant over the next little while.

**Hon. Mark Eyking:** Even though we have more activity and more demand there, do you still think we're going to be committed to it with that number?

• (1705)

**Hon. Bev Oda:** Thank you for the question.

What we've learned is that when we start by looking at the number, it's not necessarily the most effective way of looking at how we provide our support and how we place the activities we believe are appropriate.

For example, in Mongolia, when we asked them what they would like us to help with, they asked for public service. We engaged the Canadian public service with the Mongolian public service, and they actually developed public service legislation. The cost of that program, which will make a dramatic difference in the future of Mongolia, was under \$400,000.

**Hon. Mark Eyking:** However, there's definitely a game plan in place for Syria. Do you have people in place?

**Hon. Bev Oda:** Well, I would say there is not a definite game plan for Syria, because nobody knows what will happen as the situation in Syria evolves. As you know, the situation in Syria is not improving. It's not getting any better. The violence is getting worse. The people who are affected are increasing....

The one thing that I would say has improved and where we've made one step forward is that humanitarian organizations that had no access at all into Syria are now able to get into Syria on a sporadic basis. There's no guarantee, there's no corridor, there is no two-hours-a-day access agreement by the Syrian people who are fighting. Consequently we have an increase in the internal and external refugee situation.

Right now what we are focused on is trying to provide the humanitarian aid that's required and making sure that those organizations that can get into Syria are adequately supplied.

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

My next question is dealing with—and the NDP already alluded to it—how you are approving projects. I think everybody knows that since the last election, the Conservatives have put their ideological spin on who they're going to give money to and who they're not.

We see it with the Canadian mining companies. A lot of taxpayers' money seems to be going to propaganda for these companies, and we don't really know if it's going to reduce poverty; however, projects that are on the table are falling off the table. We know that Kairos has been let go. Now we're coming to your year-end, so all of these groups—hundreds of groups—are coming to us and saying, “Look, we have just been refused for no reason that we know of”.

The Quebec example is pretty blatant. We have the organizations of Quebec aid groups. They have 10,000 volunteers and 2,000 youth, and there are very few approved there.

Minister, I guess the question is the rating process. How are you rating who comes and who doesn't come? I know you've alluded to it already, but there must be a totally different rating system.

Can you tell us what that rating system is? I think you're going to lose a lot of good people, Canadians and NGOs that have been helping. We're going to lose them, and we're going to lose that connection with other countries, especially if you're going from one region in Canada to the other.

I've said a lot there, but at the end of the day, it looks as though the Conservative ideology is stamped on the project approval; however, I'm giving you the benefit of the doubt to disclose your rating system.

**Hon. Bev Oda:** Let me first say there is no ideology. I think the ideology or the principle on which we make our decisions is the principle on which all Canadians want us to make them: it's to make sure that in international work their hard-earned tax dollars are going to actually reach the people they want to help, do it effectively, and do it on a sustainable basis.

The first thing that Canadians would love to see is more people who can stand on their own without any need for them—that family—to continually have aid, etc., so I would suggest that it's not ideology, but principle. It's good use of taxpayers' dollars. It's also saying we want to really help those—

**Hon. Mark Eyking:** Excuse me, Minister, for just a little bit here.

I see no problem with some NGOs not fulfilling a mandate or maybe not spending the money wisely. There are always people who may not have to be reintroduced again, but it's almost unbelievable

that so many of these organizations that you've cut out are doing such a bad job and not meeting a mandate for Canadians.

**The Chair:** You have about 15 seconds, Minister.

**Hon. Bev Oda:** I'm going to have to say that Canada has an abundance of very, very good organizations. On the one hand, we're privileged to have so many. On the other hand, we have some decisions that we make. It's not about organizations. It's about what organization and what project will in fact deliver the results.

The rating system is heavily weighted not to the organization or where the organization's head office is, but to the actual project. How many people will be helped? In what way will they be helped? Will this be sustainable? Will it enable that community to stand on its feet? Will it help the government to make sure that the government one day will take over a public health system and a public education system so that every child in that country can go to school, and hopefully go to school at no fee?

This is what we mean by sustainability and ensuring that we make a difference. It's not about organizations. It's about the best projects and the best results and the best use of Canada's aid dollars.

● (1710)

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

We're now going to start our second round. I believe we'll have time for probably two questions. We're going to start with the Conservatives.

Ms. Grewal is first.

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

Minister, thank you very much for taking your time in coming to our committee. Thank you to the staff as well.

Minister, can you take some time to tell the committee about the results of our ongoing work in Haiti?

**Hon. Bev Oda:** Thank you for the question.

As you know, I visited Haiti in January. I would say there is some disappointment because there has been some delay with the political situation and the slow and even more recent events there as far as a government in place.... Most of the projects that we're undertaking we're doing with organizations, so we're not reliant on government. The ministries are continuing the work so that our work can continue, and hopefully we'll find a quick resolution to a new prime minister and a new government in the country of Haiti.

We're doing many projects. One that we support very strongly in Haiti is the school feeding program. The school feeding program is an incentive for families to send their children to school because when children go to school, they get fed a good, nutritious meal every day, and at the end of the week, they also get to take some food home for their families. Consequently, we announced that we are increasing our support for the World Food Programme's school feeding program.

As well, I was there recently in January and announced that Canada will support the resettlement of the families that are in the Champs de Mars national park, and that's ongoing as well.

We've also been able to maintain our support for the health clinics. The incidence of cholera will vary, but they're able to manage that, and there's reduced death as a consequence of cholera.

We continue to do our economic growth, and we now have almost 400,000 who have access to credit and financial systems. We've established a very good program for the farmers, which is a first-time credit system for farmers so that after the earthquake, they're going to be able to buy the tools and the inputs they require to make sure they've got a good restart into their agriculture.

I also went to visit a hospital where we're providing maternal health, prenatal care, and delivery free of cost, and that has increased the health of women through safer births. They're actually following up with postnatal care for their babies as well. We've made a lot of progress, and we continue to keep our commitment to Haiti.

**Mrs. Nina Grewal:** Minister, can you describe some of the limitations when countries have poor legal and informational assistance, such as the basics of government-issued identification, deeds or titles to property, and permanent addresses, etc.? Could you tell us something about that?

**Hon. Bev Oda:** I would suggest to you, continuing on with Haiti, that this has been one of the major barriers to the settlement of people. There was very little land titling in Haiti prior to the earthquake. Any records they had were completely destroyed during the earthquake. What happens now when Canada wants to help resettle is the government allocates some land, and you find there are five people who say they own that land.

The majority of the people in Haiti were renters, not owners. I know that the government is trying to create a titling system, but each one of these plots of land now has to be negotiated with the four or five people who claim they own that piece of land. This is why I would suggest to those who hope and expect to see Haitians resettled that the progress on that has been slower.

However, Canada supported a big program of registration of Haitians. In fact, the Haitians recognized that they can now be registered. Registration is really important, because that's the tool that NGOs use to provide health aid, food aid, and all of this kind of thing. It's a start. It also helped with the elections registration as well, so that was a key program.

It wasn't a high-cost program. It can't be measured in many millions of dollars, but it's a program that's going to make a difference as the country progresses.

• (1715)

**Mrs. Nina Grewal:** Has my time stopped? I would like to pass it on to the floor.

**The Chair:** I know you'd like to pass it on, but we're not going to allow you right now.

I believe the bells are going to start at any second. I just want to ask if there is unanimous consent to give the last round to the NDP. Would that be all right?

**Some hon. members:** Agreed.

**Mr. John Williamson:** I have a point of order, but I won't object. I have to move.

**The Chair:** All right. We'll finish off with Ms. Sims for the last five minutes.

**Ms. Jinny Jogindera Sims:** Thank you very much.

Minister, a few weeks ago at this committee we had Anthony Bebbington. You might know of him; he's from the graduate school of geography in Massachusetts. He shared some interesting information with us about things he's hearing from Latin American politicians.

He mentions that Canada's foreign policy links with mining are undermining our country's credibility. In fact, he commented—I was really taken aback by it—that a Latin American minister of the environment actually told him this: “I don't know if Canada has ever been quite so discredited in its history.”

I have to tell you, Minister, when I heard that last week it actually gave me goosebumps, because it's not anything I want to hear. At the same time, he said that another official had said to him, “As far as I can tell, the Canadian ambassador here is a representative for Canadian mining companies.”

As you can see, both of those kinds of comments would cause us, as Canadians right around Canada, a great deal of concern.

There is no doubt that you have personally pushed for greater links between NGOs and mining firms. In the fall you announced \$26 million in partnerships with Barrick Gold, IAMGOLD, and Rio Tinto-Alcan.

The question, Minister, is this. Let us put aside for a moment the various strengths or drawbacks of these projects. My question is a very simple one: why do multi-billion-dollar private companies need Canadian taxpayer dollars to do this kind of development work?

**Hon. Bev Oda:** Thank you for the question.

They do not need it. We need what they can offer us so that we can improve our programs and the effectiveness of what we're doing in these countries. In fact, as you said on February 13, “I think all of us realize there is a role for the private sector to play”, and you indicated that you thought it was articulated well.

You also went on to say that the private sector can play a very active role in international work by itself, for example. They do not need our support. In fact, they're contributing to the projects that were conceived by the non-governmental organizations like WUSC and Plan International that are working with these companies, and they are benefiting.

What the mining company is benefiting from and learning from the NGO community is engagement with community, ensuring that they're understanding the gender aspects, etc. What the NGOs are learning about is an innovative approach: more innovation, more expertise. If you're going to do skills training, how do you train? What skills can be used? It's a demand-driven approach, driven by where the industry is going to be and where the jobs are going to be.

• (1720)

**Ms. Jinny Jogindera Sims:** Thank you, Minister, for your response.

I absolutely stand by my statements earlier that the private sector does have a role to play. At the same time, I can also say that from the evidence presented here and from what I've heard outside of this room as well, I also personally hear some alarm bells around the impact of some of our partnerships on the long-term sustainable developmental work that we need to do in other countries.

I know, Minister, because we have shared these moments, that you care very deeply about our international work. It really concerns me that some of the direction we're taking is actually damaging our international reputation because of the links.

I'm certainly hoping that we will use our funding—the taxpayers' moneys—in a way to invest in long-term sustainable development that will give us systemic results.

I have heard from mining companies that have come to make presentations. At one meeting, I think I made a comment. I felt as if I was at a business council meeting of CEOs, because all we heard about was, well, we need to have these systems put in place for us. I kept thinking, as you make all these profits out of these countries, isn't it your role to develop some of those systems?

**Hon. Bev Oda:** Not necessarily—

**The Chair:** It's almost all the time you have, but you may give a quick response, Minister.

**Hon. Bev Oda:** I'm sorry; I hope you had finished your question.

**Ms. Jinny Jogindera Sims:** No; I realize, Minister, that we're all stretched for time—

**Hon. Bev Oda:** Yes, exactly; thank you for that.

**Ms. Jinny Jogindera Sims:** —and you should get your minute of glory too.

**Hon. Bev Oda:** Thank you for that.

I would suggest to you that helping countries establish good mining regulations and good mining legislation, etc., helps every country.

If you go into a country that has natural resources, you'll see the Chinese, the Australians, and many countries investing. Those good laws will apply to every country, not just Canadian mining laws. The important thing is that they have good legislation, and we will help the governments ensure that those revenues going to those countries are going to go into better health systems and better education systems. I think that is the thing we want to make sure that we're helping.

I wish Coca-Cola were owned by Canada, because Coca-Cola doesn't need development money. What Coca-Cola is doing with USAID is setting up small, women-run cooperatives for bottling facilities in more remote areas. We all know Coca-Cola, amazingly, reaches the remotest village in a country; Coca-Cola's contribution with USAID is to start women with jobs with a little company, and that's increasing their income. That's long term and that's sustainable. That's why we want to increase our engagement with the private sector.

**Ms. Jinny Jogindera Sims:** I would love to have a Coca-Cola conversation, because I've seen Coca-Cola's schools in Mexico and the damage they do, but that's another conversation—and I've never drunk Coke.

**The Chair:** Thank you, Minister and Ms. Biggs, for being here, and Mr. Thangaraj also.

With that, we're going to end the meeting. Thank you very much.

The meeting is adjourned.





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