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Chair

Mr. Phil McColeman

Standing Committee on Human Resources, Skills and Social Development and the Status of Persons with Disabilities

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• (1530)

[English]

The Chair (Mr. Phil McColeman (Brant, CPC)): I call the meeting to order.

Thank you for being here, ladies and gentlemen.

Before we start, committee members, I'd like to draw your attention to a notice that we sent out regarding the paperless project and the fact that on the 28th we will have an assistant here for those of you who want to participate in a paperless environment. The assistant from the House of Commons will be here to assist you, if you need help. But that's entirely voluntary. There will still be documents as we currently receive them. I just want to bring that to your attention.

Now we come to our witnesses.

Thank you for being here and good afternoon.

This is meeting number 51 of the Standing Committee on Human Resources, Skills and Social Development and the Status of Persons with Disabilities. We're here to continue our current study exploring the potential of social finance in Canada.

We are pleased to have here with us for our first hour, Ms. Sharon Mayne Devine, chief executive officer, and Mr. Rob El-Sayed, manager of fund development and communications, from The Honourable William G. Davis Centre for Families. Also joining us from the Fédération des communautés francophones et acadienne du Canada are president Marie-France Kenny and Ms. Diane Côté, community and government liaison director.

Thank you all for being here.

We'll move into your presentations. Each of the organizations has up to 10 minutes. I'll give you a signal when you have approximately a minute left. Then we'll move into questioning by committee members.

We'll start with the first group, from The Honourable William G. Davis Centre for Families.

Ms. Sharon Mayne Devine (Chief Executive Officer, The Honourable William G. Davis Centre for Families): Mr. Chair-man and committee members, good afternoon. We appreciate this opportunity to share our story from The Honourable William G. Davis Centre for Families located in Brampton, Ontario. Thank you very much for having us.

The Honourable William G. Davis Centre for Families is owned and operated by Catholic Family Services of Peel-Dufferin. We are a registered charity that has been providing individual, couple, and family counselling to those in need since 1981. Our mission is to strengthen and enrich individual, family, and community life. We serve the entire community in 12 different languages. Last year alone we served 30,000 clients.

In 2008 the board of directors and the senior leadership team of the agency envisioned the creation of the first family justice centre in Peel region in order to better serve those impacted by domestic violence. This centre would provide victims with all the services they required in one location, a one-stop shop. The planning of the centre included a discussion of whether we would rent a property, build on vacant land, or buy a building that would become the home for this family justice centre.

The board of directors and senior leadership team at that time recognized that owning was preferable to renting, and that the acquisition and renovation of an existing building in Brampton was more feasible than acquiring land and building our own centre. The estimated cost of building a small family justice centre would have exceeded \$10 million. By acquiring and renovating an existing site, we paid \$8.9 million for a building twice the size. With the acquisition of a larger property, we were able to expand our vision beyond a family justice centre to include other community partners addressing a range of social issues—poverty reduction, job creation, mental health services, child welfare services—providing coordinated service response under one roof.

A number of community stakeholders believed in our vision and were willing to invest in us. In 2010, through the generous support of the Province of Ontario, we secured the first \$1 million. The Government of Canada, through the stimulus fund, provided another \$1.6 million. We raised another million through corporate donors. Catholic charities and the Archdiocese of Toronto provided additional funds through grants and loans. In addition, the local regional government provided a revolving line of credit.

I'm pleased to report that three years after we took possession of the building, The Honourable William G. Davis Centre for Families was fully leased. We now have a short waiting list of organizations wishing to move into the centre.

The risk that the board of directors took paid off. They made a bold and brave decision that our elected representatives in the community supported. I'm delighted to be here talking to you about this today, as I understand today is National Take a Chance Day. People took a chance. People were pretty brave in stepping up and making this kind of an investment.

The Honourable William G. Davis Centre for Families provides a platform for social innovation. The building itself is growing into a social enterprise. Currently the gross annual rental income for the building is \$940,000. After satisfying the debt obligations, the net annual income is \$100,000. In 2017-18, after major portions of the loans are paid off, our cashflow balance will be \$300,000. This will improve the following year to \$400,000. CFSPD and the Davis centre for families will then be in a position to generate some of its own funds to support programming and enable us to respond to the expanding needs of our growing community in Peel, which is tremendous.

We are enterprising. In order to generate additional funds, we are renting out three rows of parking spaces at the back of the parking lot to neighbouring corporations. This rental agreement is currently generating \$25,000 per year. We've also rented the southeast corner of our property to Bell Canada for a mobile tower. This is generating an additional \$20,000 per year. These agreements provide additional building revenue and sometimes help offset some of our partners in the building when they can't make the rent because of funding cuts to their organizations.

• (1535)

We are now in the early stages of planning the renovation of the lower level of the centre. This will generate further income and meet the demand for additional programming space. We already have one organization located in the lower level. We look forward to the development of the entire area. In the future, we will have the ability to generate enough revenue through our rental operations to enhance our programming, help more clients, and become less reliant on funding sources—and, I think more importantly, we'd be able to fund programs that aren't currently being funded.

Today, The William G. Davis Centre for Families is home to 23 organizations, which include the Peel Children's Aid Society, the Canadian Mental Health Association, and OASIS Centre des Femmes, as well as the Safe Centre of Peel, our regional family justice centre. All organizations are either not for profit or registered charities. All are mission driven and respond to the needs of the community.

There are a number of benefits to this co-location. We know that those who seek help often need more than one service. Here clients can access a range of services, all in one location, ensuring they get the help they need when and where they need it, resulting in increases in client service engagement and better outcomes. This is particularly important when we talk about women who are leaving abusive relationships. Research indicates that they need to connect with 18 different organizations. So to be able to access all of them in one place makes a huge difference in women's follow-through for services, and then ensures the safety of their children.

Being in the same building has provided us with a platform for collaboration and social innovation. Living together provides

opportunities for expanded partnerships and the development of creative synergies. We can do more together. We can be more together.

In closing, I would like to thank you, Mr. Chair and members of this committee, for inviting us and for giving us the opportunity to share with you our passion and the unique approach to social innovation and social enterprise.

I look forward to a discussion we can have this afternoon about the things we're doing and some of the things we're learning. I would like to personally extend to you a heartfelt invitation to join us for a tour of The Honourable William G. Davis Centre for Families in Brampton, Ontario, just down the road.

• (1540)

The Chair: Thank you very much.

Now we move on to Ms. Kenny and Ms. Côté. Please offer your presentation.

[*Translation*]

Ms. Marie-France Kenny (President, Fédération des communautés francophones et acadienne du Canada): Mr. Chair and members of the committee, I'd like to thank you for inviting the Fédération des communautés francophones et acadienne, or FCFA, to appear before the committee today.

My name is Marie-France Kenny, and joining me is our director of community and government liaison, Diane Côté. We are here today on behalf of 2.6 million French-speaking Canadians living outside Quebec, across 9 provinces and 3 territories.

The FCFA wanted to contribute to the committee's study because we are rather concerned. Allow me to explain. As we see it, a push is currently on to adopt social finance in a slew of government programs and initiatives, without regard for a range of considerations that are of the utmost importance to our communities. I want to make clear that we aren't here to argue against new methods or approaches but, rather, to add a nuanced and vital perspective to the committee's study.

I referred to the push to adopt social finance, and now I'd like to explain what I mean by that. The perception is that the government is trialling the model in a very limited and exploratory manner through pilot projects. The reality, however, is quite different.

The fact of the matter is that Employment and Social Development Canada and other federal institutions have already changed how they deliver their grants and contributions programs, bringing them more in line with the social finance model. The federal budget, tabled the day before yesterday, even includes a social finance accelerator initiative. Social finance has gone from an exploratory measure to a virtual fait accompli.

I'll give you an example. The official-language minority communities literacy and essential skills initiative is part of the Roadmap for Canada's Official Languages 2013-2018. But when Employment and Social Development Canada incorporated the \$7.5-million investment under the roadmap into its broader programming, things went awry.

On the one hand, in its request for proposals, the department stipulated that the project had to have a national scope and that 20% of the funding had to come from sources other than the federal government. On the other hand, the request for proposals shows that the department has lost sight of the relationship to the roadmap. The department found it perfectly acceptable to say that it would prioritize projects targeting under-represented groups, which included official language minority communities, as well as aboriginals and immigrants. We are talking about a program provided for under the roadmap for official language minority communities.

The problem, when you put the focus on large-scale projects, is that organizations serving francophone and Acadian communities are shut out because their target populations are too small to achieve impressive wide-reaching results. When you put the focus on working with a private sector partner, you fail to take into account the difference between majority and minority settings. Minority francophone and Acadian communities don't have access to as large of a funding pool as majority communities.

It's important to understand that a key condition to working with the private sector through social finance initiatives is the existence of a critical mass. Simply ask big telecom companies how they would benefit from extending cell phone coverage or high-speed Internet access to rural or remote areas, such as the Port au Port peninsula, in Newfoundland, or northern Alberta.

A private sector company will usually view a project that can make a meaningful difference to a French-speaking community of 2,000 residents as too local or not profitable enough.

If you want to talk about innovation, in our communities, we have seen francophones setting up social enterprises to fill the void left by the private sector. That was the case with Baudoux Communications, a business that opened up where I'm from, Saskatchewan, to provide Internet access in regions where service was lacking.

Official language minority communities will feel the impact of an approach where requests for proposals are based on major projects and private sector contributions. The government runs the risk of creating an environment where, instead of having access to French-language services that fit their needs, francophone communities will, at best, receive bilingual services delivered by majority language organizations, or even services delivered by Quebec-based organizations with little understanding of our communities' needs.

Those kinds of results will do nothing to meet federal institutions' obligation under Part VII of the Official Languages Act to take positive measures to enhance the vitality of English and French linguistic minority communities, and to assist their development.

• (1545)

That obligation seems to have been forgotten in the push to implement social finance.

[English]

But as the saying goes, we've seen this movie before. In 2009, the Supreme Court of Canada issued a ruling in a case regarding support for francophone economic development in Ontario's Simcoe County. At issue was the fact that the government-run Economic Development Corporation of North Simcoe offered identical services in both

languages to majority and minority alike, and the francophone community did not use those services because they didn't fit its specific needs. Rather, the francophone community had set up a community economic development corporation, CALDECH, which was having trouble getting funding from Industry Canada. In its ruling, the Supreme Court stated that in the spirit of part IV of the Official Languages Act, the pursuit of substantive equality between both official languages could require, instead of a one-size-fits-all approach, distinct measures tailored to the needs and the specific reality of the minority.

In the rush to implement social finance, these principles seem to have been forgotten. What seems to have prevailed is a one-size-fits-all approach, a may-the-strongest-win approach. There has been little attention to, and little interest in, how this was going to impact francophone minority communities.

[Translation]

As I said earlier, given the realities of French-speaking and Acadian communities, our social, cultural, economic and linguistic challenges are primarily being addressed by not-for-profit agencies and institutions that are run by and for community members. We do have some cooperatives and social enterprises, but they certainly aren't the norm.

The government may say to us that this is an excellent opportunity to innovate and try new approaches, and that may be true. If I may, though, I'd like to paraphrase a passage from a report by MC Consultants for Industry Canada regarding funding diversification and the entrepreneurial culture within community agencies. Basically, the passage says this:

In the movement to further integrate entrepreneurial culture in the partnership model, it's essential that organizations stay true to the mandate for which they were created.

We are, in no way, closed to all forms of social finance or innovation, on the contrary. Who could object to solutions that allow for optimal impact and outcomes? All we are asking for is tailored solutions that reflect our unique issues and needs, rather than a one-size-fits-all approach. For that very reason, we have been calling for an impact assessment on social finance and minority communities, for a year now.

At the very least, some crucial questions need to be asked. How can very large-scale projects, delivered by majority community organizations, take into account the specific needs of our communities, especially in areas where those minority language populations are very small? How were the unique needs of our communities taken into account before the programs delivered by federal institutions were overhauled, and how were our communities consulted about that overhaul? How can these social finance issues be fixed, so that French-speaking communities and the organizations that serve them can benefit under this approach?

In conclusion, I would like to recommend that the government conduct an impact assessment in order to (1) build an inventory of the approaches used in our communities; (2) assess community capacity for social partnerships and, where appropriate, establish a pool of prospective partners; (3) identify the conditions for success, as well as the obstacles and challenges around the successful use of social partnerships in francophone and Acadian minority communities; (4) determine the conditions in which social finance is compatible with the government's official languages obligations; and (5) consult with communities and local service organizations on how to build capacity, and make policy recommendations to guide the federal government and communities in implementing social finance.

Thank you. I would now be happy to answer your questions

• (1550)

[*English*]

in both official languages.

The Chair: Thank you very much to our witnesses.

Now we will move on to our first round of questioning.

I'll just remind committee members that because we have two panels, we'll have five-minute rounds for questions in the first round.

Madame Groguhé.

[*Translation*]

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

Welcome to our witnesses. I'd like to begin by thanking the witnesses for meeting with the committee today to share their perspectives on social finance.

Since the committee began this study, it has become clear that much of the groundwork for social finance has yet to be laid and that a considerable number of question marks remain, according to what we have heard from witnesses so far. Some told us they were enthusiastic about the social finance model, while others talked about their concerns.

Ms. Kenny, my first question will be for you.

In your opening remarks, you talked about your concerns around the use of social finance, advising the government to exercise a modicum of restraint and caution when implementing the approach. You also talked about the fact that social finance appeared in the recent budget and seems to be an approach the government will advocate going forward. The budget refers to the implementation of a social finance accelerator initiative. You have obviously pinpointed a very pertinent element in the budget, as far as our study is concerned.

What would you recommend when it comes to the social finance accelerator initiative?

Ms. Marie-France Kenny: The solution best suited to the majority will not necessarily fit our needs, anymore than it will fit the needs of English-speaking communities in Quebec. So that's an important caveat. As for whether the funding model could work, I would say that it probably could. What we are saying is, together,

let's look at all the possible repercussions of social-finance-based programs. We aren't opposed to innovation, on the contrary.

Ever since the Supreme Court's 2009 ruling in *CALDECH*, which I talked about, a number of departments seem to have taken a blanket approach that doesn't take into account the specific needs of the minority. And yet, the ruling stipulates that they must be taken into account. It's important not to adopt a cookie-cutter approach. It doesn't work that way. We have to look at the impact it will have on communities, and that's all we came here to tell you.

I live in Saskatchewan. I'm sure there are private investors who would like to invest in the francophone community. I, myself, am an employer in the private sector and I'd be interested in making that kind of investment. But I'm not so sure that my neighbour who owns the business next to me and doesn't speak French would want to invest in my francophone project, even though he knows me and accepts that I live part of my life in French. That's where it gets a bit tricky for our communities. We will have much more limited access to these types of private investors. And I don't necessarily mean in larger communities in Ontario or the Acadie region but, rather, in communities like mine, or those in the Yukon and other parts of the country. Finding private investors would even be hard in some Acadian communities.

Is it possible to measure the approach's potential? Are there other ways of going about it? Together, can we find other innovative approaches? We aren't saying to the government, do it and we'll sit and watch. We're perfectly willing to do it with you. Let's work on it together because we don't have the resources to do it on our own. We need help and we are prepared to work with the government to make sure that everyone comes out a winner.

I'd just like to add one last thing. The government's official languages obligations don't end with my organization or a private investor. If the government entrusts partners with money under the roadmap or makes other financial commitments to enhance the vitality of minority language communities, the government has an obligation to make sure that the money really goes to francophone programs.

Mrs. Sadia Groguhé: Very good.

• (1555)

[*English*]

The Chair: You have 10 seconds left. Would you like to use them?

Mrs. Sadia Groguhé: I've got 10 seconds. No, it's okay.

The Chair: Thank you.

We'll move on to Mr. Butt, for five minutes, please.

[*Translation*]

Mr. Brad Butt (Mississauga—Streetsville, CPC): Thank you, Mr. Chair.

Welcome to the witnesses.

Thank you kindly for contributing to our study.

[English]

Welcome to both organizations. We're delighted to have you join us in Ottawa today for this important study that we are doing.

I'm certainly more familiar with The William G. Davis centre, so I'll be directing my questions to our witnesses from that organization during my short five-minute time.

I just want to pay particular tribute to the excellent collaboration and work that you have done. I have visited several times. We've also had Justice Minister MacKay attend as well to see the great work you are doing. I think it's a truly remarkable organization. The collaboration has been outstanding.

I have a couple of questions, Sharon and Rob, on how the centre operates and what you're doing. I'm assuming that you're operating on a set of common values. You mentioned that you have a number of different organizations that provide specialized services, in particular to victims of domestic violence. I would call it a one-stop shop centre. Tell me how that came to be. What was the rationale for doing that? Why were those organizations willing to come together under one roof to do that work?

Ms. Sharon Mayne Devine: That's a great question. One thing I want to highlight is that the partnerships really developed over a very, very long period of time. Even before the dream of the building in 2008, a number of organizations, dating way back, were all doing the work of addressing issues related to violence against women.

One thing we learned early on, particularly in Peel, a community that is extremely diverse and has really exploded over time, is that really we had to work together to be able to provide the services. I think it's a real example of grassroots community development, all of us coming together and building those relationships. It takes time, investment, and commitment from a lot of people to really focus on what's most important to the people in the community.

In terms of the shared sense of values, it's really the values around respect. Really, what are we here for? Are we here for ourselves or are we here for the people we serve? I think that's the bedrock of the community partnerships. It's tricky. It's not always easy to do this. We have to navigate differences in cultures among different organizations and stay in conversation with each other. Part of what we do in working together is to create documents together around what our agreements would be. What are those values that we will abide by? How will we make decisions together? We strive for consensus decision-making. When that can't happen, then we go into a vote.

All of these relationships that get built over time really galvanize the relationships and set the focus on what's most important to the community we serve. It's great to be here to celebrate what we've accomplished, but I don't want to give you the impression that it didn't take a lot of time to forge that common vision together.

Mr. Brad Butt: I certainly know that you've had some support in the past, certainly on the capital front, in supporting the development of the building. You did mention in your presentation to the committee that the centre is receiving some commercial revenue from leasing out parking space and doing some other things.

One key idea in social enterprise is how to help the common good or social services to be delivered in a better and more effective way, not just by harnessing the non-profit sector, which often delivers those services in a very important way, but also bringing in private sector revenue and sponsorships, etc. Can you talk a little bit more about that? You mentioned that you're getting some private sector revenue through some of the things you are doing. How is that money then allocated back to help support the services that the agencies are providing in the community? One thing we've heard from other groups and that they're concerned about—it might be one of the recommendations in our report—is making sure we don't penalize non-profit groups for being able to get access to commercial revenue to help them actually deliver services.

Do you want to talk a little bit more about how you use that commercial revenue and how that benefits the programs you're delivering?

• (1600)

The Chair: Actually, the five minutes are up.

You're very welcome to answer that question in perhaps another round of questioning, should it be available to be answered.

To all the witnesses today, if we don't cover off some of these areas, you're welcome to later submit the answers in writing, or give any other information that you'd like the committee to have.

Mr. Cuzner, five minutes.

Mr. Rodger Cuzner (Cape Breton—Canso, Lib.): I'll ask a question similar to what you're going to ask, maybe from a different tack.

Madame Kenny and Madame Côté first, I have a number of Acadian communities within my riding. Some of the most self-reliant communities in my riding are the Acadian communities. The social economy is very prominent. The co-ops in Cheticamp and Isle Madame are a huge part of what that community is.

But I agree. Many of the francophone Acadian communities are smaller rural communities. The base of their economy is seasonal industries, and that big corporate dollar just isn't there. They have to find a way, so I can see the uniqueness of it.

You said you have been advocating for a specific study. Who are you hoping would undertake this study, and where has it been falling on deaf ears? You might want to make a comment or elaborate on that a little.

[Translation]

Ms. Marie-France Kenny: For the past year, we have been asking Employment and Social Development Canada to undertake the study, given that it coincides with a number of the department's programs. Industry Canada would be another department that could do the study. Another option would be to integrate it into the committee's study. But I would urge you to meet not just with the FCFA, but also with other community members, who would certainly have a lot to contribute.

If I may, I'd like to follow up on Mr. Butt's question.

In the past, we have been able to generate revenue that didn't come from the government. At year-end, our financial statements showed a \$327 surplus, and the Department of Canadian Heritage took that money back. Small amounts of that nature shouldn't be taken back. It's not much, but it's the principle.

Diane, do you have anything to add?

Ms. Diane Côté (Director, Community and Government Liaison, Fédération des communautés francophones et acadienne du Canada): I'd just like to briefly comment on our local organizations. It is true that they are quite creative when it comes to funding diversification. But the problem arises when the government isn't there to kick-start the partnership process, helping with the initial steps and research. It's a matter of doing—

[English]

Mr. Rodger Cuzner: Provide some security around that.

[Translation]

Ms. Diane Côté: —what needs to be done in order to have the right tools. Some not-for-profit organizations don't have the resources for those first steps. It's absolutely crucial that the federal government not exit the equation, quite the opposite—even if a diversified funding approach is used. It's paramount that the federal government continue to guide non-profit organizations through the first step, as they look for partners. That work is ongoing.

• (1605)

[English]

The Chair: You have a minute and a half.

Mr. Rodger Cuzner: Thanks very much.

Could you elaborate a little? I'm yielding my time to my friend and colleague here, but are there specific recommendations you would like to make and have put forward in this study?

Ms. Sharon Mayne Devine: Well, I really agree with my colleague. I would be very cautious about having a one-size-fits-all approach, too. I think the success is at that grassroots level. For me, it's really both levels working together. We do need the support of government. Our first million came from the provincial government, and \$1.6 million came from the federal government. We got that, and then we could get the corporate sector on board. And it did come on board, and we had a \$1-million campaign with the corporate sector, with banks and big corporations giving us other dollars.

I find that corporations are reluctant to give you money for programming, because the optics of not being able to continue a program in the community are really bad for a corporation. They give capital dollars, and then we can generate our own funds out of the capital dollars, and that's great. Being able to set things in place in such a way that we're not penalized for generating funds, that there are some tax incentives for corporations being able to provide those dollars.... Really, if you think about it, what we're going to be able to do over time will be tremendous in being able to fund our own programs and not having to put our hand out all the time.

What's happening for us right now is that we're just paying the bills. We're just paying off the loans at this point. In a couple of years from now, we will begin to collect some dollars. Now, that's going to all go into a reserve. If I could have had \$1 million more, it would

have made a huge difference in being able to fund those programs sooner than I can now. I think on the one hand, while we are a success story, we could be an even more successful story if we had more of those funds early on. We're having to grapple with things like property tax. It was very difficult to get the original mortgage; we're paying a higher mortgage rate than any other business would.

When I think about recommendations, I wonder if there is a way to insure those kinds of mortgages and loans for organizations that have proven track records. All of those things would help this be a more successful story than it is, though I think we're moving in the right direction now.

The Chair: Thank you very much.

We move on to Mr. Mayes for five minutes.

Mr. Colin Mayes (Okanagan—Shuswap, CPC): Thank you, Mr. Chair.

One of the questions I have, though, is this. You mentioned a number of services that are in the same complex that you're in. The provincial government provides social services. How do you ensure you don't have a duplication of services? The federal government is making transfer payments to the provinces to provide social services, and then there is another charitable organization providing the same service. I just wondered if there is any duplication in the services you're providing. And all your leaseholders, are they independent or are they also funded by government agencies—provincial, municipal or whatever?

Ms. Sharon Mayne Devine: As to duplication, in Peel the social needs are so great that you could have duplication of service and it wouldn't be duplicating services. It's a huge region.

Mr. Colin Mayes: It's a matter of capacity more than duplication.

Ms. Sharon Mayne Devine: It's a matter of capacity, and I think that because there's so much collaborative work, there's really the development of that social safety net. We work together to ensure we're able to provide services. There are more services that we really need to be providing at this point in time, but there's a lot of collaboration among all the organizations to ensure that people are working effectively with various communities in the region.

Your second question was about the leaseholders. Some are large organizations, with very secure funding; some of them are very small organizations, with insecure funding. We have a real mix in the building. I've got kind of the bedrock tenants, and I know they're going to be able to make their rent and will make it for quite some time, and then we have some smaller organizations. I think what makes us different from a regular landlord is that we work together to flex around meeting people's needs. I did have one organization that lost funding for its rent.

• (1610)

Mr. Colin Mayes: Right.

Ms. Sharon Mayne Devine: My parking lot money is really what subsidized their rent so that they could stay in the building, because they were a really important program.

Mr. Colin Mayes: I like your approach as far as having a business model to your facility goes. Of course, when a provincial government sets up, they don't do that, so there's a direct cost. You're recovering some of your costs. I think that's a good model and preferred as far as providing those services goes.

Madam Kenny, you said that with the economic development funds there was a challenge for the francophone community in that the same type of product was not fitting their needs.

Could you elaborate on that a little bit? I see economic development. I'm a numbers, accountant-type of guy. As far as business goes, to me it supersedes any language. I want to get an idea of what you're talking about.

Ms. Marie-France Kenny: I'm a business owner myself.

If I can give an example, and I'm not sure it's an example that's going on right now, but if a program is offered to 500 businesses in the Regina area where I live, in English, and it's the same thing for the francophones, I can tell you there aren't 500 francophone business owners. If it's not offered because there aren't 500 of us, then it's completely different.

Mr. Colin Mayes: Okay.

Ms. Marie-France Kenny: The one-size fits all issue is what the CALDECH case was about, and the court's judgment talked about part IV of the Official Languages Act, which is about service to the public and making sure that the programs are adapted. I'm actually wondering why this hasn't been done before because the CALDECH ruling said that for any program the government chooses, it should consult and measure the impact and the specificities of the community.

I don't understand why it hasn't been done before in terms of social financing. I'm not saying that we're not in agreement. I'm just saying let's talk about it first and see how it fits and what model would fit within our communities.

The Chair: That ends round one.

We'll begin round two with Madam Groguhé.

[*Translation*]

Mrs. Sadia Groguhé: Thank you, Mr. Chair.

Ms. Kenny, you identified a number of issues affecting francophone communities. They seem to have very unique challenges. I'd like to know where, specifically, you would advocate the use of social finance, in order to meet some of those challenges.

Ms. Marie-France Kenny: It would depend on each community's specific needs. Even at the broader community level, I couldn't say whether social finance should be applied in the cultural arena or somewhere else, given how different each community is. Obviously, some parts of Ontario and New Brunswick have a critical mass, but other communities would probably lack the required 500 program participants and the private investors needed to implement the program. But, as Diane mentioned, if the government were willing to make some sort of investment, such as a tax credit for private investors willing to work with French-speaking communities, we

could examine a number of considerations. I'm not claiming to have the solution. Communities and the government need to work together to find the solution.

Mrs. Sadia Groguhé: Very well.

My second question pertains to the parameters that should govern social finance and its use.

Do you have any to suggest, and if so, what are they?

• (1615)

Ms. Marie-France Kenny: I just have a word of caution when it comes to funding that is transferred to a private investor to lead a large-scale project. Money is already transferred to provinces for education, health and another program whose name I can't remember right now. In fact, we appeared on the topic.

These are federal labour market agreements whereby the employer needs to do certain things. Will he or she take into account the fact that there are francophones in their community? Will employers offer specific services?

Then there is the issue of transfers. Even if there are language provisions attached to provincial transfer payments, the commissioner mentioned that certain education ministries had stated that when they receive a cheque for immersion or French-language education, they can use it elsewhere. They use it for priority needs as they see them, and these are not necessarily French-language schooling or immersion.

You have to make sure that you are not dealing with a majority organization. Linguistic duality is not the same thing as institutional bilingualism; in overall bilingualism, French gets lost. Linguistic duality means the coexistence of two peoples, some being unilingual French-speakers, others being unilingual English-speakers, and there are bilingual people in the middle of all that, people who understand the needs and reality of the other group.

If organizations from the majority-language group offer services, there is quite a likelihood, particularly in Saskatchewan, that I will in the end be offered services in English, and that the active offer of French services will also be lost. My particular needs will most probably not be met.

Recently there was a project managed by a Quebec organization. A project intended for our communities was granted to a Quebec organization that did not know us at all in the context of the Roadmap for Canada's Official Languages 2013-2018. My reality is totally different from that of a Quebec francophone. So we had to deal with someone who did not know us and in the end could not execute the project as they had intended to. Finally, the project was passed along in the form of contracts to organizations in our community. The original organization was reduced to simply handing out money for contracts. These results are far from positive.

Things have to be done for and by communities and we have organizations that do an enormous amount of work. I think that you should first and foremost work with those organizations who have the necessary expertise and are able to do the work.

Mrs. Sadia Groguhé: Thank you.

[English]

The Chair: Thank you very much.

Mr. Boughen, you have five minutes, sir. It's your turn.

Mr. Ray Boughen (Palliser, CPC): Thank you, Chair.

Let me welcome our panel. Thanks for coming and sharing the afternoon with us.

Marie, can you share with us how your overall operation works? Do you recruit clients? Do you take clients who come through the door? Is there a charge for the clients? Is there direction? Is it based on a curriculum? Is some mechanism utilized for instructional purposes? Can you give us a little on that?

Ms. Marie-France Kenny: My organization is a spokes-organization for all francophones who live outside Quebec, so it's a federation. Our membership is the spokes-organization in each province and territory and a national organization for culture, health, youth, elders, women's groups, etc., as well, so we have national organizations. We have provincial organizations as well. In each province there is usually a youth group, a cultural group. We're very organized French communities.

Mr. Ray Boughen: Is that base growing? Are there more people

Ms. Marie-France Kenny: There are more people, and so proportionately we are less, but that's an entirely other debate on immigration—

Mr. Ray Boughen: Is that a sob story?

Ms. Marie-France Kenny: Yes, it might take more than five minutes, so I won't start. We are growing in numbers, absolutely, but if you look at it in proportion to the number of anglophones, as a percentage we're not growing because of immigration and the lack of francophone immigration.

Mr. Ray Boughen: Right.

Ms. Marie-France Kenny: Is there a cost? Some of our organizations charge membership costs. Of course, if there's a show, a cultural activity, we pay like everybody else, so there is some kind of financing. But whereas you might get 200 people to attend an English show or concert, you might get 50 to attend a French concert. It doesn't mean it's not as interesting or as good; it just means there are fewer people.

• (1620)

Mr. Ray Boughen: Thank you.

Sharon, can you tell us your plans to increase your economic base, your input? We've heard about the challenge of putting together the building and programming and staffing, and you've obviously tapped into some of the community in being available for working with people. Can you expand on that a little for us, tell us what you're doing, what the future holds and how you're going to get there?

Ms. Sharon Mayne Devine: What the future holds....

Mr. Ray Boughen: It's crystal ball time.

Ms. Sharon Mayne Devine: It's crystal ball time. Well, I generally am a very optimistic person, and one of the things I do is invite people to come to the centre because a picture really paints a thousand words. There isn't a single person who comes through and

doesn't say two things. They'll say, number one, "I had no idea", meaning that they had no idea the level of need and the kind of needs for the services we have. Also they see that it makes such a big difference in the community and for the people who come. I think people also have a real sense of wanting to be part of something that builds hope and possibility in people's lives.

We're beginning another campaign to bring in more capital dollars to really develop that lower level in the building, so that we can provide space for other non-profit organizations that can't afford space. Again, it's the example of a space where people can come maybe when they want to do something but they don't even have revenue for rent. That's one of the things we're doing as well as having other areas where we can take in more tenants, because the more tenants I have paying rent increases the amount of revenue that comes into the building and then we can provide more service.

For me, that crystal ball is a combination of increasing those revenues for sustainability and having a good business model, on the one hand, but also making sure we're giving back to the community.

One of my visions for the agency in terms of social innovation is seeing how we can become a kind of backbone for other organizations. It's a very diverse community we live in. For example, I had a group of young people who call themselves Brampton's Multicultural Youth Council. This is a group started by a grade 10 student. By the time I met her, she was in grade 12 and had established quite a governance model for this group of growing young people, and we discovered they just happened to be using our space late on a Friday afternoon, in the early evening.

It was, like, who are these people and what program are they with? I found out they weren't with anyone. They were just a self-starting group, so I said, "Let's partner. Come and use the space". I'd much rather they be in my space than at the mall. Let's give them some support. They don't have a charitable number. They can't do fundraising. Well, maybe I can do that fundraising and support that group for being able to innovate.

I think part of what we're doing as we strengthen our own organization is to be able to then provide for startup non-profits. We know how expensive the infrastructure for a non-profit organization is. You need a finance person, you need an ED, you have to get a charitable number, so how can we provide opportunities, especially for marginalized communities—and in this case, marginalized youth—to give them those kinds of opportunities? I think we can do so much more as non-profits when we are better resourced.

The Chair: Thank you.

I think you're going to be our last questioner, Madam Groguhé.

[Translation]

Mrs. Sadia Groguhé: Thank you.

Ms. Kenny, I would like to know what you think about the intervention of foundations, instead of federal institutions, in the funding of programs. Social finance also raises that aspect. Could you comment on that?

•(1625)

Ms. Marie-France Kenny: With your permission, I am going to let Diane answer because she has more expertise in this area.

Mrs. Sadia Groguhé: Fine.

Ms. Diane Côté: The first issue is the fact that federal funds are transferred to third parties; Marie-France referred to this earlier. When Canadian foundations or enterprises take initiatives, while having no official language obligations, and provide services to official language communities, they are quite simply not all that interested.

The second issue is the following. In the case of a big project where a foundation does have the obligation to serve the community, be it in French or in English, the linguistic safety space is lost. I will explain what I mean.

In communities where francophones are a small minority, French-speakers already have trouble obtaining services in French because everywhere they go they are spoken to in English. When a service could be offered in French, but is not actively offered because of the anglophone environment, people speak to francophones in English. We lose a lot of our people in that way.

That is one of the important facts that explain why we constantly make the point that francophones need to be served by francophone organizations, and solutions need to be found that take that into account.

Mrs. Sadia Groguhé: Fine.

Ms. Marie-France Kenny: I would like to add a few words about the foundation.

Most of the organizations in the Canadian French-speaking world, particularly in our communities, do not have a charity organization number. They are not entitled to one. This limits us when it comes to doing funding campaigns.

Mrs. Sadia Groguhé: I see.

With other witnesses we discussed the matter of evaluating outcomes. It is certainly a very central and very important matter. You talked about impacts and how they are measured. My next question is addressed to all of you.

What criteria could we use in evaluating outcomes?

How can we look at this with regard to social finance?

Sharon, did you want to speak?

[*English*]

Ms. Sharon Mayne Devine: That's a great question. It's something we put a lot of thought into as well, looking at how we measure impact.

I think there are different layers or levels of measuring that impact. Certainly for us, with all of our programs we do pre- and post-testing. We're always evaluating and looking at the outcome evaluations for all of our programs. Those can demonstrate the

impact of a service on individuals, couples, and families. You can see that immediate impact in people's lives.

When we look at larger-scale impacts, for a very large community, it's a challenge to measure some of those impacts. Doing that kind of impact study also requires dollars and investments of money. Sometimes we're asked to do that measuring, on the one hand, but we're not given the resources we would need to actually do the kind of study or the kind of work we need to do in order to demonstrate that impact. On the micro-level, we can demonstrate it. At a larger community-based level, we're just now beginning to be able to do that.

Let me give you an example with the Safe Centre of Peel, which is where people go when there are immediate issues of violence. We can look at the number of murders in Peel region. We can ask if some were prevented due to the existence of the safe centre. But how do you measure that? How do you prove that? It's next to impossible to be able to capture that—

[*Translation*]

Mrs. Sadia Groguhé: It is a cause and effect relationship.

[*English*]

Ms. Sharon Mayne Devine: —when you look at a million people, with a dynamic population moving in and out. I'm not saying you can't do it, but if you want that data, you need to invest in getting that data.

Before coming into my role as CEO, I was teaching at the University of Guelph. I like to see people breaking out of all these silos and beginning to partner more together across sectors, certainly across non-profit and corporate sectors but also in terms of knowledge generation and with universities engaging the academic sector to help us do these kinds of impact studies.

There was a question earlier, and my recommendation would be to build in funding and some money to do the kind of study of that impact, and, again taking a grassroots approach, to ask what kind of impact this community is looking at having in this community and what measures would make sense for that community.

•(1630)

The Chair: Thank you very much.

I want to extend the committee's appreciation to both organizations for being here and for describing the work you're doing and your connection to our study, which is obviously on the types of organizations that would, perhaps, in the future benefit from social finance. We appreciate learning more about you.

I have one quick question. What was the building you renovated used for before you purchased it?

Ms. Sharon Mayne Devine: It had two previous lives before ours. It was the head office of a starch-making factory. It had a science lab. And before that, it was for glue.

The Chair: It was a glue factory.

Ms. Sharon Mayne Devine: Yes.

The Chair: That's very interesting.

I'm working on a project in my community that is very similar to yours. Ours was a manufacturing facility for Spalding golf clubs. So there you go. You never know.

Ms. Sharon Mayne Devine: I'm very tempted to contact the previous owner and ask if they would buy me a new elevator electrical panel. I haven't done that yet.

The Chair: Thank you very much.

We'll have a short break. When we come back, we'll be on video conference.

• (1630)

_____ (Pause) _____

• (1635)

The Chair: I'll ask committee members to please come back to order. We will begin the meeting.

We're now connected with our witnesses from Toronto. Just before we begin the second half, continuing with our witnesses, I want to take a moment for committee business to inform the committee of a couple of things.

The committee decided to present to the Liaison Committee our proposal to travel to the United Kingdom on this study of social finance. The Liaison Committee approved our revised budget to travel. Now that approved budget will go to the whips of the respective parties for their approvals to authorize our travel. That's the status right now. The whips will determine whether or not we travel. I want to let everyone know that.

Second, we had a committee meeting cancelled Tuesday of this week because of the budget presentation. We had on our schedule for next Thursday to discuss our travel arrangements. We will be trying to reschedule for next Thursday the witnesses who were cancelled on Tuesday of this week.

Is that all I needed to cover?

Mr. Scott Armstrong (Cumberland—Colchester—Musquodoboit Valley, CPC): There's the election.

The Chair: We had projected that we perhaps would travel during early May. Our clerk has found out there's an election in the U.K. and there are people we want to speak to in government at that time. We're also proposing that we will postpone our travel, should it be approved by the whips, to the end of May, after the election and at a time when it will be much more convenient to talk to the appropriate people who are involved with social finance inside government.

Mr. Boughen.

• (1640)

Mr. Ray Boughen: Mr. Chair, how many are going to receive approval to travel?

The Chair: We put a revised proposal to the Liaison Committee. I'm happy to give you a copy of that. It was proportional to the representation on the committee.

Mr. Ray Boughen: Okay.

The Chair: We will welcome our next witnesses. We're continuing our study to explore the potential of social financing in Canada.

Joining us now by way of video conference from Toronto and appearing as individuals, we have Ms. Meghan Joy, a doctor of philosophy candidate at Ryerson University; and Dr. John Shields, a full professor in the Department of Politics and Public Administration at Ryerson University.

Thank you for making yourselves available to be witnesses by video conference this afternoon. You will each have up to 10 minutes to present as an individual. If the video conference works appropriately, I'll give you a signal at one minute if you're approaching that 10-minute mark.

Ms. Joy, would you like to begin with your presentation?

Ms. Meghan Joy (Doctor of Philosophy Candidate, Ryerson University, As an Individual): Absolutely. We're doing a joint presentation, so that works well. Of course, thank you for inviting us to be witnesses here today.

Our research in the area of social finance really focuses in on social impact bonds, or SIBs, which are a financial product or policy tool used to pool private sector investment to support social service projects with the attendant promise of a profit if the project meets pre-arranged outcome targets. I don't know if you've covered this already, but I'll briefly talk about how SIBs work.

Basically it begins with government identifying a social policy field where it would like to pay for particular outcomes. Internationally, SIBs have been popular in a variety of social policy domains. We've seen them in housing, employment, criminal justice, education, child care, and health care. Government then would typically contract an intermediary organization who manages the SIB project and actually prepares the bond instrument. It prepares the desired project results, the costs, the savings, as well as the rate of return to investors should the social project achieve those pre-arranged outcome targets. The intermediary would then issue the bond to private investors, who provide the upfront or the immediate project capital. This is where the social finance element, the impact investing element, comes in.

This capital would then be used by the intermediary to contract with social service agencies, who are then provided with that money up front to deliver a social service project over a relatively long timeframe, let's say three to seven years. If this service project meets the result target—if it's successful—government then pays the intermediary, who repays the bond to investors with the agreed rate of return. That's essentially how they work.

The first SIB project was implemented in the U.K. in 2010 in the area of criminal justice. This was called the Peterborough prison project. You may have heard of it. SIBs are now spreading very quickly across the globe. We're concerned that this is occurring in the absence of any real systematic evidence that SIBs actually save money, encourage socially innovative social projects, as well as enhance the quality of life for vulnerable individuals.

Our research thus far has really focused on or documented several reasons why we do need to be cautious about implementing SIBs or shifting to a wide-scale SIB model. What we'll do here today is just highlight what government should think about and be cautious about. There's more in our paper.

Primarily, and number one, SIBs are actually unlikely to reduce government administration and budgets even though they're claimed to do this. Government will have to pay for short-term overhead costs. That would include retraining for bureaucrats to gain new skills in market definition, program evaluation, partnership building, and payment-by-result or outcome contracting.

SIBs will also require the services of lawyers, accountants, as well as evaluators through project development, implementation, and payout. If not retained in-house, all of these components would be contracted off at an additional cost. There are democratic accountability implications there, as policy knowledge, expertise, and oversight are shifted away from the public sector. There are also concerns that details and cost information about services could be kept secret on the grounds of commercial interest. That's another concern. Governments, of course, are also going to have to pay in the long term for results, should they be achieved, but potentially at higher private sector interest rates than government would normally pay for its own financing. That's also another issue, that with SIBs, government will have to pay for more than just outcomes.

The second challenge is that to cover these extensive costs, financial experts have advised that a SIB contract would have to be worth about \$20 million to \$40 million to cover the costs. However, a study by Deloitte and MaRS has indicated that private investors in Canada are only willing to invest a total sum of \$30 million to \$40 million for SIB development, and would prefer a market rate of return between 5% and 15% on their investment. This sort of questions whether the private sector is willing to take on some of these risky socially innovative projects. It also merits further discussion on whether the expectation of a market rate of return should qualify as social finance.

Financial experts have also advised that governments will likely have to offer tax credits and capital guarantees to encourage more private sector investment. I think this is being looked at in the U.K. right now. Again, government will have to take on more risk, or share more risk with the private sector, with this SIB model.

- (1645)

A third challenge is that, given the financial risk associated with the SIB model, there is an incentive to focus on those service types and population groups most likely to succeed, which might not be the more complex cases. So there's a risk that with SIBs we might be ignoring the most vulnerable population groups, which also challenges the assumption that SIBs are about preventing complex kind of wicked policy problems.

A fourth challenge is that SIBs will likely require a new infrastructure of extensive government regulation. So SIBs do open up potential for collusive behaviour between project intermediaries, investors, and service providers. *The Economist* magazine, in an article in 2012 entitled "Playing with Fire", claims that SIBs are not really all that different from the risky financial tools that precipitated the 2008 financial crisis. There are similar risks to private investors selling on their investments and sort of repackaging these assets. So we have to watch out for sort of overexposure, risk manufacturing, convolution, and a delay in government regulation and oversight.

These are all challenges, and John's going to continue with a few more.

Prof. John Shields (Professor, Ryerson University, Department of Politics and Public Administration, As an Individual): A fifth area has to do with SIBs and program evaluation. The thing around program evaluation with SIBs is that it tends to be quite complex. This involves a lot of costs if it's going to be done right. In addition, there's often no guarantee that the results will be accurate.

Providing a meaningful evidence-based approach to results requires social experimentation methods in which at least 200 participants per year are randomly selected and are matched with an identical control group in order to try to determine what your actual results are and that they're accurate. SIBs required detailed population data on subject groups and control groups. Again, this is quite costly.

It's also difficult to know often whether the results that are attributed to the SIB approach itself are a result of what the SIB has done, whether it's the unique combination of the service interventions that are unique to the SIB, whether it's about more resources that are targeted to that particular service area, or whether it's due to another policy change that has occurred randomly in conjunction with the project.

It's interesting that, in the case of Peterborough Prison in the U.K., it turned out that the sample chosen there was not a random sample; it was actually volunteers. That had the effect of biasing the sample, so that one would expect more positive results from the way the sample was selected. In fact in the mid-term report, in terms of outcomes, what they found was that there had been very modest positive results, but this may have been due to sample bias, in large measure. Interestingly, in another case in the U.K., with a similar program around recidivism in the prison system, they actually came up with negative results. But that was also probably the result of other sorts of factors, because there was a tough-on-crime policy that was implemented around the same time in the U.K., which probably influenced the results of those outcomes. It's hard to sort of decipher what's going on with the results, which makes interpretation of the evaluation often very difficult.

The other thing I think that's worth noting here is that in the case of Peterborough, U.K., which is the first SIB project, as Meghan mentioned, it was cancelled and they moved towards a full sort of privatization model. There was never a full result in the case of that original SIB project, which is unfortunate.

A sixth area of concern is that SIB projects are risky for participating non-service providers to some degree as well. Non-profits do not have exclusive control over results, and a poor outcome could cause them the loss of their reputation. The reputation is the prime asset that a non-profit organization has, and that could cause them considerable problems if the project goes wrong for reasons out of their control. It could actually result in their going out of business and the loss of jobs and the loss of essential services they're providing to the communities they serve.

Non-profits are also at a disadvantage compared to private-sector competitors when bidding for an SIB contract, because they have limited access to capital and lack of financial track records of these kinds, because of some of the rules around their financing. The SIB tool is also quite biased towards the largest non-profits, as well as private social service providers. So probably, in the case of the non-profit sector, only the biggest non-profits could be involved with these. This, in part, is problematic because small non-profits are often the most innovative service providers because of their particularly close relationship to client groups, and especially vulnerable client groups in particular.

• (1650)

SIBs further distance the relationship between government and non-profit organizations because the relationship is now with the SIB intermediary. That limits the opportunity for non-profits to inform public policy based on their own grounded expertise. Some of that disconnect that might operate between SIBs and their connection to government and how it may inform policy and programming is another consideration one would want to take a look at.

In terms of concluding thoughts, SIBs are no panacea and should not be viewed as simply a replacement for public service provisions and grant-based program funding to the non-profit sector. Also, while there are potential advantages to SIBs, including a new emphasis on supporting non-profits design, quality of life outcome measures with their clients, as well as longer-term payments for non-profit service provisions that reduce some of the burden of the reporting requirements, these types of changes could also proceed without the transition to a SIB model. Some of the recommendations that were made by the blue ribbon commission on grants and contributions in 2006 point the way to some reforms here for the non-profit sector that don't involve a SIB model.

The non-profit sector has traditionally been run on principles and values of care that have served Canadians very well overall, and SIBs risk placing further pressure on the non-profit sector to market this type of provision, which as we've suggested has some dangers to it that one would want to be rather cautious with.

As a final comment, this is definitely a case of proceed with caution and let the evidence come in and see what the real costs and benefits of SIBs will be before jumping into it wholesale.

Thank you very much.

• (1655)

The Chair: Thank you for joining us and sharing your thoughts.

We will move on to our first set of questions, Ms. Ashton.

Ms. Niki Ashton (Churchill, NDP): Thank you so much for your insightful presentation and for sharing some of the challenges when it comes to developing social finance in Canada, especially based on what's been happening in the U.K.

First, I wonder if you've seen in the U.K. experience that the government's eagerness to move ahead with social financing has been followed by an agenda of making cuts to funding and devolution of responsibility from the federal government.

Prof. John Shields: SIBs were very much part of Big Society in the U.K., which was about downloading responsibilities onto local levels of government, cutting various types of social programs, and then expecting philanthropy, local governments, and non-profit organizations to fill some of those gaps. That was certainly part of the U.K. model, which was part of the SIBs agenda.

Ms. Niki Ashton: That's interesting, given what we've seen in our own country.

I'm quite familiar with the area of violence against women. We've seen record cuts to programming vis-à-vis women, whether for housing or women's shelters or advocacy. Time and time again we hear that certainly people on the front line dealing with violence against women, an issue that very much affects many of us in our country, are crippled by the lack of funding, the lack of long-term stability, and the obvious lack of government support.

Of course, who would invest in something like a women's shelter? Or who would invest in working with indigenous women who are marginalized in our communities? Who would invest in supporting health services for sex workers? We're looking through the lens of marginalized peoples in our society and asking if anybody would invest. Is it not the role of the government to invest and support folks, including those who are working on violence against women, to support survivors of violence as they go forward?

Ms. Meghan Joy: As I said, I think with the SIB model there is a risk of really focusing on the larger projects rather than on projects that meet niche needs for the most vulnerable populations, so focusing on more lucrative projects that investors can make money off of. I think what you're speaking to is a real risk.

• (1700)

Prof. John Shields: I think as well that some of the challenges that non-profits have in terms of supporting their communities have to do with a lot of the current types of funding models that exist in all provinces and at the federal and local levels. These tend to be short-term types of financing, which very tightly control where spending can go.

All governments, of course, are dealing with budget deficits and challenges like that, but a lot could actually be done with existing dollars if we had better dollars, if the dollars could be more flexibly utilized, even if we didn't have more dollars. There are some ideas about models, like evergreen contracts that could provide longer-term stability into the model so that planning could be done for organizations and they could actually be more effective in terms of using the money that they're currently allocated.

Again, I would return to the blue ribbon panel, which has actually made some, I think, useful and interesting suggestions about those types of ideas.

The Chair: Thank you very much.

Now we move on to Mr. Butt for five minutes.

Mr. Brad Butt: I want to thank our witnesses from Toronto for joining us via video conference today.

I was interested in Ms. Ashton's line of questioning. I guess she wasn't listening to the previous witness from The Honourable William G. Davis Centre for Families, who talked extensively about the work they're doing to support victims of domestic violence and about how they're actually collaborating through a very effective social enterprise network to provide direct services to women and children who are affected by domestic violence. I think we do know that there is a lot of excellent work going on across the country to support these women and their children in the very difficult situations they're in.

I have a question for our witnesses.

You've talked about the pros and cons of social impact bonds. Give me an example of one of the positive contributions social impact bonds have made. They can't all be bad. There have to be success stories out there that have worked, so tell me about a success story you're familiar with regarding how social impact bonds have actually benefited social good and social enterprise organizations, and have actually improved services in communities.

Prof. John Shields: I think the reality is that we don't actually know yet, because there hasn't been a social impact bond that has gone through the full process.

The first one was in Peterborough, in the U.K., which was launched in 2010. These tend to be sort of longer-term types of projects, but unfortunately that one was cancelled in early 2014, so we don't actually have in place yet any completed SIBs that we can evaluate in terms of their effectiveness.

Mr. Brad Butt: Then how do you make the assumption that these don't work?

Prof. John Shields: I think what we're saying is that there are a number of challenges to them that we have to be aware of. We're just suggesting that one has to be I think very cautious in jumping on a bandwagon and saying that these are going to be a model that is going to provide solutions for problems.

I think some experimentation with them is probably warranted. There's a lot of government interest in them, and I think that's good, but we should not see these as being automatically successful. We actually don't know that yet, because we don't have evaluations on them.

Mr. Brad Butt: Would you support the Government of Canada supporting—if this were one of the recommendations by the committee—a look at some pilot projects and perhaps looking at some way of supporting some of these ideas to see if they actually work? You're not throwing this under the bus and saying that it will never work under all circumstances.

You are supportive of the Government of Canada investigating whether or not these could have a positive impact in certain service delivery areas with certain organizations. Your testimony would be that we should, as the Government of Canada, look at possibly supporting these kinds of initiatives so that we can get that data to find out whether they're effective or not.

● (1705)

Prof. John Shields: Yes, on a limited scale, I don't think that would be a bad thing to do, but again, with the cautions that I think we've pointed out here. I think you need to make the investments into the evaluation tools we're going to use to actually look at what the actual effects shall be.

Ms. Meghan Joy: Yes. In terms of studying them, I would also add qualitative studies with the service clients as well, to ask them about how this is perhaps improving quality of life and that sort of thing.

Mr. Brad Butt: Yes, because I really believe that there is this fallacy out there that somehow social enterprise is there to completely replace the whole social safety net system that we have in the country. I don't think anybody at the table is suggesting that at all.

I think what we're looking at is whether there are there some additional new and innovative ways to look at ways.... We've heard from many witnesses who are doing some very extraordinary things, quite frankly, across the country. I don't think we should dampen their enthusiasm to look at other ways in which we can possibly deliver in communities the services that are important for people.

I think it's important in all of this testimony not to suggest that we are replacing the direct provision of government services through social enterprise. Social enterprise adds an additional option, an idea, and perhaps a success story in how we can help people across the country.

Thank you, Mr. Chair.

The Chair: Thank you very much. That wraps up our available time on that round of questioning.

We'll move on now to Mr. Cuzner.

Mr. Rodger Cuzner: Thanks very much, Mr. Chair.

I thank the witnesses for their presentation.

I want to pick up on a couple of cautionary notes that you shared, and certainly being cautious about governments seeing less upfront costs from program operations. Your comment was on being paid for outcomes and, really, how the government should be paying for more than outcomes as well. But governments have to be careful that they don't see this as being off-loaded, because the bill will come in. The waiter is going to come back to the table and present you with the bill. Do you want to comment on that?

The other thing I took from your testimony is that you believe there is a risk that the SIBs may be used in some program areas but that their ability to address really complex issues might be more limited than it would for some easy or lower-hanging fruit, I would think. Even with that, is there a risk of overcrowding the funding field for those types of initiatives?

Could you comment on those two aspects of what I drew from your testimony?

Ms. Meghan Joy: Yes. I think part of why governments are interested in SIBs in the first place is this idea, not of getting something for nothing, but that they should only pay for outcomes in the end.

I think the research out there that we've compiled and the literature that exists now show that there are short-term costs associated with creating the infrastructure to develop SIBs, including new skills for bureaucrats and additional costs for lawyers and accountants, as well as evaluation. I think John talked to how important that evaluation component is, because that's what triggers the repayment. Those are all costs that if not retained in-house would need to be contracted out. That's something that's often not talked about.

Also, of course, there are the long-term costs. Government will have to pay over the long term for these outcomes. There are actually two different types of SIB models. One is a frequency scheme, whereby investors would receive a repayment every year based on the results of that year. One is a binary scheme, where investors receive repayment at the end. There's a question as to when government would do that repayment process. Would it be at the end of the project or would it be over the course of the project? Anyway, government will have to pay for those results as well, and then the question is, would that be at higher private sector interest rates than government would normally pay for its own financing?

These are other elements that we need to think about in terms of the costing.

• (1710)

Mr. Rodger Cuzner: Obviously, it's more suited to larger-scale projects as well, as opposed to....

Prof. John Shields: Yes, absolutely.

Ms. Meghan Joy: Yes, exactly.

Mr. Rodger Cuzner: It's all on scale.

Ms. Meghan Joy: Yes.

Mr. Rodger Cuzner: On the other aspect about more complex programs maybe being crowded out, I really appreciate your comment about how Canadian not-for-profits have been run on a set of principles. Is there a risk in getting a mix between the risk and a mission statement, a risk that investors are willing to undertake and a mission statement by an organization?

Prof. John Shields: I think marketization is always at a certain tension with mission. The emphasis here is certainly going to be for the private investor to try to get a good outcome in terms of their profit. That may put some pressure upon the mission of the non-profit that's actually delivering the service to do things in particular ways to try to get to a particular outcome.

It all depends on how you're measuring outcomes. Designing that measurement, what we're looking at, and who is doing the measuring become really critical in these cases, and that gets quite complex. That may have an impact in terms of the actual type of quality of service that's being offered.

The Chair: Thank you very much.

We'll move on to our next questioner, Mr. Mayes.

Mr. Colin Mayes: Thank you, Mr. Chair.

I thank our guests.

I come from the business sector, so I always believe that risk motivates results. I guess that's a little bit of the issue.

We got sidetracked here on the provision of social services, but there are all kinds of other things that are possible with social finance. I know of Lions Clubs that have put in seniors housing, and there are the Rotary Clubs, and there are the friendship centres, with training and education. There are those that have outcomes you can measure. It's difficult to measure the outcomes of a women's shelter, for instance, because what's the outcome? Is it that there are fewer women in the shelter or that they're adjusted to maybe getting back in the workforce? It's a lot more difficult.

I think we have to be careful that we don't put everything in the same package, because there are different opportunities, and they're not all measurable, which is a challenge. I totally agree. But there's another thing we have to look at too: does government have oversight in the provision of those services? Is there any really truly objective evaluation of the programming and what they do, and of sunset clauses and all that type of thing?

I said that risk motivates results. Quite often, maybe it's a good thing that you set out quantitative objectives that you want to have provided with the money supplied. Maybe the charitable organization or group could have a better handle on that, which maybe wouldn't be influenced by some of the outside influences in the public service.

In looking at a possible framework so that this could work, one thing we heard from several organizations is that in our tax rules, for instance, there's a barrier to any profit. Then there's the financial sector in terms of banks putting out money to finance various programs, because they have policies that might be a challenge.

Would you have any ideas about any sort of government policy that would have to be changed to accommodate this, or even any ideas about financial institutions that would have to somehow come on board?

Prof. John Shields: Those are very good questions. I think SIBs do pose some challenges in regard to this.

The way the SIBs are currently set up, I think the non-profits simply become the deliverers of the service, so that all of the financial dealings go through the private sector. In that regard, I guess they've been designed in a way in which the rules don't have to be changed, but really what that does is limit the role of non-profits—and I think this is another issue you raise here—to being simply the delivery agents. They're not as involved as they potentially could be with some of the suggestions you're making.

•(1715)

Ms. Meghan Joy: One interesting thing about the SIB model is that it's being developed right now. It's shifting and changing, and a lot of the literature is just trying to get a handle on it.

One model is to contract with an intermediary, for government to contract with the intermediary. It's the intermediary that designs the project, finds the private investors, finds the service agencies, and contracts with the service agencies.

Another model could be that government works directly with the service provider or works with the non-profit. That non-profit either delivers the service or partners with other non-profits to deliver the service model. That could be one way in which the relationship between government and this non-profit would be quite a bit closer, right?

There's a question as to how these would actually operate and who that intermediary is. Also, does this prevent the non-profit from actually informing government policy or talking to government? There's that question too.

Mr. Colin Mayes: Right, and one other thing that I always believe is that successful government programs are always community driven. That's the advantage of SIBs.

It's the fact that a program that's community-driven is going to have a community behind it, whereas if it's a top-down government program—it's a big country, with different regions and different needs—sometimes the program gets lost because it doesn't fit the particular region of the country or community. I think there is an advantage to that. Do you see the advantage to—

The Chair: Thank you.

The time was up about 10 seconds ago, but that's fine. I'm giving some latitude to all members in terms of their comments and questions.

Madam Groguhé, please carry on.

[*Translation*]

Mrs. Sadia Groguhé: Thank you, Mr. Chair.

I thank the witnesses for their testimony. I find the viewpoints on the implementation measures very interesting, as well as on the analysis, the thought that goes into this, and the research. I find this very relevant in the sense that it leads us to probe—and we have done so on several occasions since the beginning of this study—the challenges and limits of social finance.

As you mentioned, decision-makers do not have statistics yet—or have very few—that allow them to evaluate whether social financing instruments are effective and allow us to attain objectives. I would like to know what issues arise when you want to collect relevant data.

[*English*]

Prof. John Shields: Data is, I think, absolutely critical. To know if they're going to be effective or not, we're going to need substantial data. That means, obviously, far more than counting bums in seats. It means actually using statistics from organizations like Stats Canada, being able to attach those to projects, trying to evaluate the outcomes of things like recidivism within the larger context of other factors

happening within society. This requires, I think, some significant type of investment, in terms of the analysis and the importance of evidence-based data. That is a challenge with SIBs, but I think it's a challenge more generally in terms of evaluating the outcomes of programs.

[*Translation*]

Mrs. Sadia Groguhé: According to what you are saying, the experiment that began in 2010 in the United Kingdom was interrupted in 2014.

Do we have enough hindsight today to determine why this did not work, and how it might have worked? Can we determine those indicators?

•(1720)

[*English*]

Prof. John Shields: I don't think we have enough evidence. The initial report was that there was a very mild positive effect on recidivism rates; however, the sample that was selected was not a random sample. It was actually made up of people who had volunteered for the program. So the change there could have been simply based upon sample bias.

Mrs. Sadia Groguhé: That's amazing.

Prof. John Shields: In a case similar to that one, they had negative results. The results are quite mixed, and I think they were also potentially influenced by other sorts of factors. As I said, it's too bad the experiment didn't run longer, because we would have had more evidence to try to make a determination on this. Unfortunately, in the case of Peterborough, we don't really have that.

[*Translation*]

Mrs. Sadia Groguhé: Do you think that at this time we are in a position to determine what social challenges social finance could allow us to meet?

You mentioned that the changes that could be made could be made without having to turn to social impact bonds or SIBs.

Do we have some idea of the fields in which SIBs could be used? Could SIBs be implemented, and to what extent?

[*English*]

Prof. John Shields: Do you want to try to...

Ms. Meghan Joy: I can tell you that the popular policy areas we've seen so far have been around recidivism. There have been several projects in the U.K., as we talked about. Also there's a New York City recidivism project that's currently ongoing, as well as homelessness projects, unemployment projects, early childhood education projects, and health care projects.

One thing I think is a challenge with some of these models is they could be a little too targeted and perhaps ignore wider social policy areas that need to be invested in that also affect social impact. We can think about that in terms of homelessness, the cost of housing in a city and those sorts of things. Access to child care could affect the success of these programs. There's a need to keep that in mind.

The Chair: Thank you very much.

We move on to our last questioner, Mr. Boughen.

Mr. Ray Boughen: Thank you, Mr. Chair, and let me say welcome on behalf of the folks here. We're glad you're sharing your time with us.

How do you account for the difference in the social financial situations? We've heard from some witnesses who say they have thousands of dollars or millions of dollars in social programs and social financing. We're hearing this afternoon that you have to be a little careful of what you do. You don't want to get burned by putting money into operations that go clunk.

How do you differentiate beforehand? It's easy to differentiate afterward. If you have a big pot of gold you know you've done well.

Prof. John Shields: I'm not sure there's a real answer to that except that you have to investigate what you're investing in very carefully and determine whether the type of project is well designed and what the likelihood of the outcome is based upon the quality of the players you have around the table. I think it's important in terms of the service delivery agent for example that they have the kinds of experience with the community, that they have a track record and in terms of delivering those types of services, and they know the types of populations they are working with. Obviously if you have that in play, that's going to improve your chances of success.

I think the investor are coming in with their eyes wide open and are willing to engage in the project, and also willing to give and respect what the non-profit provider is going to do in terms of the community and not try to interfere too much in terms of their knowledge base.

I think those are all the important factors that will play out.

• (1725)

Ms. Meghan Joy: I would also add there is some literature on the difference between larger non-profits that are able to hire lawyers and accountants to provide for the risk they could be entering into with these projects. This is a challenge for smaller non-profits that simply don't have the funds, but are still perhaps desperate for that money and so might enter into one of these projects without perhaps having that—

Prof. John Shields: Fully realizing.

Ms. Meghan Joy: —stable advice or realizing what they are getting into.

Mr. Ray Boughen: From your background would you say the investment is worthwhile? Is it too big of a risk depending on what the project is? If it's a project that makes some sense and looks like it

has a degree of success tied to it, would you say it's good financial management to go ahead and get involved, or not?

Prof. John Shields: I think it depends on the project. Obviously if you have some private sector investors, they are going to make a calculation as to whether they are going to put up money for such a venture, so they are going to be making calculations.

In many instances they found that private sector investors were not very keen to get involved in this area. The government in the U. K. had to create its own financial institutions to invest in these areas because they were seen from a private sector vantage point as simply being too risky.

Ms. Meghan Joy: It's actually been mainly philanthropic capital rather than private capital that's been used to fund these projects.

Prof. John Shields: Yes.

Mr. Ray Boughen: Thanks, Chair.

The Chair: You're finished? Then maybe I'll close it out.

In your case, Meghan, you're a philosophy candidate seeking your Ph.D. I'm curious to know if the look at social finance at Ryerson is now part of its academic programming.

Ms. Meghan Joy: Not really, but the school is interested in it. They actually did a little feature on our work in the newsletter/magazine that went out to the whole university. Certainly the university is interested in social innovation.

Prof. John Shields: We do have a certificate program in non-profit sector management. Financing is part of that. I would say that social financing is a sub-theme that runs through that course and certainly through some of the research we're doing.

There needs to be a lot more work done on this area. It's a growing area and one that obviously is rather complex. It requires a lot of different minds to focus on it to see the different angles and to bring in the opportunities and some of its limitations.

The Chair: On behalf of the committee, I want to thank you for taking the time today to come in and be connected with us through this video conference, and for sharing with us the knowledge that you have in this area. We'll be moving forward, so if there's any further information that comes along in the next short while that you'd like to pass along to the committee, please do so through our clerk. We'd be happy to make that part of our study.

That ends our committee meeting today.

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