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Chair

Mr. Daryl Kramp

Standing Committee on Public Safety and National Security

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• (1530)

[English]

The Chair (Mr. Daryl Kramp (Prince Edward—Hastings, CPC)): Colleagues, we will call this meeting to order.

This is meeting 29 of the Standing Committee on Public Safety and National Security. Today we are following up on our study of social financing as it relates to crime prevention in Canada. We've had a number of meetings on this, and we welcome further witnesses today.

For this first hour we have two witnesses, and then we have another witness for the second hour.

In the first hour as witnesses we have Mr. Andy Broderick, the vice-president of community investment from the Vancity Credit Union. We also have, by way of video conference from Seattle, Washington, Mr. James Tansey, the executive director of the ISIS Research Centre, Sauder School of Business, University of British Columbia.

Gentlemen, we will give each of you up to 10 minutes for a presentation and then we will open the floor to questions from the members.

In the order on the agenda, we will start with Mr. Broderick for an opening statement, and he'll be followed by Mr. Tansey.

Mr. Broderick, the floor is yours, sir.

Mr. Andy Broderick (Vice-President, Community Investment, Vancity Credit Union, As an Individual): Mr. Chairman, committee members, I would like to thank you for this opportunity to appear before the committee to discuss using private and institutional financing as part of the strategy to improve social outcomes and strengthen communities across Canada.

I have served as vice-president of community investment at Vancity since September 2010. Vancity has over \$18 billion in assets and half a million members. It's based in B.C. and is the largest credit union in Canada.

It was founded 68 years ago to provide financing to community markets that had been denied traditional access to capital, in this case, potential homebuyers who could not get loans on the east side of Main Street, in Vancouver. As a cooperatively owned financial institution that views itself as a social enterprise, Vancity continues to take the role we play in community investment very seriously. There are not many credit unions that have a VP of community investment, let alone one with a staff of 30. I'm quite pleased to be doing this work.

Currently the community investment team is working, on many levels, to increase access to capital for our members' communities in B.C., with a focus on affordable housing, local food, energy efficiency, renewable energy, and social finance and social venture.

Three years ago, with the support of the Province of B.C., and with the leadership of such people as Gordie Hogg, whom you will hear from shortly, we, with the help of the Vancouver Foundation, launched a resilient capital program to provide social enterprises and blended value businesses with access to capital, in the form of equity investments in loans. We participate and help guide the multi-sectoral B.C. partners for social innovation, which I'm sure Mr. Hogg will speak to. We are playing a role as a participant on the national advisory task force for the G-8 and G-7 on social finance, and are co-convening a national social finance investment funds table, with a particular focus on existing funds and supporting the existing social impact fund infrastructure.

Prior to coming to Canada, I also served as CEO and president of Housing Vermont. It included the Green Mountain housing equity fund, and Vermont Rural Ventures. This was a non-profit investment fund. It managed assets of over \$350 million of private and institutional capital, which was in the service of community investment goals. Again, these were social needs being met in connection with federal and state incentives that were created to encourage the private sector to invest in community.

Social bonds offer some promise, but based on my experience in B.C. and the United States, I remain skeptical of the current enthusiasm for the deployment of social impact bonds as a financial instrument to address intransigent social problems in Canada. My first concern is the general lack of clarity about what is meant by social impact bond. Most of what people are considering is not really in the form of a bond. I'm much more comfortable with pay for performance, or pay for success, but even those terms tend to have a jingoistic quality of a slogan.

From an investment point of view, we're talking about contracted payment schemes. Again, these can make for very successful investment structures, but I think we should call them what they are.

The second problem comes from the current fiscal environment with the focus on reducing government outlays. In such an environment, it's particularly likely that SIBs, social impact bonds, could be used as a way to disrupt or otherwise reduce the provision of critical government services rather than proven delivery and effectiveness. I know this committee is focused on delivery and effectiveness, but it is a tough environment to be discussing these sorts of new and innovative approaches.

Finally, the entire field of social finance in Canada, and this is probably my main point, is just beginning to get organized. There is very limited capacity in the community to respond with the sophistication and service delivery infrastructure necessary to deliver on pay for performance schemes and then scale such programs once they're successful.

There are a lot of consultants out there who will offer to do this work for you, but that will not be the path to a successful program. I would encourage cautious investigation of such programs, while working diligently to develop the community finance infrastructure in Canada.

This work needs to begin with the CRA and changing the regulatory regime that currently makes the merging of private investment and charitable goals exceedingly difficult, from such things as making it clear that charities and foundations may invest in limited partnerships, to removing any direct or indirect prohibitions on non-profits creating and holding revenues. We need to build balance sheets in the community sector if you're going to try to move towards a social impact bond regime.

• (1535)

In the U.S. this work began in the 1980s and picked up speed in the 1990s. In Great Britain it began in the early 1990s and has involved a great deal of government support and focus. In both Great Britain and the United States there is great latitude for non-profits and charities to engage in work with private capital. This is the enabling environment that needs to be created if this type of innovation—the innovation potentially offered by pay for performance—can be successfully pursued.

Another important enabling tool would be to create a regulatory environment that tracks and reports publicly on investments made by federally regulated financial institutions. Just tracking and reporting on the activity, not requiring that it be made in any particular vehicle, would have the effect of elevating access to that capital within a community. Creating a regulatory environment that encourages financial corporations to serve more than a single bottom line is, in our experience, critical to the success of this kind of program.

That said, there are a number of interesting social impact bond-like innovations and initiatives ongoing in British Columbia and elsewhere. For example, I've been part of a group that is working to structure a bond for the Aboriginal Mother Centre in Vancouver. There's the Saskatchewan Sweet Dreams project, which most of you have heard about, and the BC Association of Aboriginal Friendship Centres, which I believe Mr. Hogg will speak to. The B.C. government is exploring a number of other potential involvements around employment of people with disabilities. Since most of these issues impact funding streams from various levels of government, it's

going to be critical for collaboration and coordination between levels of government.

Finally, there's a critical role for intermediaries such as Vancity, New Market Funds, the Community Forward Fund. There are a number of existing, what I'd call intermediaries, in Canada that need to be strengthened and supported if this work is going to be successful.

Governments should focus on creating an enabling policy environment. It has had big returns in Great Britain and the United States.

Thank you.

The Chair: Thank you very much, Mr. Broderick.

Now we will open the floor to Mr. Tansey.

You have up to 10 minutes, sir.

Professor James Tansey (Executive Director, ISIS Research Centre, Sauder School of Business, University of British Columbia, As an Individual): Thank you very much.

Can you hear me clearly?

The Chair: Yes, you're loud and clear. Thank you very much.

You're looking swell, too.

Prof. James Tansey: Excellent. Thank you.

Just to provide a quick introduction, I'm an associate professor at the Sauder School of Business and am responsible for running an initiative called ISIS, which focuses on social innovation and social finance in British Columbia in Canada. We act as an incubator and research centre focused on applied research in the domain of social innovation in general.

I was involved in the British Columbia committee looking at social entrepreneurship and social innovation, and social impact bonds were one of the recommendations at least for exploration to that committee. We recently authored papers looking at green financing bonds as well, which is a similar kind of mechanism, as well as the field of impact investing in Canada and North America.

I would like to start by echoing some of my colleague Andy Broderick's not so much concerns, but caveats about the potential for social impact bonds. In the first instance I'd say the focus in much of the early discussion, and rhetoric and enthusiasm for impact bonds I think is on the wrong aspect of the program, whether they are pay for performance or social impact bonds. The real enthusiasm in the early days was about mobilizing private sector capital and philanthropic capital on a performance basis to address intractable social problems.

My view is that in the first instance, we need to focus primarily on the effectiveness of the programs rather than on the ability to mobilize new capital. With that in mind, I'd like to provide a few comments about pay for performance or social impact bonds in the context of the criminal justice system.

As I'm sure as a committee you have already learned, the flagship example, the point of reference is the Peterborough program in the U.K., which focused on 3,000 short-term prisoners serving sentences of less than a year. The very positive result from that program was that the intervention of the St Giles Trust reduced reoffending rates by over 65% and saved something in the region of £4.7 million.

There's demonstration there of very high levels of effectiveness and a quality of service in terms of the rehabilitation of prisoners that went far beyond what was being delivered by conventional social services. There were very positive results in the context of that initiative.

I'd like to highlight some of the reasons that I think the criminal justice system, in theory at least, is well suited to this form of intervention, whether that's pay for performance or some form of bond.

One of them is this is genuinely an intractable problem in almost every developed country. The failure rate of the conventional system is very high, and if the goal is rehabilitation, then the room for success in this particular area is also very high. If the reoffending rate is 75%, even a 25% reduction in reoffending is a dramatic success compared to the status quo.

The second reason I think programs in this area are a good starting point is that the core metrics are relatively easy to track and are unambiguous at the level of that prisoner population. You know pretty clearly when someone has been intercepted again by the criminal justice system, and it's relatively easy to measure that.

The third reason is that unlike health interventions, which is another area where people have spoken about pay for performance because you're investing in prevention, the results can appear relatively quickly since the key period for reoffending is within the first one to two years, so the savings and the proof of concept for government could be relatively immediate.

The fourth reason is there are and historically have been very well-established models of small-scale interventions by non-governmental organizations and community organizations that have proved highly effective at the small scale.

Those are the reasons that I think exploring pay for performance and impact bonds in this area is a positive idea.

I think some of the risks worth noting are that since, by definition, the interventions involve working with convicted criminals, there are reputation risks and other forms of risk associated with the success and failure of the program.

• (1540)

The second reason is that criminal justice in general as a public policy issue is highly polarized, with very strong positions on either side of the debate about rehabilitation versus punishment. What this means is that any initiative launched even on a pilot basis will be closely scrutinized by very vocal organizations.

The third reason is there are in Canada and particularly in the U.S. very strong private sector interests associated with the current system, and in Canada and the U.K., there are public sector interests

and union interests associated with maintaining the status quo that may challenge the success of this.

The final two points really relate to the public policy context in general. What I believe is necessary to test social impact bonds or pay for performance is some form of prototyping and bounded experimentation. Historically, government programs have not been tolerant of the kind of experimentation that we allow for and see in the community sector and also in the private sector through the activity of entrepreneurs and social entrepreneurs. I think any attempt to explore this further will have to involve a higher degree of tolerance for experimentation and failure than is typical of government programs.

Finally, since within the criminal justice system there is a disproportionately high number of aboriginal citizens who are intercepted by that system, I think we need to be profoundly sensitive to the historic treatment of first nations by criminal justice and the residential schools programs.

My comments about the likely sources of capital really focus on a reality check about what private investors in particular might look for from this kind of program. In the early stages, I don't believe the private sector would mobilize quickly in response as an intermediary to providing capital to scale this up. My view is that if there is a desire to test this and prototype and pilot these kinds of projects, it will require government funding to underwrite it, with stakeholders from the philanthropic sector and potentially from local governments for it to work.

The reason the private sector, I think, will hold back is that typically for institutional capital investments, they would require investments of \$25 million or more to address the transaction costs involved. I don't see an intervention on the scale of \$25 million being realistic initially for a prototype or for a pilot study. In contrast, public sector and philanthropic capital is likely to be more appropriate in the early stages. Community organizations and philanthropic institutions having a stake in the investment I think is important because it ensures a level of accountability and engagement with the success of the program.

With those caveats, my view is that to proceed with this on any scale would require a commitment to a design approach and a prototyping and piloting effort. Any program in this area would genuinely have to provide autonomy to the community organizations involved. The expectations with respect to financial return would have to be reduced, with an emphasis instead on the effectiveness of the programs, at least during the early stages. You would have to evaluate partner organizations, such as the St Giles institute, to demonstrate that they have the capacity to scale sufficiently so that it isn't just a one-off example with no capacity to go to scale.

There would have to be a commitment to iterative learning by all partners from the experience, and a recognition that for many community organizations it's a real challenge to shift from a conventional community approach to the delivery of programs, an NGO approach, to the more business style of delivery, one that's metrics driven, that's required for these initiatives. I would argue that it's non-trivial for most community organizations to shift to those kinds of management metrics. There's a risk that the shift to a more managerial approach could undermine the effectiveness of the program.

• (1545)

My view is that one should avoid overstating the potential for these projects to attract private financial capital. In the short run the emphasis should be on effectiveness rather than on financial efficiency. If the federal or provincial governments sought to pursue this, they should recognize it's going to cost more money in the short term because reductions in reoffending rates don't translate into savings unless you're able to reduce the prison infrastructure. It's going to cost more money initially to try this with the goal of reducing the fiscal burden in the longer term. It would require real independence and independent investment to ensure there's sufficient room to try a pilot and experiment with these kinds of initiatives.

Those are my main comments.

The Chair: That's fine.

Mr. Broderick and Mr. Tansey, thank you very kindly for your candid and informative presentations.

We will now go to our rounds of questioning.

For the first seven minutes, we have the parliamentary secretary, Ms. James, please.

Ms. Roxanne James (Scarborough Centre, CPC): Thank you, Mr. Chair.

Welcome to both our witnesses.

I will have, hopefully, a few questions for both our witnesses, but I will start with Mr. Broderick who is here in the committee room.

You said social finance in Canada is just beginning to get organized. I think that's one of the reasons this committee is studying social finance: to learn a little more, to hear about some success stories, and maybe not success stories, from other countries.

You've mentioned a number of projects, and I wrote one down, the Aboriginal Mother Centre Society. Is that in B.C.?

• (1550)

Mr. Andy Broderick: It is. It's in the downtown eastside of Vancouver.

Ms. Roxanne James: Okay. Is this financed through social finance?

Mr. Andy Broderick: No, it is not. They are looking to expand their program, financed through a social impact bond structure.

Ms. Roxanne James: Okay. I think we've had other witnesses who indicated that the aboriginal community, sometimes youth at risk, and so forth, might benefit specifically from this type of social impact bonds, pay for performance, and so on.

I'm wondering what your comments are with regard to youth at risk, maybe focusing on the aboriginal community.

Mr. Andy Broderick: Again, my speciality is finance and real estate finance around social impact, around affordable housing, and social purpose real estate. That said, I'll have an opinion on this kind of intervention into indigenous communities.

The challenges around that population have been so profound, much like prisons, the opportunity for improvement...it's a great temptation to try a new approach. We see a lot of indigenous-led initiatives, including the BC Association of Aboriginal Friendship Centres, which I also mentioned.

I think the problem around youth at risk is it's a third rail in provincial politics. It can be a very difficult issue to talk about with any directness. I feel it's unlikely you'll see a major move in that area until the efficacy of social finance as a way to help solve some of these problems is proven, and then the comfort level will go up among those who are responsible for that very difficult portfolio.

Ms. Roxanne James: Thank you.

Do you feel there are investors out there who are willing to invest capital to help, whether it be youth at risk or whatever communities across this country?

Mr. Andy Broderick: Yes, but I would agree with James that it's likely to be philanthropic capital, foundation funds.

Ms. Roxanne James: You also mentioned something about social—I believe it was you, and I apologize if I have the wrong witness—that it's not necessarily the answer to everything. I'm not sure if those are the exact words you used. We've heard from other witnesses, and I agree it's not the only tool in the tool box, but it's something which I think that we as a government should be looking at.

Do you agree that it could be used as another tool in the tool box? I'm not saying the government is going to drop all our current funding for crime prevention. That's certainly not the idea here. We want to bring in new capital to expand on what we're already delivering on proven projects that are successful.

Mr. Andy Broderick: I would say fundamental to that is allowing the community providers who work in this sector the latitude to build their balance sheet and create the capital that will allow them, to use James's terms, the managerial approach, but will allow them to be comfortable managing capital for other people.

Ms. Roxanne James: In your remarks—I was trying to write everything down—you talked about being cautious, and you were talking about Canada Revenue Agency and regulatory changes. Could you elaborate on that and explain exactly what you were talking about?

Mr. Andy Broderick: Yes. There is actually some paper being done for the G-8 meeting that I'd be happy to forward to you. It has a summary.

The two issues that are most obvious are, one, it's not clear that foundations can invest in limited partnerships, and many foundations that are the first actors in this area—again, to quote James, and I would agree—are stymied by that. Two, there is some ambiguity about whether non-profits can really build a balance sheet without suffering some additional scrutiny and tension with the CRA.

Ms. Roxanne James: I'm going to direct my question to Dr. Tansey.

You were talking about the Peterborough program in the U.K. and the costs associated with that, and also the high success rate of that program. Could you explain that program a bit better to us, if you have that information on hand?

• (1555)

Prof. James Tansey: Yes, certainly.

Ms. Roxanne James: Did they use pay for performance or an impact bond? How was social finance involved in that project?

Prof. James Tansey: It was called a social impact bond, but in many ways, as Andy said, it's more like a pay for performance model. Let me pull up my notes on that particular project.

It was an experiment that was started under the Labour government, and it's been running for a number of years. The focus of it was on supporting the St Giles Trust, which was already working in that space, and incentivizing them on a performance basis to reduce the reoffending rates.

The process started with support officers working with young offenders who were in prison for less than 12 months, and while they were still in prison, helping them to plan and to adjust to the time they'd be spending outside the prison: transitioning to housing once they left; getting engaged with the workforce; having coaching, support, and mentorship during that period. It's the younger end of the age spectrum of prisoners who are first-time offenders who have the highest chance of rehabilitation.

In terms of the costing, for that demographic typically the reoffending rate has been 75%, but for that younger demographic it had been as high as 90%. They worked with about 3,000 prisoners and were able to reduce that reoffending rate from 75% down to closer to 10%. The program officer cost around £49,000 a year. The prisoners who were in prison were costing the public purse £143,000 a year. So the 65% saving resulted in £4.7 million of savings in the course of the program.

Ms. Roxanne James: Thank you very much for clarifying that. I had written down 65%, and I think you said £3.7 million in your opening remarks, but you said £4.7 million.

Prof. James Tansey: Yes, it's £4.7 million.

Ms. Roxanne James: Thank you very much for that clarification.

The Chair: We'll go to Mr. Garrison, please.

Mr. Randall Garrison (Esquimalt—Juan de Fuca, NDP): Mr. Chair, I have the same feeling I have every day, which is that this committee has much more important work that it should be doing at this time. That's not to insult either of the witnesses, but we are doing eight sessions of discussion on what witness after witness tells us is a provisional area, something which isn't yet well developed. As we've said many times on this side, it's not that we're opposed to looking at

social impact financing, it's just that there are many other things we could be looking at in this committee.

Mr. Broderick, I'm familiar with Vancity not just in Vancouver, but also in greater Victoria. It does lots of good community work. It functions as a real credit union and does not see itself as a bank, even though others tend to regard you that way sometimes.

In one of your opening comments you said that in the current climate, there was a concern that social finance was likely to displace government funding. Would you like to expand on that at all?

Mr. Andy Broderick: There's always a concern that in innovation you have a retreat away from critical government services. In the case of prisons, I don't see it as being as big a risk.

Mr. Randall Garrison: Okay.

A lot of what you said about Vancity is that the credit union began by filling gaps where other people couldn't get financing for some possibly higher-risk projects. When we're talking about social impact financing, one of my concerns always is that when we turn from philanthropic to private business, why would they have an interest in taking those on when traditional financing hasn't been there for those areas already?

Mr. Andy Broderick: Because there is going to be a return.

It's actually a market that they don't understand. When you talk about higher risk, I would caution that frequently things are viewed as higher risk simply because the market is not understood and because the risks are not understood.

Again, there has not been the scale there, so that's one of the reasons there hasn't been a market. It's the same thing in lending on the east side of Vancouver. There's no one doing it, so no one understood that it really wasn't a risk and that those homes would be worth over a million bucks each nowadays.

Anyway, I would recommend caution, in that markets tend to move where the easiest money can be made, whether you're a condo developer who doesn't want to develop rental housing or.... Frequently, smaller markets where there actually is a return potential are overlooked.

• (1600)

Mr. Randall Garrison: I guess when we're talking about criminal justice, that always raises a concern for me, in that some of the more difficult areas in criminal justice might be ignored in order to run projects or direct funding into those things that are low-hanging fruit and easier to achieve.

Mr. Andy Broderick: Again, I don't know enough about criminal justice to venture an opinion on that.

Mr. Randall Garrison: Okay.

When it comes to goals, I guess, to me it's clear to see what a credit union is doing. It has the community focus and the community development focus. When you get other private interests involved, isn't there a danger that in addition to profit they'll have some other agenda as part of what they're doing?

Mr. Andy Broderick: It hasn't been my experience. TD Bank was our biggest investor in Vermont. They had over \$75 million invested with Housing Vermont.

My experience is that private financial institutions and private corporations, given the opportunity, are looking for ways to move into this kind of investment. They're looking for ways to strengthen their communities. Frankly, trying to highlight it and give those opportunities tends to create a rising tide for all. I have not found it difficult within the right environments to attract private investment to things that people would be surprised at.

Mr. Randall Garrison: Is what they're looking for there a rate of return plus enhanced reputation?

Mr. Andy Broderick: Yes, whether it's enhanced reputation or honest engagement with their community. Again, these financial institutions, whether we say it or not.... I hate the term "social licence", but they have a guarantee from the federal government for the depositors. That's a big subsidy. People may talk about them not being subsidized, but that kind of thing is a huge subsidy. Most times, they recognize that they want to be engaged with the communities that are providing that subsidy.

Mr. Randall Garrison: Thank you.

I'll turn to Dr. Tansey.

One of your last comments was about aboriginal people and the impacts on aboriginal people. You didn't have much time to say something about that, so I would like you to maybe talk again about the risks of these kinds of projects for aboriginal communities.

Prof. James Tansey: I would say that it's as much about the risks for government. It was more a note of caution to say that since the aboriginal population unfortunately is disproportionately represented in the prison population, any program would need very strong engagement with the aboriginal leadership of Canada if it were to stand any chance of success, given the history of mistrust, the history of abuse, and the current focus on reconciliation around the residential schools.

I know that it has been discussed as the aboriginal population being a main focus of it. I would almost advise to focus on a non-aboriginal population initially, where there's less at risk and there's less mistrust. That was really my main comment.

I would say with respect to your opening comments that this is obviously something that is in the early stages. The Peterborough program reported out in 2010 and reported real success, but I would also argue that there's too much at stake to not do something in this area when our reoffending rates are 75% to 90% in this system. It can continue as it is, but the system is fundamentally broken if the goal is rehabilitation of prisoners.

We have to try something. The conventional solutions are simply not working. If there's scope for some form of experimentation here, the Peterborough example shows that with the right kinds of organizations involved, you can demonstrate a dramatic decline in reoffending rates. I think that's worthy of attention and worthy of the federal government's attention.

Mr. Randall Garrison: Following along that line, if you're saying that for projects to deal specifically with aboriginal people we'd need high levels of consultation, yet aboriginal people are the main group or one of the major groups within the overall programs, wouldn't you need that same consultation with aboriginal communities in any program that you're doing in our corrections system?

Prof. James Tansey: Absolutely. I'm not aware of what measures you've undertaken to engage as a committee, but I would encourage early engagement with aboriginal leadership in Canada on this so that it's a program that's co-developed and co-designed, rather than one that's created for that portion of the Canadian population.

In British Columbia we've had a lot of success through the aboriginal friendship centre that has led on establishing some best practices in this area, and that very early engagement has proved very productive. Andy mentioned that earlier on.

●(1605)

The Chair: Thank you very much, Mr. Garrison.

Now we'll go to Mr. Norlock, for seven minutes, please.

Mr. Rick Norlock (Northumberland—Quinte West, CPC): Mr. Chair, through you to the witnesses, thank you for appearing.

Mr. Tansey, when you said the system is fundamentally broken, I'm assuming you mean the current attempts at rehabilitating folks and trying to dissuade recidivism. Is that correct?

Prof. James Tansey: From my perspective, the goal of the criminal justice system is to rehabilitate prisoners so they can reintegrate into society and not reoffend.

If your view of the criminal justice system is that it's about punishment, then I suppose you could argue it's successful. But from a rehabilitation perspective, I'd argue that if the reoffending rates are as high as they appear to be, then it is failing.

Mr. Rick Norlock: Thank you for that.

I have said before in this committee and in some other committees that.... You know, the Albert Einstein definition of insanity is doing the same thing over and over again and expecting a different result.

With that in mind, I would suggest to you that with all the skepticism with regard to new approaches...and I do look at some of what you say at ISIS...to act as an incubator and an innovator. Well, innovation in and of itself means that you're trying to do something different to achieve, if not different results, at least better results.

With that in mind, then, I guess I go back to some of the other things both of the witnesses said, that governments are reticent to try something new because of their fear of failure. Of course, those who oppose whoever is in the government, and it doesn't matter who it is, would like to jump on it and say, "There. You're an abject failure," whereas in business, I've been told that if you don't innovate, in the new society you'll probably fail. So fear of failure is not an option. You just go ahead and do the best you can to make sure the program or the business you're into will be successful.

That brings me to one of the former witnesses we had before the committee who surveyed 80 companies that are familiar with this and think this new ground we're looking at or considering treading upon is.... There are 80 companies prepared to invest. Are you familiar with this statement, and would you say it's relatively correct?

Prof. James Tansey: One of our projects is looking at the potential for impact investing, which would encompass this form of program. Our experience has been that companies are willing to make donations...or it's easier for them to make a donation that supports an initiative of this type, which comes from their granting arm, and to take some risk there. It's much easier for them to do that than to run it through their conventional investment committees. With the banking sector, once it becomes an investment it's perceived very differently; it's reviewed very differently, and it will be discounted heavily simply because it's new.

In areas such as clean technology, for instance, we have a very strong program through SDTC for supporting and providing non-diluting venture capital for early-stage demonstration projects. There's a very strong precedent there, and a great review and audit process for evaluating those investments.

I'd suggest that a similar mechanism for the federal government to act alongside and like an investor, but to bring along private investors as well, would be appropriate here. It gives them some security and some reassurance that there's real money at the table. A program such as SDTC really underwrites clean technology innovation. I would say a similar program would be needed for social programs like this.

Mr. Rick Norlock: Do you have comments, Mr. Broderick?

Mr. Andy Broderick: Yes, I think that in this kind of early action you're going to have to figure out how to de-risk it enough to attract investors. Whether it's as Mr. Tansey says or another mechanism, there are various ways to reduce the risk, at least for first actors.

Mr. Rick Norlock: If governments were part of the consortium of investors, would there be more impetus for them to get involved because the government is putting some of its own capital towards it?

● (1610)

Mr. Andy Broderick: Absolutely.

Mr. Rick Norlock: Would you agree with that, Mr. Tansey?

Prof. James Tansey: I would agree. The mechanism of ultimately trying to mobilize more non-government capital than government capital over time I think is a good test of the viability of the investment. I think that typically 35% to 50% from government is a fair number and a reasonable number, because it means that the balance of the shareholders and investors have real equity at risk in these kinds of programs.

Mr. Rick Norlock: Being that the shareholders of the government are the people of Canada and looking at, to use your statement, Mr. Tansey, the abject failure of the current system in rehabilitation, wouldn't the shareholders have an appetite to see that their investment is better taken care of and that we're bringing partners to the table in order to do that?

Mr. Broderick, do you have any comments on that?

Mr. Andy Broderick: Yes, broadly speaking, I think absolutely there is plenty of opportunity for improvement. As a taxpayer in Canada, I would appreciate a greater level of success and better outcomes, and would welcome that kind of approach.

Mr. Rick Norlock: Mr. Tansey, would you agree with Mr. Broderick?

Prof. James Tansey: Yes, I would. I think the status quo in the criminal justice system and in the health care system is that we're treating the symptoms rather than the underlying causes of some of both these health and social ills. We're intervening as a society once most of the damage has been done. Working upstream towards rehabilitation and ultimately towards prevention has a very positive impact on the tax system. As a shareholder I'd agree that I think we should be trying these kinds of things.

The Chair: Fine, thank you, Mr. Norlock.

Now we will go to Mr. Easter, please. You have seven minutes, sir.

Hon. Wayne Easter (Malpeque, Lib.): Thank you, Mr. Chair.

Thank you to both people who have presented.

In the federal government's 2013 report entitled, "Harnessing the Power of Social Finance: Canadians Respond to the National Call for Concepts for Social Finance", Vancity, Mr. Broderick, claimed to be among the leaders in the social finance sector, to which the government was looking to help identify a way forward.

That having been said, in your remarks you have indicated that you remain skeptical and that the whole idea of social finance lacks clarity. You remain skeptical in what way?

Mr. Andy Broderick: Let me clarify my remarks.

I'm not skeptical about social finance or community investment as an approach to resolve a lack of access to capital within a community. I tried to make clear that I think that can be quite successful.

There hasn't been a huge amount of experience on social impact bonds, as a concept. We're talking about maybe three or four deals across a couple of continents, so my skepticism is really just around that vehicle. It is bolstered by the fact that I see the environment for social finance in Canada is really just beginning to develop strongly. I would say that trying to move into a fairly sophisticated pay for performance approach, not that it's impossible, but it will be challenging where there hasn't been an environment built with strong community players who are used to managing other people's money.

Hon. Wayne Easter: One of the concerns I have and that I wanted to ask you about, too, is how you bring more clarity to this issue. I'm not against new concepts. I think it's a wonderful idea, but I believe it was you who said earlier that investors will go to where the easiest return on investment is, basically, or something along those lines.

My concern is in terms of crime prevention in the country as a whole and the leadership required from the federal government in that area. We have to relatively ensure—you can't be absolute—that crime prevention in some of the northern communities is as good as it is in the bigger communities like Vancouver and Calgary, where there is more money and there are more investors, and versus P.E.I. as well, where I'm from.

How do you ensure that under this system? I do think there's a real danger here. The federal government is saying that we don't need a national crime prevention program anymore, that the private investors will look after that. Then you'll have a patchwork quilt of programs across the country.

I'll ask both witnesses this: how do you wage against that happening?

•(1615)

Mr. Andy Broderick: James, do you want to go first?

Prof. James Tansey: Again, the starting point is already a patchwork quilt, with different levels of intervention by community.

I would say that seeking some kind of standardization too early in this area is also a mistake. I think it needs the kind of approach that was taken in the U.K. in what was a very successful program, which was a reasonable pilot and a reasonable prototype. It really needs to start at that kind of scale and not raise expectations about private capital or returns on investment, because, as I said before, the primary goal of this kind of intervention is improving effectiveness,

which is really about reducing costs to the public purse. Once you can prove that out and demonstrate it at scale, then you can start to worry about whether private or philanthropic capital can be mobilized.

Just to reinforce the point, I do think it's going to be very hard for private investors in the early stages to mobilize on this, not because it's not a good idea, but because there are so many other good things for them to invest in that this comes with a lot of risk and potential reputation risk.

Mr. Andy Broderick: Big surprise: I'm going to agree with James.

I think we're going to talk about some demonstration projects, in fact, hopefully a number of them in various areas, and should they be successful.... Again, it is too early to worry about private capital replacing government investment. We're 10 years from ever having to worry about that. If that does become a worry, there are ways.... Again, in my experience in other jurisdictions, you increase the incentives in areas where you're worried about this investment. In other words, if you're fearful that there will be unequal uptake, you increase.

This is all going to be based to some degree on government involvement in terms of the return, how it flows, and what the contract pays, so that the government, through good policy and oversight committees like this, can make sure it designs a program that will equalize and make sure that if private capital does become more significant, the incentives are appropriate to drive it where you need it to go.

Hon. Wayne Easter: I would say that I'm not really worried about private capital replacing government funding. I'm worried about government withdrawing its funding and using the fact that private capital is investing in crime prevention as an excuse to do so. That's my worry.

Do either of you see any way in terms of how you could develop these concepts of social finance by way of national coordination in the projects across the country in order to ensure that there is some balance?

The Chair: Make it a very brief response, please, from either one of you.

Mr. Andy Broderick: James, I'll just jump in. There are a number of national tables we spoke to that have been set up that could take on a responsibility to coordinate and share best practices and best outcomes in a way that keeps a national focus, rather than allowing it to be a series of one-off experiments.

The Chair: Do you have anything to add, Professor Tansey, or are you comfortable?

Prof. James Tansey: I concur with Andy.

The Chair: Thank you very much.

Now we will go to Madam Doré Lefebvre, for five minutes.

•(1620)

[*Translation*]

Ms. Rosane Doré Lefebvre (Alfred-Pellan, NDP): Thank you very much, Mr. Chair.

Mr. Broderick and Mr. Tansey, thank you for telling us about social finance.

I would like to go back to what Mr. Easter mentioned about social finance. I am referring here to its repercussions on various communities and to the fact that this will not necessarily replace what the government does.

One of you spoke earlier about the percentage of rehabilitation and how this was done. When inmates have access to good programs, the rate of rehabilitation is extremely high in society, in Canada. One witness talked to us about support circles, which offer reintegration programs to inmates who committed serious crimes such as sexual assaults. This system functions really well, but unfortunately the government is going to cut the funding for that group over the next few months.

This concerns me and I think that a lot of people share that concern. I fear that the government is offloading its responsibilities, for instance by abolishing a service like support circles, by claiming that private investors could fulfil that function just as well.

What do you think about that?

You also said that we have 10 years before we have to worry about the government's lack of accountability. I think it was you, Mr. Broderick, who said that.

Can you tell me why you are talking about a 10-year period?

[*English*]

Mr. Andy Broderick: Why don't I go first. I was just speaking about how primary the development of social finance is in this area, so that if in fact there were a growth of a private investment approach around these issues, a social investment approach, it would take a long time to develop, and therefore it wouldn't be able to impact the government's provision of services even if you wanted it to. That was my only point there, that it will take time.

To your first comment, and then I'll let James step up, I don't see any basis for social finance to replace government funding of programs that have proven to be successful. In fact, as James quite well articulated, there are a number of areas where there is not success. If you are looking for innovation, focus on those areas. Whether it's new government programs or redesigned government programs or social finance or private capital, those are the things you focus on, not areas that are successful.

The Chair: Go ahead, Professor Tansey.

Prof. James Tansey: I would agree that social impact bonds and pay for performance are in no way a solution for every social

challenge or social issue. In the beginning of my presentation, I tried to explain why I thought in this specific example it could make sense because of the cost, the lack of success in the current system, and the relatively short pathway to success where you can demonstrate within a year or two the level of reoffending rates. That made it potentially a good candidate for some form of intervention.

I don't think we have to be afraid of private capital displacing public money in this area for a long time, because I just don't think investors will look to this for five to ten years. But I do think we could see foundation, government, and philanthropic funding made available in partnership with the federal government if there was an interest in testing this.

The Chair: Thank you very much. Your time is up.

Mr. Payne, you have five minutes, please.

Mr. LaVar Payne (Medicine Hat, CPC): Thank you, Mr. Chair, and thank you to the witnesses for coming.

I find this area quite interesting. Innovation I always think is great, because it gives us an opportunity to look at some ways that maybe we can improve things that for some reason may not have given us the best results.

First of all we know that CoSA has not been cut. The contract expires after five years. I think they know that. We're studying this area because we want to see how we can make programs more successful.

I thank both of you for being here. Dr. Tansey, you talked about potential and also the concern about experimentation. If we can find a great project that we could support, obviously I think the government has to be involved in the process. We've seen from a number of other witnesses that you have to set out some of the criteria as to what it would look like if it's successful. I'm wondering if you have any comments on that if we were looking at trying to prevent some recidivism in our system.

•(1625)

Prof. James Tansey: I would suggest existing programs and community organizations already support this kind of goal. The St Giles Trust in the U.K. already existed prior to the program, and this partnership allowed it to scale up. I don't think anyone needs to invent new organizations. I think the better approach would be to find what we know to be existing, effective programs and give them an opportunity to scale up through this mechanism.

Mr. LaVar Payne: Okay.

Mr. Broderick.

Mr. Andy Broderick: Yes, I would agree, with the one caveat being that the Peterborough approach developed after about eight to ten years of social finance focused energy within Great Britain to develop that sector. Lottery funds had been transferred to a trust to support it. The infrastructure was in place that provided some easier backdrops to support the financing and enable that project to go through. Again it could be done strictly by government, but the creation of intermediaries that have financial heft to step in where the government is less likely to want to, where risk is higher, where reputational risks—we've heard some of the concerns—can be pre-borne by that intermediary to some degree, I think makes some sense.

Mr. LaVar Payne: I noticed on your website you have something called street youth job action to support homeless youth in Vancouver. I'm not sure if this could be one of those social impact areas. I wonder if you could tell us a bit about it. Do you see this as an example that could help?

Mr. Andy Broderick: As I think I tried to point out, there's a lot of activity in my department, and I wish I knew it all. I'm familiar with that program at a high level in terms of engaging youth in the downtown eastside in street employment options. I'm currently serving on the board of the Portland Hotel Society, which some of you may be familiar with, a groundbreaking group in the downtown eastside that ran a number of programs.

To support the point James just made, I think there are a lot of people out there who can understand what is effective. The idea is which of those ideas can be scaled, and how it can be done in a way that will work for the government, or for groups that can find the way to support it. I don't have the details on that particular program. I'd be happy to send them to you.

Mr. LaVar Payne: Thank you.

The comments of my colleague Mr. Easter... I don't see the government stepping away totally from providing funding. I see the government working with organizations to improve processes so we see much better results right across the country, whether it's in social housing, to help the youth, or stop recriminalizing individuals so they can get involved in the community, get involved in some work, and make a better life for themselves and for their communities.

The Chair: Your time has expired, so we'll have a chance to respond in other rounds of questioning if that occurs, Mr. Broderick and Mr. Tansey.

We will now go to Mr. Rousseau for the final two minutes of our first hour.

• (1630)

Mr. Jean Rousseau (Compton—Stanstead, NDP): Thank you very much, Mr. Chair.

[*Translation*]

My question is for both witnesses.

Do the models that are currently being tested throughout the world, as well as yours, in British Columbia, provide sufficient positive results in terms of returns for investors, and the prevention of crime and social change, to justify setting up this type of partnership throughout Canada?

Mr. Broderick, could you answer first?

[*English*]

Mr. Andy Broderick: There has been success in sectors other than prisons that point to the fact that this kind of financing can allow innovation to take place in ways that straight government funding is more difficult. Based on my experience in British Columbia, there is justification for the federal government to investigate a number of pilot projects, a number of test investments, to bring change to the prison approach.

Mr. Jean Rousseau: Thank you.

Mr. Tansey, I have the same question for you.

Prof. James Tansey: I would agree there's sufficient experience to proceed with the next level of experimentation. From the private sector's perspective, one of the things that causes challenges for great small companies that start up with a great idea and have a successful business model is that they grow too fast. Again, I would caution that the growth from strong prototypes and experiments to a national program also needs to be approached cautiously. We have time with a social issue like this to grow patiently and learn from the expansion to other jurisdictions, and grow well, not seek to turn this ship around in two or three years, but recognize it's probably a 10- to 15-year reform process to be able to fundamentally change the overall system.

The Chair: That's fine. Thank you very much, Mr. Rousseau. Your time is up.

We have now finished our first hour of hearings. At this time, the chair, on behalf of the entire committee, would certainly like to express our gratitude directly to our witnesses for taking time to share their experiences and obviously their knowledge on this issue.

Gentlemen, we hope you've had a pleasant experience. I know all my colleagues have been very courteous and respectful, so thank you very kindly.

We will now suspend while we change witnesses.

• (1630)

_____ (Pause) _____

• (1635)

The Chair: Okay, colleagues, we will resume for the second hour of committee.

We have with us, Mr. Gordon Hogg, a member of the Legislative Assembly of British Columbia, from Surrey-White Rock.

Welcome, sir, to our federal committee. Obviously, you would be familiar with committee structure and procedure. You have up to 10 minutes to make a statement, sir, and then we will open the floor to our members for questions.

Mr. Gordon Hogg (Member of the Legislative Assembly of British Columbia, Surrey-White Rock, As an Individual): Thank you, Chair, and thank you, members of the committee.

I hope to provide a little bit of context for social innovation, my experience with it, and my vantage points, a bit about the B.C. experience, and then some ideas that may evolve from that. We've been working on it in B.C. since back in the days of public-private partnerships in the early 2000s. At the time, we were looking at infrastructure development. I was searching for ways that we might be able to impact the delivery of social programs and the delivery of correctional programs.

In 2010 a privately prepared report, called "Mobilizing Private Capital for Public Good", was released. I had the chance to read it prior to its release. Our finance minister of the day went to a federal-provincial-territorial meeting and came back with a copy of it. Minister Flaherty had given a copy to every finance minister in Canada and said that this was the future of the delivery of social programs, and we had to look at that in services. That issue brought it more into prominence in British Columbia, I think, despite having worked at it for some time.

Policy issues today are even more complex, more horizontal in many ways, and more intractable than ever before. In today's global information economy, every issue facing Canada has an international dimension, as well as a federal, provincial, municipal, local, and aboriginal perspective. On every issue, concerned citizens have a voice. There are many more players in the policy field today than in previous years. This is a good thing. "Governments must be receptive to ideas and inputs from many sources" is a quotation from the 2012 report of the Prime Minister's advisory committee on public service. I think it reflects both the new complexities and the new opportunities that we face as a result of dramatic societal shifts, shifts socially, economically, technologically, and environmentally. Boundaries are blurring. Cooperation, coordination, and collaboration are now keywords in policy development.

From my personal perspective, I have listened to some of your proceedings. You have received testimony from a wide range of experts involved in social innovation and social impact bonds, and there have been some common themes. You have clarified issues with your questions. While you seem to have slightly different perspectives from different members of your committee, you are all searching for ideas and new approaches, as we did in B.C. and continue to do in B.C.

My interest in public policy as it applies to crime reduction comes from working as a youth probation officer in the streets of Surrey, riding with the RCMP in a floater car that was called to all the youth gang and domestic violence issues. I was the one who went out in the car to respond to those issues. It comes from being a board member of some 15 non-profit societies and service providers. It comes from being a foster parent with some five adolescents, some who had significant conflicts with the law. It comes from being a warden at B.C.'s largest youth custody jail for over 10 years, and

talking to thousands of youths who were in custody, who were repeat offenders, and who in too many cases were going on to adult prisons.

Through most of this time, for 35 years, I also worked on crime reduction as a city councillor, as a mayor for 10 years, as an MLA, and as a minister in three different ministries, including as Minister of Children and Family Development. I tried to learn other practices and theories while working through that process.

I think my experience in policy development at the provincial level, and I think perhaps it also applies to the federal level, is that we as politicians never get close enough to an issue to understand and experience it viscerally and emotively or far enough away from it to see the patterns that start to exist there. I've worked hard at trying to get to both ends of that continuum. I'm currently finishing off my doctorate at Simon Fraser University, looking at the issue of public policy and how we can look at public policy as a motivator for a subjective sense of well-being, how we can manage that.

We have all faced new challenges, economic downturns, fewer resources, and we have reached for new approaches to old problems. We have historically relied on governments and foundations to solve our problems. I think it's time we engaged citizens and communities in looking at some of those solutions.

• (1640)

In 2002, public-private partnerships, as I mentioned, gained prominence in B.C., and we formed Partnerships BC to shift some of our risk on infrastructure development to the private sector. We searched for ways to leverage dollars for social health and education programs to help address some of our growing social problems in new ways, and we certainly had challenges in that.

In 2005 our throne speech talked about social innovation. We didn't get very far with it as a result of our good intentions. In 2010 I was appointed the Parliamentary Secretary for Social Innovation. I have just provided a copy of that report to the clerk with the 11 recommendations that are contained therein.

Cooperation, coordination and collaboration, and transparency became the useful principles in terms of looking at that, and as we've been working on it, we've tried to use those principles in our legislature as well.

I was invited on two occasions to brief the NDP caucus on the issues of social innovation.

I had meetings with the president of the B.C. Government and Service Employees' Union looking at it. I noted that the federal union president said there are 10 reasons to oppose social impact bonds. I've looked at those, and I respectfully disagree with a number of his assumptions or presumptions in that.

We have looked at crowdsourcing. We implemented something we call BC Ideas. This was to ensure that we are actually looking at things across the province, and looking at small communities and the ability of small communities to respond to and take advantage of the opportunities that exist in social innovation, social enterprise, and social impact bonds.

We had over 400 entries in our BC Ideas. We have references to what those look like and how we've been able to respond to those on some of the issues in small communities. We had donations of funding that allowed us to allow those ideas from small communities on their social issues and how they might take those to scale, how they might have those funded. We have had, through the Ashoka model, international experts who came in and helped local communities to look at and respond to the types of things they might do.

Certainly, social impact bonds, social innovation, is moving very quickly. The U.S. Senate has just held hearings on social innovation, particularly on social impact bonds. A number of states are looking at the models around that. I was asked to present at the Canadian Congress on Criminal Justice, a biennial event hosted by the Canadian Criminal Justice Association, last November on social impact bonds, and did so. I invited two people who appeared before you with respect to that. One was from MDRC Rikers Island. That person and Shawn Tupper came to present some of that with me.

We've also held our first aboriginal conference on social innovation, or actually the aboriginal community held that and I was invited to speak, and look at and manage that.

The process that we followed was we established the BC Social Innovation Council in January 2011. The Speech from the Throne in October committed us to holding a summit on social innovation. We released a report entitled "Together: Respecting our Future". British Columbia held its summit in November 2011. We had three premiers present at that and were able to have a number of discussions with them. Our premier, Premier Clark, sent a letter to all premiers of Canada to promote social innovation nationally, and British Columbia introduced legislation to create community contribution companies.

The models in British Columbia and in most provinces in Canada are the non-profit model and the business model, the corporate model. We created something in the middle, loosely modelled after the British model of community interest corporations, and we think we've improved on that.

A community contribution company is somewhere between those two. You can sell shares in a community contribution company. You can do business and you can own businesses, which non-profits cannot. You can distribute, in our model, 30% of any annual profits you have to shareholders, and if it is dissolve, all the assets go to the social purpose with respect to that.

We are currently working on our venture capital act. Most governments use venture capital acts to have a flow-through tax credit to encourage investment in various sectors that they see as being important. We've primarily used it in both mining and high tech. We believe there is an opportunity to use the venture capital act for a flow-through tax credit.

We use a 30% flow-through tax credit. We think there's an opportunity to use that for looking at health, social, environmental, and educational types of programs.

I've been working with a group of parents of autistic children, who are very interested in taking some more responsibility for the development of the services for their children. They see creating a community contribution company as potentially a way to do that. If they were able to get the flow-through tax credit...for instance, if you put \$1,000 into that, you would immediately get a cheque back from government for one-third of that. That is the process.

• (1645)

Our province puts about \$32 million to \$33 million a year into the venture capital act, and it has traditionally been under-subscribed.

As I mentioned, the Innovation Council presented their action—

The Chair: Mr. Hogg, could you wrap up? You're going a little over your time.

Mr. Gordon Hogg: Okay. I was getting wound up there.

The Chair: There will be plenty of time for questioning, but we are in the presentation environment and your time is pretty important.

Mr. Gordon Hogg: And I timed myself before. Okay. I'm happy to wrap up, then, and as we say in our legislature—and I'm sure you say in yours—it's question period, not answer period, so I'll be able to respond as I so choose to questions provided.

Thank you, Chair.

The Chair: Thank you very much, Mr. Hogg. We appreciate that. We will start the seven-minute rounds.

Mr. Richards, please, for seven minutes.

Mr. Blake Richards (Wild Rose, CPC): We appreciate you being here today.

It's my understanding that you're a member of the government, obviously, as you're a Liberal MLA, but you mentioned that you had briefed the NDP caucus in B.C. on this on a couple of occasions. I was curious about that. Would that indicate to the committee that there is fairly broad support? Is it something that across party lines is considered a promising approach in British Columbia? Can you give us a bit more of a sense of that?

Mr. Gordon Hogg: Yes. I was government caucus chair when I took on that responsibility of meeting with them.

The caucus chair for the NDP government, Shane Simpson, was and continues to be a good friend. We were looking at different models for doing that. Among the principles of innovation are coordination, cooperation, and consultation. I wanted to apply that in the process in which we went forward with that. The president of the BCGEU, Darryl Walker, was also very interested. He happens to also be a friend of mine.

We were able to look at it, and they were very interested, both the union and the NDP. In fact, I briefed them as a group of caucus members on two occasions. I think I met individually with two or three other members of their caucus as well in answering their questions. They certainly looked at it. I think it's fair to say that they were pretty amenable to it as a direction for something they wanted to explore and be a part of as well.

Mr. Blake Richards: So it is in fact something that's considered a promising model across party lines, then, in British Columbia.

Mr. Gordon Hogg: I think that's fair.

Mr. Blake Richards: Okay.

I wanted to touch on some of what you've said there as well. I think part of what's promising and important in these models is the ability for communities to define what needs they see that must be addressed and to tailor some programming to the local needs.

You mentioned in your opening remarks that you were a former mayor as well. I think you have an interesting perspective here on that particular point, as both an MLA and a former mayor, in terms of the ability for communities to specifically tailor the programming to meet their needs locally.

I wonder if you could comment on the use of community collaboration in these models and how that might be beneficial for communities all across the country.

Mr. Gordon Hogg: I don't know whether we can borrow from the infrastructure models that have been used federally, provincially, and locally for decades in terms of the one-third sharing, but certainly for the local governments, and in my experience as a mayor, we were also very concerned about crime, crime reduction, and recidivism. As you are probably aware, the local government is much closer to the people than we tend to be. There were always a lot of comments with respect to that.

I think being able to engage the local community in a tripartite model, perhaps similar to the infrastructure model, is a workable model. I also think that what we did with what we called BC Ideas, which is the Ashoka model, is important.

At Ashoka, they've been involved in social innovation and crowdsourcing for over two decades. They're the real leaders in that. With the G-8 summit, I believe in Seoul, they were asked to look at using their Changemakers model to look at what might be the outcome. I believe one of the legacies of that was over a billion dollars to developing countries and children in poverty in developing countries. That came out of an Ashoka model. It's a well-experienced model and a well-accepted model, and I think that also adds to.... There are a lot of parts of our province that are unincorporated, and I think we also need to be able to make these opportunities available to them.

I'm not sure that I'm getting at exactly the answer you want, but certainly there is a role for all levels of government. There's also an important role for service providers and for financial....

When I created the Social Innovation Council, I put three chairs in charge of it, which was against my better judgment in terms of looking at organizational models. One chair was from service providers. One was from government. The third was from the business community. They provided that type of balance and ensured there was that type of equity as they went forward. I think that was an important balance to put in place to ensure that we actually were able to come to some type of agreement. Again, I think that reflects the conversations we've had with the opposition in Victoria as well.

• (1650)

Mr. Blake Richards: Okay, I appreciate that.

In your opening remarks you mentioned a task force that you were part of. I think you even chaired the task force, if I'm not mistaken. You looked at these models specifically with that task force. I'm wondering if you could indicate what changes you've seen and what has developed in the time since that report came out, in terms of this particular model in this field, and where you see it going from here.

Mr. Gordon Hogg: At that point British Columbia was leading Canada in a dramatic fashion. We had lots of interest in the reports we had done. I had previously been the minister for health promotion, and we developed a model called ActNow, which was developing policies in all areas. We created in that model an assistant deputy ministers' committee that reviewed the service plan of every ministry and ensured that, like the Ministry of Highways, it had to have something about health promotion as part of that model. That became the intersectoral breakdown, and the way we tried to break that down. We had to have the political will driving it, and then that type of model.

Since then we've seen five or six provinces now moving ahead with social impact bonds, looking at social innovation, wanting to move carefully into that. We have been working hard at balancing our budget in British Columbia, and the challenges that are associated with that. I think most governments don't want to fail. Our Treasury Board wants to make sure that we do something that is a success, that does happen. An innovation is not always about success. Some risks are inherent in that, that I think have to be followed through with.

The U.S. Senate just finished hearings on social impact bonds last month. A number of proposals were presented to them. I think the outcome was it seemed a bit airy-fairy, so we need to be able to get something that's concrete to work at and to manage. I think that's one of the goals we have to look at and find more concrete ways to present that.

I have given your clerk a copy of the action plans we have, as well as a proposal that came to us. We had representatives of the BC Association of Aboriginal Friendship Centres on our task force. They have developed a proposal for a social impact bond. They've developed a business case for connecting indigenous elders and families to reduce neglect and the costs of placing children in foster care. It is, I think, an interesting proposal, and one that their initial analysis says would help reduce the number of children coming into care.

• (1655)

The Chair: Thank you very much, Mr. Hogg.

Thank you, Mr. Richards.

Of course, when they're presented and translated, they certainly will be available to the committee.

Mr. Garrison, you have seven minutes, sir.

Mr. Randall Garrison: Thank you very much, Mr. Chair.

I want to start with a reflection on something that came up at the end of the testimony of the last two witnesses.

We're looking at social impact bonds. I think we need to make clear we're not looking at the record of our rehabilitation programs. Many of the statements that have been made presume things about our rehabilitation record that are not true, in particular, things about the rates of those who've been through the programming. Canada traditionally has had very successful rehabilitation programming. The problem is people who don't get it. Also there's the assumption that there's been no innovation in Corrections Canada. In fact, Corrections Canada is known around the world for being very innovative in its corrections. We're not looking at that, so I think we have to keep that in mind.

The second thing, Mr. Hogg, is I have no objection to your being here as an individual, nor do I question your good intentions, but I find your appearing here as an individual a problem for our side. I think your answer to Mr. Richards illustrates why it's a problem.

I think any questions I would ask of you would inevitably lead to the topic of public funding by your government for crime prevention, rehabilitation, and social programs. You just mentioned that the B.C. friendship centres, which have lost all their public

funding, are now looking at a social impact bond. I think the appropriate place for those questions is the B.C. legislature and not here.

As a courtesy from one elected member in a federal Parliament to a provincial member, we're going to choose not to ask any questions today.

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

We will now go to Mr. Maguire, for seven minutes, please.

Mr. Larry Maguire (Brandon—Souris, CPC): Thank you, Mr. Chairman.

Thank you, Mr. Hogg, for being here today. You bring a world of experience. That's obvious by the introduction that you had. I want to commend you on working toward a doctorate in these areas.

You mentioned that you had 11 recommendations in a report you presented, and I commend you for the work on that as well. With that experience, can you outline for us maybe the top two or three recommendations out of that report that you feel are important issues, that we could be using here federally, rather than going into them all at this particular point. In spite of what was just said, I know there's a lot of experience there and a lot of ideas that we could be using here. That's why we're holding these meetings: to try to get more information so we can implement a much better system across the country. As you indicated, B.C. is a leader in this area in some cases. I wonder if you could expand on that.

Mr. Gordon Hogg: Certainly.

First, I think one thing that has been referenced already is looking at the CRA rules for charities and support for social enterprise within those, so removing some of the restrictions that the Canadian charities have that prevent them from realizing the full creative entrepreneurial potential they might otherwise have. That is partially why we created the community contribution companies that I mentioned earlier. They are able to actually buy businesses that may assist or support them in doing that. Being able to harmonize that across the country would be a significant benefit to being able to leverage different types of opportunities into the charities and non-profits for the delivery of service and service providers. I think that is one of the more important ones.

Included in that is certainly ensuring that the different types of opportunities for training for small and medium enterprises across the country are also made available to non-profits and to the charities that are actually looking at providing that or entering into that space.

Also, I've been frustrated over the years of my working within the social science field, working primarily in corrections and the work they've done there, and seeing what happened in particular with one of our foster children as she moved on, the challenges she went through. I think it's time for us to actually do something. It's time.

This is the first new space that has come along, in my experience, that looks as though it has some promise. I think we have to take some chances and actually move into that space and see what promise it does have, see what potential it does have. Give us an opportunity to help some of those people who may have a chance to do that, particularly when we have organizations such as the BC Association of Aboriginal Friendship Centres that are very anxious to look at that and do it.

Those would probably be the three areas for which I would say let's not wait until we know for sure that this is ironclad, because we'll be way behind the curve if we wait too long.

I think we have some of the best social innovators, and across our country we have some of the best programs that exist in Canada and in the world. We should give them the opportunity to do that, for instance, perhaps by issuing a requisition for proposals for a social impact bond so that you can reach out to all of those innovators and people who have ideas for programs across our country, people who will come forward, I'm sure, with a wonderful group of ideas they would be interested in putting forward to you.

• (1700)

Mr. Larry Maguire: Thank you.

I have a follow-up question. You touched on the creation of community contribution companies. You talked about the 30% flow-through and the tax credits and that sort of thing. With the provincial governments being responsible for the youth justice system in their areas, it would seem we have a lot of preventative measures that could be used. You've also experienced some of those personally in those areas.

Can you expand on the creation of those community ventures as well?

Mr. Gordon Hogg: First, with respect to our youth justice system, the last time I looked, in British Columbia we have per capita the lowest youth in custody in Canada. We have worked hard.

When I was the director of Burnaby youth custody centre, we could have over 200 youth in there at overcrowded times. We had that, and the Victoria Youth Custody Centre, which has just been closed, the Prince George Youth Custody Centre, and four camps, so our population could be 500 or more. Now it's well under 100.

I think that has occurred for a couple of reasons. Partially, that cohort of age group is down somewhat, but also, we've worked hard at developing restorative justice models and community-based alternatives for youth. We also recognize that there are some high-risk youth who need to be incarcerated and need to be held out of the public in doing that.

The model we've used has been helpful in terms of doing that. Crime rates for youth are down. Again, there are lots of reasons for that, and I don't want to draw a direct causal relationship, but I think there's a significant correlation in terms of the development of community-based programming that has occurred in British Columbia. It's starting to occur in a number of other jurisdictions across Canada as well.

Those are probably some of the more significant ways.

In terms of the community contribution companies and their ability to thrive, I think we really need to get our flow-through tax credit in place. We don't have that there yet. Our Minister of Finance has been looking at it. Originally, the ministers of finance I've been dealing with on it had been fearful that it would reduce income to our province. In fact, we have a cap of \$32 billion on that, and we can cap our percentage to community contribution companies at whatever level we choose, so I don't see that it presents an economic risk. Hopefully we're going to move forward with that in our fall session.

Mr. Larry Maguire: You mentioned the cap earlier, and I think that's an important part of it. That would limit the provincial risk, would it not?

Mr. Gordon Hogg: In terms of community contribution companies?

Mr. Larry Maguire: Yes.

Mr. Gordon Hogg: Certainly the level of exposure that taxpayers' dollars would go to would be limited through that. We now limit it at roughly \$32 million a year. Designating just a portion of that for community contribution companies would be the intent.

Mr. Larry Maguire: Which is not a cost; it's a good investment.

Mr. Gordon Hogg: That's right.

The Chair: Thank you very much, Mr. Maguire. Your seven minutes are up.

Mr. Andrews, please, for seven minutes.

Mr. Scott Andrews (Avalon, Lib.): I'd like to continue on with a little bit of discussion about the flow-through tax credit. You mentioned in your closing remarks that there wasn't a lot of take-up in the flow-through tax credit. Could you explain what you mean by no take-up? Do you have any statistics to say why it's working, why it isn't working, or why there isn't some take-up in that?

Mr. Gordon Hogg: The flow-through tax credit is now only available to, primarily, mining associations, the mining industry, development, and high tech. With fluctuations in the economy, there has been less take-up in that. The last time I looked at it, last year, I think we were maybe a couple of million dollars short of full exposure to that. A number of conditions go with that as well; I think that may well be the reason. I don't have any statistics beyond that.

I have lots of information on flow-through tax credits and the proposals that a number of people—people who are far better informed than I am with respect to that—have made to both our Social Innovation Council and our Minister of Finance. We have some interest in being able to pursue that further, and hopefully we'll get there. We believe that will really augment the types of programs I've talked about, such as the parents who are wanting to deal with autistic children. Broadly, I think, the notion that....

Perhaps I'm getting a little further away from your question.

•(1705)

Mr. Scott Andrews: Actually, I'm glad you brought up the autistic group. Perhaps you could elaborate a little on that, as I think you were going to, and tell us how the families have taken up on this. How has the autism society, for instance, been able to take advantage?

Mr. Gordon Hogg: This group of parents of autistic children tends to be rather well off. They said, "We want to be able to run some programs for our youth specifically, and we've looked at this as a model." They talked about forming a society or community contribution company.

They see this as a way of taking responsibility in terms of being able to deal with and work with their children. We've operated from the belief that parents of special-needs children are the best at making decisions around them as long as they fit within best practices models. We've been working with them to do that.

When I was the Minister of Children and Family Development, we created CLBC, Community Living B.C., which was to move at arm's length from government so they could actually be more flexible. This was an idea that came to me from a number of parents of developmentally disabled children. They really wanted to have the flexibility to be able to invest in the marketplace, to have the marketplace come to them. So we created an arm's-length board that is now responsible. They're wholly funded by the state, but they're also going out and trying to use entrepreneurial skills in terms of doing that.

We're finding that those organizations that have greater flexibility and are closer to the issues have a better ability to respond quickly, and with less overhead, to the issues they are dealing with. I suspect that the parents of autistic children, for example, will have an overhead that's negligible, if anything, whereas the state's overhead can be up to 14%. Many of the non-profit societies we go to have.... With some of them, we really push down in terms of contracts, but the range can be from 7% to 14% in terms of doing this.

Government's overhead can be significantly larger than that in terms of the delivery of models. It's questionable as to whether we're doing better. In fact, in some instances I think we've spent far more money and we haven't changed the needle at all. That's why I'm so optimistic and believe that we should be trying something new and different. These are, again, the first ideas that have come into this space that give us an opportunity to look at things from a new perspective.

Mr. Scott Andrews: You talked about crime prevention. A lot of different groups out there deal with crime prevention and in partnership with law enforcement. How do you see social finance working in conjunction, in partnership, with these community groups out there in crime prevention and their partnership with law enforcement?

Mr. Gordon Hogg: Let me give you an example. When I was director of the youth detention centre, I found out that about 92% of the offences being committed by youths who were coming into custody were happening late at night. We had an NBA team in town in those days, so I went to them. I received federal funding and provincial funding to start a program that I called Night Hoops. The program went on late at night on Fridays and Saturdays. To get into

it, you had to be referred by a police officer, a probation officer, a social worker, or a school counsellor. That was the only test. Most of these players had never been on a team.

The Grizzlies gave us 30 season's tickets, which we used as an incentive for these kids. My favourite story is the one where one of the kids came to me and said, "I need two tickets, Gord." I knew he already had two, but he told me, "I want to take the police officer who arrested me and his wife to see the Grizzlies." It was neat to see the dynamic shift with respect to that.

If I'd been way smarter in those days, I'd have done some random sampling. I'd have taken half of the kids who were referred to us and put them into Night Hoops, and the other half I would have just tracked. But I wasn't that smart in those days. Anecdotally, when a child comes into custody, it can cost us \$130,000 a year for just the custody portion. Then there's court and all of those things. If, through the program, we had stopped just two of them from that, we would have more than paid for the program. But I can now only report to it anecdotally, because I didn't do what I should have done if I'd had better rigour and insight at that point in time.

That's an example of what happens, and of what I think can happen, in terms of prevention. The proposal from the BC Association of Aboriginal Friendship Centres has the same model idea in place, only they are looking at children coming into the care of the state and the significant challenges there. We have about 9,200 kids in the care of the state. Over half of them are first nations. They are the fast-growing cohort of youth in our province and I think across Canada as well. There are significant issues with respect to them and their overrepresentation, as you're well aware, in our institutions provincially and federally. I think this is also an opportunity to start looking at some of the issues around that.

•(1710)

Mr. Scott Andrews: Thank you.

The Chair: Thank you very much, Mr. Andrews.

Now we'll go to Mr. Payne, please, for five minutes.

Mr. LaVar Payne: Thank you, Chair.

Thank you, Mr. Hogg, for coming.

This is very intriguing stuff that you folks are looking at in B.C. I want to touch on a couple of things.

First of all, you talked about your community interest corporation. Is that in actual fact set up now?

Mr. Gordon Hogg: It's a community contribution company. A community interest corporation is the English model. They have close to 5,000 in that.

So yes, we have passed the legislation. We've given it royal assent and it is in place. We don't have the flow-through tax credit yet.

Mr. LaVar Payne: In terms of the model that you now have in place, would you require a separate business for each application, as you have for the aboriginal friendship centres? Or does that fall under that particular model?

Mr. Gordon Hogg: The community contribution company is basically.... If you have a non-profit society that's providing services and you want to incorporate your service provider as a non-profit society, you can do that. Under our model you can also choose to incorporate as a community contribution company. You have two choices. With the non-profit side, you get a tax credit, or you get a tax writeoff if you invest in it and make a donation to a non-profit site. That does not happen with a community contribution company. It's intended to blend some of the business model with the service provider model, in that fashion.

How do we start using some of the principles of business that have made us successful in a lot of ways as a society, technologically, and in creating wealth? How do we use some of these principles in those organizations that have been really good at providing social programs, and balancing that? I keep asking myself, how do we take care of each other in this society? What are the things we do to take care of each other? What's the principle behind that? What am I doing to help take care of the people I work with?

Business has a wonderful way of providing money for a number of other social programs. What are the things societies can do in terms of that? What are the things we can all do in creating legislation or creating opportunity for those people who seem to have some significant challenges?

If I can just be a little bit tangential, not that I haven't been already, some of the studies being done now.... Clyde Hertzman and Fraser Mustard developed the early childhood educational development index in B.C., which has now gone international. They were looking at how prepared children at four and five were to enter school. The disparity across the province of British Columbia was incredible in terms of their preparedness.

Clyde, unfortunately, passed away in the last year, but he came to me once and said, "Gord, if you guys can spend only \$1.5 billion a year, we can reduce all the future costs. Things will be way better." I said, "That's great, Clyde. Can you prove that?" He said, "Absolutely." I said, "Can you prove that to the benefit of those people who'd like to invest in it?" It became a little bit more difficult.

As I was saying, if you want to try to do that.... We don't have the money to do it, but if you're able to show us that and we can pay at the end of it, then that's great.

There's also the CRACOW instrument, which is now being developed by a number of criminologists. They're looking at four different cohorts. They're looking at the impact of being able to predict who is going to become a burden to society in one way or another. They're looking at the first cohort as conception, the whole prenatal period to birth. Then it's birth to five, five to twelve, and twelve to eighteen. They're looking at a number of variables within that.

In the last conversation I had with one of the lead authors of that, he said that they can predict with up to 90% predictability those

people who will be needing a number of government services. They're able to predict that by age five.

If we're looking at macro interventions in terms of providing opportunities for some of these people to actually flourish, to have an opportunity like so many of the rest of us have had, then that seems to be a good place to be putting some of our investments over the long term.

Mr. LaVar Payne: Yes. I also find that you can sell shares in these things.

Mr. Gordon Hogg: That's right. Sorry, I wandered off. I'm ADD.

Mr. LaVar Payne: Dividends: you can give, what was it, 30% in dividends?

Mr. Gordon Hogg: Yes. That's under our orders in council, the regulations, we have allowed them to pay up to 30%. Yes.

Mr. LaVar Payne: That's quite amazing.

Another important piece is that if the unit winds up, then would whatever funds are left go back to the organization that was requiring the services?

● (1715)

Mr. Gordon Hogg: Yes. Whatever their incorporation as a community contribution, whatever their social good was, any of their assets will be required to go back to that social good. Our registrar of companies will make a determination as to how that will happen and where it will go.

The Chair: Thank you, Mr. Payne.

Mr. LaVar Payne: I had one really important question.

The Chair: You might have another opportunity, but right now we are going to Mr. Norlock.

Mr. Rick Norlock: Thank you for coming today.

I keep going on the same theme. In our society I believe in innovation. I love incubators, because that's been the success story in many businesses.

I guess some of my questions.... I think I know the answers. If you could be succinct, we'll let you sink your teeth into something different.

Would I be correct in saying that you believe people should judge government's commitment to any program on how successful they are at addressing the program goals rather than by the amount of money they throw at it or percentage of increase?

Mr. Gordon Hogg: I think governments should be judged on impact. We've used outcome and goals as measures.

I just spent some time with Jonathan Lewis, who is a wonderful social innovator out of the States, and he funded a number of social ventures that allowed wells to be drilled in, I think, Kenya. They wanted these three wells drilled, and they did that. He said that was the outcome. They got their three wells, but they didn't understand the cultural nuances of that community and nobody used them. The impact would have been getting water to people, but when you put a contract together, they wanted the three wells, and they assumed that part of it.

I think that impact is the important measurement in that, and I think impact is important. Tied into that, I think the last poll I saw said that 70% of Canadians don't believe that we, as elected representatives, understand the issues that are most important to them. That I think has grown about 11% in the last five years. I think these innovations and these collaborative, coordinated, cooperative ventures with the community, with the business community, show us another way of being able to develop that relationship.

The Treasury Board in the United Kingdom ran a policy development model around some of that stuff. I think they found at the end that a small percentage didn't like it because they didn't get the outcome they wanted. The majority of people said they didn't know exactly what they wanted, but they understood why government did what they did. They understood how government worked in that sense. I think that was an important venture in that respect.

I have a submission that I've given to our chief of staff in Victoria, and I'd be happy to share some of that stuff with you as well at some point.

Mr. Rick Norlock: Thank you very much.

I understand how impacts go. As an anecdotal aside, My Rotary Club partnered with a Rotary Club from Texas to help an indigenous group in Mexico, and it had a similar outcome. They drilled wells, but were using the wrong kinds of seeds. When we worked with the University of Mexico, we found that by using traditional seeds, we increased productivity. Some indigenous people there became nurses. Infant mortality went down, and their quality of life improved. I understand the difference in giving somebody something, and the impact....

As naive as it may sound, would I be correct in saying, knowing that this is in its infancy, if this current government, using the same amount of the money they have available for crime prevention, were to channel a portion of that to innovate, whether it be social impact bonds or social financing—in that sphere or in that range of things, it doesn't matter what type of program—would you recommend that we do that? Would you have some suggestions as to what organizations currently existing in Canada might help shepherd that through the maze of financial institutions? Some of them we may want to be wary of, I don't know, but I'm just throwing that out to you for some suggestions.

• (1720)

The Chair: Please give a brief response.

Mr. Gordon Hogg: First, yes, I would recommend that you look at being able to redirect some of your funds toward social impact bonds, social innovation. One of the ways to do that would be to look at having the colla-petition model, the BC Ideas model that we

had, a request for proposals. There are lots of people out there. In Ontario you have MaRS, which has a lot of expertise in being able to look at that. We have some experts in British Columbia on the financial side, who look at layered financing and all kinds of models that are much more complex than I could ever grasp.

The Chair: That's fine.

Thank you very much, Mr. Norlock.

Now we'll go to Ms. James, please.

Ms. Roxanne James: Thank you for coming to committee today.

This is going back to your opening remarks. You talked about why you, as the B.C. government, were moving into social finance and looking at it with regard to infrastructure development. You talked about mobilizing private capital for public good.

We've had a number of witnesses talk about the wide array of the public sector, corporations, community organizations, and so forth that are willing to do just that: do public good, and invest capital to make a difference in their communities. From your experience in B. C., have you also seen that to be the case, that there is widespread interest in this area from investors?

Mr. Gordon Hogg: Yes, there has been.

I've met with a number of stockbrokers who have an interest in this. Of course, one can always question the motivation with respect to the financial institutions, as some people have already. My experience has been that they are indeed interested in looking at having some social impact. They have a social conscience around that.

Ms. Roxanne James: Is it because they have a personal vested interest in that particular community or that issue, or is it that they're looking for somewhere to get a return on investment?

Mr. Gordon Hogg: I don't know the answer in terms of that judgment, but if it is controlled, I don't much care which one it is. If there is a social good that comes out of it and it is managed in terms of the quality and the amount of return, then if there is a benefit that comes to society, I'm all for that.

Ms. Roxanne James: You referenced the B.C. approach and doing a request for proposals. There has been some concern on this committee that under-represented areas, or areas where there may not be large corporations or organizations that have the capital to invest, might be left behind.

Is it true that a government, when they do their requests for proposals, can specify areas where proposals should be directed so there is some direction from the government as to where social finance models should be applied? Is that correct?

Mr. Gordon Hogg: Absolutely. Governments can put in whatever conditions they want.

With our BC Ideas, that was a concern that I had. But we had some proposals from Skidegate and Haida Gwaii, so there was some uptake and interest in very small communities around that.

Ms. Roxanne James: It might have been in your opening remarks or maybe in answer to another question, that you mentioned there are five or six other provinces that have either looked into social impact bonds or have started to implement some of these through their programming.

Do you know offhand which provinces they are, and are they as far along...? It seems that B.C. has done a lot of work on this and has some solid success stories to talk about. Do you know which other provinces have also gone in this direction and would also have success stories to share?

Mr. Gordon Hogg: Alberta has recently announced a fund that they're going to put into social innovation and social impact bonds. There is Saskatchewan, I believe. Ontario, through MaRS, is actively moving forward. I believe that New Brunswick and Nova Scotia have done some work on it as well, and the Premier of Manitoba was present at our innovation summit.

I think all of them are at different levels. Some of them have made financial commitments to move forward. In some ways they haven't done as much background work as we have in British Columbia, but they're prepared to say that they know enough of what's going on that they want to try something.

Ms. Roxanne James: From your experiences as warden and your experiences in government, do you feel that social finance, whether it be pay for performance, social impact bonds, or maybe an assortment of all, could be directed and focused on crime prevention measures to reduce recidivism and so on, or do you feel that social finance should be used for other things?

Mr. Gordon Hogg: I think social finance has enormous potential across the spectrum. As some of your previous witnesses have said, if it's a social impact bond specifically, we already have all of the measurements in place to judge that. Our judicial system can make those judgments, so you save a lot of the challenges that go with that.

We have the same type of system in place to challenge us with child welfare, with children coming into the care of the state. We have lots of opportunities on that.

I think Finance for Good talked about 10% of the patient capital that exists in foundations across our country. If they were to put 10% into social financing, that would represent about \$34 billion across our country. Using that amount of money would certainly leverage a lot of social change. It would be a balance where, again, government is not necessarily always the service provider, but has responsibility with respect to the quality that comes out of that partnership.

• (1725)

Ms. Roxanne James: Thank you.

You referenced your report with the 11 recommendations, which we won't have a copy of until it has been fully translated. The question is, if you were going to say one thing to this committee or to the Government of Canada, what steps should we take next to perhaps deploy a project in one focused area? What do you think the next steps should be for this government?

The Chair: Briefly.

Mr. Gordon Hogg: Briefly, I mentioned the changes to the legislation of the CRA. I think that's an important enabler.

I also think you should venture into a social impact bond in different parts of the country, looking at small communities, targeted as you said, at aboriginal communities, and again, using them to help develop it.

I don't think we can come out from government and say, "Aren't we wonderful. Here's what we're providing." It has to be an iterative process that allows that to happen, which is why I like the proposal from the BC Association of Aboriginal Friendship Centres. They have worked hard at putting together a model that they want to try. I think we should be enabling them to try that.

The Chair: Thank you very much.

Mr. Richards, please, for four minutes.

Mr. Blake Richards: As much as I think what you have just said provided a fine wrap-up and was certainly one of the questions I wanted to ask as well, given that we do have a few minutes left, I would like to explore some more.

You obviously have a lot of knowledge and a lot of experience from your time as a warden, as a mayor, and as an MLA in the B.C. government. I know you have had an opportunity over the course of this most of an hour we've had to share with us a lot of that experience and knowledge.

Certainly, there are a number of projects you indicated have been undertaken, and I know you haven't had a chance to fully explain some of those.

I have one other question I wouldn't mind asking, but what I might want to do is give you some time now if there's a particular project you're particularly proud of you would like to share with us as to how it all came together, and the results, and then bring back to us how that would be applicable to us. In response to the question you just answered about moving forward with the next steps for us, could you discuss how that might be something we can learn from and that could be applicable to where we would want to head if we were looking to move towards this model of social financing?

Mr. Gordon Hogg: I think the long-term future is, as I mentioned, the CRACOW and Clyde Hertzman's work. I think that provides enormous potential for us in the future, and as an opportunity I don't think that's a place I would go next. That's too complex, too large, and too difficult to work with.

I think in anything you choose to move into, again, it's going to be dependent upon how you choose to do that. The reasons I think we've had successes are, first, political will. I think our public service has been innovative, but there's some inertia in terms of being able to do that. The fact that we had political will and we publicly announced the things we wanted to do really seemed to empower our public service.

That happened when we did our ActNow initiatives. I was invited to speak on our ActNow initiatives at the World Health Organization in Bahrain. They came back and studied it and said it's a best practices model. One of the reasons it's a best practices model for the world was the political will that was driving it, and the integrated model of our ADM committee that went across all ministries to ensure there was that quantum that existed within that.

Without being too redundant, I think the area I would go to would be the issue of the social impact bond with the aboriginal people, because they have done so much work in that. As I mentioned earlier, I would also look at a request for proposals.

In many ways British Columbia is ahead not because of elected representatives, but because of the service providers. They have been really good at engaging us and giving us ideas and moving us ahead. I give full credit to the service providers, and to the parents, and to the people who said, "We're frustrated. We need to look at some new ways of doing things."

In many ways we're just trying to get caught up with parents and people who say there are a whole bunch of new ways, and let's not just put another million dollars into this program when we're not getting the impact, when things aren't getting better.

The aboriginal people have really clear statistics about how things aren't getting better for them despite billions of dollars the federal government has put into things. We just have to look at new ways of doing it, and if we can enter into partnerships with them, I think we have a good chance to have success and effect change.

• (1730)

The Chair: Thank you very much, Mr. Richards.

Mr. Blake Richards: Do I have time for one more quick question?

The Chair: We're over the time now.

What the chair would like to do on behalf of all of the committee is certainly thank the witness for coming here today. We've been in a number of provincial legislatures to witness some of the happenings. I've never been to B.C. At some particular point that might be an opportunity for us to explore.

Thank you very much for coming here today.

We will now adjourn.

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