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

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**EVIDENCE**

**Tuesday, March 31, 2015**

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**Chair**

**Mr. Phil McColeman**



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

Tuesday, March 31, 2015

• (1530)

[English]

**The Chair (Mr. Phil McColeman (Brant, CPC)):** Good afternoon, ladies and gentlemen, and welcome.

This is meeting 50 of the Standing Committee on Human Resources, Skills and Social Development and the Status of Persons with Disabilities. We are here to continue our study exploring the potential of social finance in Canada.

Joining us for our first hour, we have from the National Association of Friendship Centres, Mr. Jeffrey Cyr, the executive director. Welcome back to the committee, Mr. Cyr. With Mr. Cyr is Mr. Yancy Craig.

Joining us from the Canadian Parks and Wilderness Society, we have Mr. Éric Hébert-Daly, the national executive director.

Joining us by way of video conference from Vancouver, we have Mr. Evan Saugstad, the chair of the Northern Development Initiative Trust. Welcome, sir.

As you know, each of your organizations has up to 10 minutes for a presentation. I'll give you a signal when you have one minute left as you extend towards the 10 minutes, and then we'll move on to questioning.

Why don't we start with the National Association of Friendship Centres.

Mr. Cyr.

**Mr. Jeffrey Cyr (Executive Director, National Association of Friendship Centres):** Mr. Chair and distinguished members of the Standing Committee on Human Resources, Skills and Social Development and the Status of Persons with Disabilities, it's always an honour and a privilege to be here and to appear before you. Thank you for the opportunity to share with you on exploring the potential of social finance in Canada.

I wish to acknowledge the Algonquin Nation upon whose traditional territory we're meeting today.

As you know, my name is Jeffrey Cyr. I'm a Métis from Manitoba and I'm the executive director of the National Association of Friendship Centres.

Let's jump into social finance, which I see as part of a suite of mechanisms and structures required to facilitate social innovation.

Of course social innovation is, at heart, about catalyzing and creating systems change.

For us, one thing is clear. The complexity of the problems around us, most acutely in the lives of urban indigenous people in this country, will not be solved by traditional ways of acting. The systems of today, frankly, are not built to handle the problems of today. As such, I'd like to share a few things with you.

First, I'll give you a very brief overview, because I know you're familiar with the friendship centre movement in Canada and the urban aboriginal population. Second, I'd like to share with you some examples of social innovation and social finance initiatives from across the friendship centre movement. Finally, I'd like to share my perspectives on how the Government of Canada can support social innovation and social finance opportunities for aboriginal people living in urban environments in Canada. Of course, time permitting, I'll do my best to answer any questions.

Let's begin with some facts. As we know, 75% of Canada's aboriginal people live off reserve. Nearly 60% of those live in urban areas. In some provinces, such as Ontario, it's the better part of 84%. Further, the aboriginal population is growing at a faster rate than that of any other population in Canada. This means there are approximately 840,000 aboriginal people living in cities.

The Canadian aboriginal population is young, with approximately 50% under the age of 24. This presents a tremendous opportunity for Canada's future social, cultural, and economic development. However, as you have heard from previous presentations, which I've taken the time to read through, some aboriginal youth live in challenging social and economic circumstances. Ensuring that aboriginal youth have a brighter, healthier, and more productive future requires creative solutions. This committee has heard about the reach, scope, depth, and strength of the friendship centre network in previous presentations. Today I'd like to share with you how this network can be leveraged to ensure that partnership-driven social finance and social enterprise initiatives lead to real and meaningful improvements for urban aboriginal people.

In partnership with the Government of Canada, the National Association of Friendship Centres is now administering the delivery of \$43 million in programs and services under the realigned urban aboriginal strategy. This funding has assisted friendship centres and other urban aboriginal service delivery organizations to not only increase services but also, and most importantly, build and expand partnerships. With a range of partners, including all levels of government, the non-profit organizations, the private sector, and the charitable and philanthropic sectors are mobilizing to support aboriginal people living in urban centres to participate more fully in Canada's economy.

Something happened in the transition of this program to friendship centres last year, and it came in the care and design of that program: innovations and partnerships have flourished. Through our very pointed structuring of the urban partnerships portion of this program, we have empowered and prioritized social innovation and social enterprise as targeted funding streams. This may be a first in Canada. This is definitely a beacon in federal aboriginal programming.

Social innovation and social finance represent tremendous tools with which to build on these strategic relationships to develop new or, just as importantly, to scale up and scale out existing initiatives so they can have broader impact. The national association, our provincial and territorial associations, and down to community-level individual centres are increasingly engaged in shaping the social innovation and social finance landscape in Canada.

I want to share a few examples with you. In British Columbia, the BC Association of Aboriginal Friendship Centres has undertaken a number of initiatives to move social innovation and social finance forward. My colleague Paul Lacerte, from the B.C. association, has spoken extensively about the opportunities offered by social innovation and social finance through friendship centres. A number of social enterprises have their roots within friendship centres in British Columbia.

- (1535)

In Quebec, the Regroupement des centres d'amitié autochtones du Québec has a history of bringing together stakeholders of civil society and the provincial and federal governments to address social and economic issues. The Native Friendship Centre of Montreal created an aboriginal co-op program that promoted artisan skills development and marketing of artwork. The Val d'Or Native Friendship Centre developed co-op housing for first nations families.

Here in Ontario, the Ontario Federation of Indigenous Friendship Centres, OFIFC, has also been working with key stakeholders to develop concrete social enterprise and social financing initiatives, including a program that provided training and development to support friendship centres to build capacity and assist in developing local social enterprise ventures.

Currently, the OFIFC is leveraging procurement opportunities associated with the Pan Am and Parapan Am Games, including the production of 10,000 pairs of moccasins as part of that initiative. This initiative is providing employment to artisans in these communities, as well as providing additional revenue to the labour pool sites in the form of commissions.

The National Association of Friendship Centres in collaboration with the J.W. McConnell Family Foundation, the Circle on Philanthropy and Aboriginal Peoples in Canada, and Canadians For a New Partnership, among many other partners, is working with a wide variety of folks to convene an indigenous innovation summit in Winnipeg in November. The summit is designed to bring practitioners together with those who have resources and with those at the community level to seed social innovation and create learning that all levels can take away from beginner to advanced. In essence, it is designed to build and strengthen the field of social innovation among indigenous peoples, which includes social finance.

Additionally, the NAFC is leading an initiative to be launched—here I'm talking about social innovation—in June entitled Action for Women, which scales up the social innovations created at the regional and community levels, such as the moose hide campaign—we are wearing it here at the table—the “I am a kind man” training program, and a mobile platform designed to address gender-based violence among young indigenous people. Another initiative under this banner will initiate systemic social change in response to the issue of ending violence against aboriginal women and girls. I can tell you that financing this initiative has not been easy under traditional programming guidelines, even with substantive partners and deep proof of concept already in hand.

As I mentioned earlier, aboriginal people constitute one of Canada's youngest increasingly urban and rapidly growing demographics. There is a great appetite for change. There is great energy at this level.

With respect to the role that government can play, throughout your study you have heard from a number of witnesses who have articulated in detail how the Government of Canada can establish legislative, regulatory, and taxation frameworks that will allow innovations to flourish and that will result in the growth of a robust social innovation and social environment in Canada. Most important to us working in this field at the community level is to remove barriers to innovation and social finance by making it worthwhile for social innovators to take risk and build upon their success.

Additionally, much more flexible program parameters need to be established. I return you back to the urban aboriginal strategy, which happened to be in the hands for this time of negotiating of our office, the National Association of Friendship Centres. We managed to do something innovative with it and push boundaries. Much more flexible program parameters need to be established and investments in interventions that are successful encouraged, scaled, and enhanced.

In closing—at a good 9.2 minutes—I would like to reaffirm our commitment to leveraging the power of social innovation and social enterprise to create sustainable opportunities. Through the implementation of the UAS we are beginning to harness creativity, energy, and knowledge that can unlock new ideas and new thinking that will lead to enduring social change and contribute to the full inclusion of aboriginal people in Canada's economic, cultural, and social fabric.

I look forward to addressing any questions that you may have about any specific examples as well.

Thank you.

• (1540)

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

Now we'll move to Mr. Hébert-Daly.

**Mr. Éric Hébert-Daly (National Executive Director, National Office, Canadian Parks and Wilderness Society):** Thank you for pronouncing my name correctly, Mr. Chair.

I'd like to thank members of the standing committee for inviting me to appear as a witness today. It's a pleasure to share the perspectives of CPAWS in these kinds of fora. I should say it's rather unusual for CPAWS to appear before this committee, but nevertheless, we have been involved in two projects, rather innovative projects, in recent months that I'd like to share with you, and that involvement might explain why I'm here today.

Let me start by telling you a little bit about our organization. The Canadian Parks and Wilderness Society, CPAWS, was established just over 50 years ago with the express mission of conserving our public land and our ocean. We also work to ensure that existing protected areas around the country are well managed and meet the highest possible standards, and we work collaboratively with governments, indigenous people, industry, and local communities to find conservation solutions for particular landscapes and seascapes. Our goal is to protect at least half of Canada's public land and water. We're science based and we're solutions focused.

As some of you may know if you have worked in the charitable sector, our charity receives most of its funding from foundations and individual donors. Many of these fund us for particular projects based on their particular interests as donors, so, valuable as their support is, this means that much of our funding ends up being restricted to a particular use. Now, individual contributions that are restricted are very important for our work, but at the same time, the unrestricted donations actually allow us to be agile and to respond to conservation opportunities that might arise suddenly. Unrestricted funds are, however, not as easy to come by as restricted funds

Recently, one of our major donors came to us with a generous offer to fund an endowment. In our initial conversation I reviewed some of the areas of work that CPAWS has had some difficulty funding through traditional charitable foundation sources. Our generous donor agreed to help us with a nationwide strategic opportunities fund and with geographic projects that lie in regions that are difficult to fund, namely, in eastern Canada. In the course of our conversation, I also raised the possibility of turning the endowment into an unusual shape, a real estate asset. As you will see from the documents that have been distributed to you, in our view the business case for such a project is very strong. What's best is that it will provide CPAWS operations with a home base, but more importantly, it will provide a source of revenue for us in the long term. That source of revenue ends up being flexible, and we'll be able to use it to respond to conservation opportunities as they arise. Essentially, our plan is to turn the endowment into a building in a city to help preserve and conserve nature outside the city. This type of social investment using a profit-making enterprise to assist in a non-profit conservation enterprise seems to be resonating with people as we begin to share the concept.

I firmly believe that charities and non-profits should be encouraged to seek profit-making ventures that might assist them in their own long-term missions. However, existing regulations make doing so a little bit burdensome. This committee, I think, is well placed to make recommendations for changes to regulations and legislation that would make this "profit for non-profit" model a little bit easier to establish. In the long run I believe such sources of funding will actually decrease the demand for charitable tax receipts, saving governments much needed tax dollars.

I also want to take a moment to highlight for you another socially innovative investment strategy that fits within your study. This one is actually a park establishment project. It's called Thaidene Nene and it's found at the east arm of Great Slave Lake in the Northwest Territories. It's a park proposal that's located in traditional Dene land and is championed by the local Lutsel K'e, a Dene first nation, who see having a big protected area at the heart of their homeland as a way to conserve not only the land but also their culture, and as a way to develop a conservation economy that will help support their community in the future.

In preparation for what they hope will be an ambitious national park, the local community of Lutsel K'e, which is now faced with 70% unemployment, is seizing this opportunity to create sustained, long-term, local economic development.

• (1545)

Our new national park brings with it a tourism industry. They are working with Parks Canada and the Government of the Northwest Territories to come up with a park management model that will allow them to continue to maintain their cultural practices on the land while providing visitors from Canada and around the world the chance to experience this magnificent northern landscape and their traditional way of life on that landscape.

A key part of the Thaidene Nene park model is based on developing an endowment fund that will support Lutsel K'e's involvement in providing cultural interpretation services. They are actively fundraising for this fund and have already succeeded in attracting more than \$7 million. In fact, they have commitments up to almost \$11 million and their goal is to raise \$15 million in private funds by the time the park is established. They are also seeking a one-time matching gift from the federal government to make this sustainable over the long term so the trust fund would hold \$30 million by the time the park begins operating.

It is really a great model. Sustained traditional cultural expression, sustained economic development, sustained conservation over an important ecologically rich and beautiful landscape, I'd call it a win-win, but honestly that wouldn't be doing it justice.

When we think of economic diversification in Canada, these models are innovative and forward-thinking. They make social and financial sense. I encourage this committee to see the immense possibilities that come with this style of social investment. They break open new possibilities that certainly get me excited. I hope they will nourish your discussion and study of this topic.

Thank you again for the opportunity to address the committee on this matter.

I'll be happy to take any questions when the time comes.

**The Chair:** Thank you for your presentation.

We'll now move to Mr. Saugstad by video conference

Sir, please proceed.

**Mr. Evan Saugstad (Chair, Northern Development Initiative Trust):** I will reference my slides as in the report I presented.

Thank you for the invitation. I'm Evan Saugstad, board chair of the Northern Development Initiative Trust, headquartered in Prince George, B.C. Although I live in northern B.C., I'm joining you today from Vancouver.

Slide 2. Ten years ago the Government of B.C., led by Premier Campbell, sold BC Rail to CN Rail and returned some of those profits to the people of central and northern B.C. by creating the Northern Development Initiative Trust through an act of the legislature and endowed it with \$185 million from that sale. We'll also refer to Northern Development in this presentation as the trust.

Slide 3. Although we are a creation of the provincial government, we are independent from government itself and make our own decisions, subject to meeting the requirements of the act. We are responsible for both the disbursement of our funds and the investments of our capital base. The act has allowed us to do what we wished with our endowment. Although we don't have the option of operating as a spend-down trust and dissolving the trust when the funds are depleted or choose to operate in a sustainable fashion, we have chosen to operate in perpetuity.

Today, after delivering 10 years' worth of grants and loans, we have committed and delivered over \$125 million to our customers, and have seen our capital base grow to \$250 million through prudent investing that's averaged close to 7% annually over the past decade.

Slide 4. Our board is a mix of five provincial government appointees and eight representatives in the trust area selected from local governments. Four advisory boards consisting of all local governments from our four trust regions are an integral part of the process in determining how and where we should spend our allocator funds. In addition to our own funds and programs, both the federal and provincial governments have selected the trust as a delivery mechanism for some of their programs.

Of interest, in 2009, the federal government entrusted Northern Development to adjudicate and deliver \$30 million in community adjustment funds, loans, and grants. Of these funds, \$20 million were loaned to a number of B.C. businesses to create jobs during the economic downturn and \$10 million were granted to job-creating not-for-profit projects. The staff and board accepted and adjudicated over 500 applications for contracts with successful recipients within two months and all the \$20 million in loans will be paid back by business to the federal government by the trust by the end of this year. This was completed at a 1% overhead in comparison to Western Economic Diversification, delivering about the same amount of funds in southern B.C. over 18 months, and at a much higher administrative overhead.

Slide 5. The purpose of the trust is to grow the economy of northern B.C. We can provide funds as either direct grants or as low-interest loans. Although we are responsible to the people of northern B.C. on how we disburse our funds, we have created programs that allow private business to access some of our programs to expand the supply chain in central and northern B.C.

Slide 6. The majority of our programs require the project proponents to leverage funds from other sources and for every dollar from the trust, over \$8 is invested by other funders.

Slide 7. Leveraging has been a very successful part of ensuring the economy of northern B.C. grows and it has allowed many of our proponents to use our funds to kick-start their projects and bring other funders on side.

Slide 8. Much of this leverage comes from the federal government and their many programs, including partnering on improvements to many rural airports. The federal government, through their RInC program and the trust, have also invested in many recreational facilities. Another common investment was in projects that benefited from the federal community adjustment fund as referenced in 2009.

Slide 9. Part of our success has been the training and funding of grant writers throughout our trust region. Many of our small and rural communities used to struggle with how they could access the many federal, provincial, and private funding sources that currently exist.

• (1550)

Through training and the provision of funds, we have trained hundreds of individuals who have been successful in accessing close to \$100 million in grants for their communities. This also includes many B.C. first nations peoples. The majority of our local governments and many bands access annual funds and hire a grant writer for their community.

Slide 10. These are some of our current programs which are all accessible and listed on the trust website. Based on community input, programs can be added or dropped depending upon uptake or the current economic conditions. Changes are based on the input and advice of our regional advisory committees and staff and require the approval of the board.

Slide 11 just lists some more of their current programs.

Slide 12. This is an example of a program that was funded through the federal government's community adjustment fund and delivered by the trust. Of note, this project could have been funded solely by the trust if the federal funds were not available. This business continues to operate today, and although it may seem very small and insignificant on the Canadian scale, it plays a big part in a very small community, New Hazelton, which is located in an economically depressed part of B.C., the Pacific northwest.

Slide 13. This is another example. In 2009 a private company which operated the local grain elevator in Fort St. John decided it was no longer viable and decided to close it. Local grain farmers, with the help of the trust, put a business plan together, borrowed funds from the trust, bought the elevator, refurbished it, and put it back into operation. The North Pine Farmers Institute, which is now the owner, has been paying back the loan of \$874,000 on a grain elevator and rail head, and it continues to operate profitably today. Interestingly enough, private industry has since offered to buy it back, to which the local farmers have so far resisted. In the news today it was announced that the other remaining elevator was beyond repair and would be demolished, so this is now the sole grain elevator in Fort St. John.

Slide 14. Thank you for your time. I can take the questions you might have. If any of you want to hear more or see more, we can certainly entertain you if you would wish to visit us in our office in Prince George, and our CEO and staff would be more than happy to show you around.

Thank you.

• (1555)

**The Chair:** Thank you for your presentation.

I want to thank all the witnesses for their effective use of their time. All of them were under the 10 minutes allotted.

We move on to our first round of questioning.

Madam Sims.

**Ms. Jinny Jogindera Sims (Newton—North Delta, NDP):** I want to thank Jeffrey, Éric, and, of course, Evan—even though you're not in the room here—for very succinct and passionate, I would say, presentations today.

My first question is for Evan.

Evan, earlier in the month Margot Young from CUPE appeared before this committee. Following her presentation, a good friend of mine, John Malcolmson, whom I've worked with in the past, from CUPE research, in the beautiful province of B.C., of course, sent along a report which the clerk distributed to all committee members.

I think one of the most striking lines in the report is where he writes:

In many cases, the social service providers now considering SIBs [social impact bonds] are the same ones betrayed by more than a decade of funding austerity, bureaucratic immobility and policy neglect.

It does strike me that a major part of the social impact bond appeal is the promise of new governance models that would increase program support.

Does it worry you that a promise of change in this area ultimately points to a market-oriented model? Can you comment on this?

**Mr. Evan Saugstad:** I guess one of the things that have set us apart as unique is we have our own funds and we make our own decisions on an annual basis, so we can commit to multi-year funding because we know what we have. We're not reliant on government or anybody else to give us funds. We're simply reliant on our own ability to generate them through our base funding.

I think this type of model, although it's unique in its design for the economic growth in B.C., could also be looked at for delivery of social programs and address, as you mentioned there, whether we have the ability to keep going on some of these things.

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

Now I'd like to turn to Jeffrey.

Jeffrey, are you worried about these changes, or the promises of the changes leading us ultimately to a more market-oriented model?

**Mr. Jeffrey Cyr:** Am I worried? I don't know that it keeps me up at night.

SIBs, social impact bonds, are an interesting financing tool. They've had a modicum of success in different countries: the Peterborough prison experiment, for one. It has application to certain social problems and not to others.

It's been investigated by the Government of Canada on a pilot basis. They've engaged us and asked us about it. It's not so much that a market mentality or market driver is so much the problem, as what we understand drives the benefit to it.

On one side you have a venture capitalist—credit union, bank, financial institution—willing to take what I would call a very low level of risk in a SIB situation. You have a not-for-profit, usually a not-for-profit organization, that basically ponies up the idea and the hard work and labour behind it, and the government guarantees it. I'm okay with that. I think that can lead to innovative approaches.

The only issue I have is that it doesn't lend itself to complex models because it's all based on the metrics. For example, take recidivism. Recidivism, to me, is inordinately complicated because you don't control the levers to actually gain success in dealing with recidivism.

You could do it on a child and family service model because you know the costing structure exactly. You know what it takes to put a child in care. You know what an intervention would save, and you could figure it out. As I once said famously to a federal deputy minister, "It's not that I don't trust you, but I don't trust you." I would want to know the metrics too in order to do it.

I have no problem taking risks. One of the things that I think folks should consider in a SIB model, which is only one small slice in the social finance umbrella, is where the return on investment is to the not-for-profit organization, which takes the risk in reputation, energy, and time. If you're going to give 7% back, 10%, whatever the number is, to a financial institution, how about 1% or 2% going to the not-for-profits so they can continue to build in the innovation at the ground level because they have to take the risk?

• (1600)

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

**Mr. Jeffrey Cyr:** I'll stop there.

I don't lose sleep with the market model.

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

Chair, at this moment I would like to move a motion that the committee invite the Minister of Employment and Social Development to testify for a two-hour televised meeting related to the referral of the main estimates, and that this meeting take place at the latest on May 28, 2015.

**The Chair:** That interrupts the period for questions because we have a motion on the table.

Mr. Armstrong.

**Mr. Scott Armstrong (Cumberland—Colchester—Musquodoboit Valley, CPC):** I move we go in camera to discuss this committee business.

**The Chair:** That's a dilatory motion, so it's non-debatable.

I'll need to take a vote on that motion and then determine...

Yes, Ms. Sims

**Ms. Jinny Jogindera Sims:** My intention was not to interrupt the meeting.

I'm quite happy to deal with this in committee when we're dealing with committee business so we can carry on and listen to the witness.

**Mr. Scott Armstrong:** That's fine.

**The Chair:** Are both parties willing to withdraw the motions on the table?

**Some hon. members:** Yes.

**The Chair:** Then we'll carry on with questioning.

Thank you for doing that.

Mr. Armstrong, for five minutes.

**Mr. Scott Armstrong:** I want to thank all of our witnesses for being here today.

I'm going to start with Evan.

Looking at your PowerPoint deck and the Skeena Bakery, which is out in Hazelton, B.C., and I've been there, can you explain how they applied for funding and how that funding is expended? I believe there are people working there who have some significant disabilities.

Can you explain how the money was transferred and how that business was established?

**Mr. Evan Saugstad:** Yes.

I will do that to the best of my ability, and if it doesn't quite cut it, we can probably give you a written summary afterwards.

When the feds announced the community adjustment fund and said we have \$30 million—\$20 million for loans and \$10 million for grants—it was advertised, and we had 500 applicants.

The trust has an assessment model. We can feed all of the particulars of every application in and rate them, and then the top-rated ones were put to the board for approval. I think in two meetings we approved all of the top ones, and a couple of extras in case some were declined.

In the case of the Skeena Bakery, a not-for-profit did apply, with the provision that they needed dollars to buy equipment and rent a building, but it was to train handicapped and disabled people on how to run a bakery. In the end when that was approved—I believe the federal government had to do a final sign-off—based on our inputs, that money was transferred directly as a grant to the bakery.

**Mr. Scott Armstrong:** That one has been profitable and is still up and running. Correct?

**Mr. Evan Saugstad:** Yes. It operates today. As I say, I'm throughout the community, and I see it through the course of my business there, and it still operates as a central part of the community.

**Mr. Scott Armstrong:** Do you have any idea of what your success rate is on that particular type of grant? Are most of the businesses that have been set up still operational and still profitable and contributing back?

**Mr. Evan Saugstad:** The majority of them are. It actually got to where we believed that the board and the trust were being too risk averse, so we increased our risk. I think this year we will have our first default, where a business did not meet its obligations. We'll so-called "lose" dollars, but we believe that we're not a bank, that we're here to grow the economy and prosper. You have to take some risks.

As long as we fit under some type of threshold in terms of how much we can afford to lose, that becomes acceptable, because we believe that if we never fail, we're not capturing all the opportunity.

**Mr. Scott Armstrong:** I would agree with that.

In all the projects you've funded with this particular type of grant, you've only ever had one default, and that's just in this most recent year because you had expanded your liability to risk. Have all the other ones been successful?

**Mr. Evan Saugstad:** So far, yes.

**Mr. Scott Armstrong:** I congratulate you on that.



**Mr. Evan Saugstad:** I think a big part of this is recognizing that as politicians, and in knowing people, when you look at what our structure is, which is unique, we're probably not more than two people away from anywhere within our organization in understanding who's applying and what they are. We're tied into every local government and most of the first nations. When you get down into your small communities, most of your local politicians know everybody, or they can ask somebody who knows about somebody. We have an incredible unofficial due diligence network.

• (1605)

**Mr. Scott Armstrong:** Yes, and that's probably an advantage that you would have over a federal government structure, actually, in running this type of system. Would you agree with that?

**Mr. Evan Saugstad:** Yes. A bureaucratic system really doesn't have that ability to do that.

**Mr. Scott Armstrong:** Thank you.

Mr. Cyr, thanks again for being here today.

You talked about the Pan Am Games and the making of moccasins. Could you talk about the specifics of that program?

**Mr. Jeffrey Cyr:** I don't have that one in front of me.

**Mr. Scott Armstrong:** I apologize.

**Mr. Jeffrey Cyr:** The Ontario Federation made a bid to provide the moccasins that are going out at the Pan Am Games. They're producing them in friendship centres across Ontario. It's an interesting model, whereby they leverage their own internal funding and use it to build. Then they use that to reinvest.

I think one of the important things, and it's probably come up at this committee a dozen times, is that in the social economy and the social finance model, the ultimate driver is not profit. It's social change. Profit on its own doesn't really help at the end of the day, unless we're driving systems change across the board. That's what Ontario is trying to do by building the moccasins. They're reinvesting it into programs in the centres.

In 30 seconds, I'll give one other quick example.

In Courtenay, British Columbia, there's a friendship centre. There were abandoned schools in Courtenay because of population and demographic changes, and the grandmothers in the community and the friendship centre started planting medicinal herbs and herbs for teas. Eventually these became popular, and they started to package and sell them. They're in 160 shops in Canada now. They reinvest the money in youth programming and the friendship centre. They just bought a gigantic packaging machine from China.

The model is different. The model is to put back into the community as the end state and to train people as you go. That's the second example.

**The Chair:** We'll move to Mr. Eyking.

You have five minutes, sir.

**Hon. Mark Eyking (Sydney—Victoria, Lib.):** I thank the guests for coming today.

I'm from Cape Breton. Cape Breton is a founding place for cooperatives. We've gone through a lot of economic hard times over

the years in Cape Breton, so there is a very large component of social interaction and social financing.

We have a few examples in Cape Breton that are very successful. We have New Dawn and BCA Holdings. The community is very engaged. They filled the gaps where government sometimes doesn't do the job, for various reasons, whether it's in social housing or helping small businesses.

I see in some of your reports here how successful you are. Only a couple of per cent are failures, and also there's the administration and how you keep those numbers down. It is a model that needs to be encouraged and fostered.

My first question for all of you deals with the federal and provincial sides, because some of our social financing is done through provincial funding. What needs to be changed more on the federal side to help foster this?

It deals with everything. Some of the needs we see include day care, and some of our groups back home are thinking of getting into day care. For many of the things that we see as challenges in our society and the future, how can the federal government help foster this more and help to fill that gap? How should we be taking a lead with the provinces to make sure that it's fairly uniform across the country?

**Mr. Éric Hébert-Daly:** This might not be an area of expertise, but in terms of the model we're looking at, the one barrier that we see around it is that, right now, if you're a charity and you're registered as a corporation charity, you can't actually create any profits at all on a regular basis. It must be a very small piece of your revenue. It has to be related to your mission.

The kind of model that I'm talking to you about, the idea of a building, means that you have to end up creating a for-profit corporation that gives 100% of its profits, essentially, to the charity as a gift. It's a bit of an odd model, but that's what it ends up having to be in order to make it easy for a charity, for example, to be able to carry out a profit-making venture. There are probably places around charities, in terms of the Income Tax Act and other places, where there could be ways to break down some of those barriers so that charities can actually make that work. It isn't a federal-provincial question. Again, charities are managed at the federal level, so I wouldn't have much to say when it comes to the division of responsibilities on that front.

I suspect that on social programs, the other two witnesses would probably be better to answer those questions.

• (1610)

**Mr. Jeffrey Cyr:** Sure. I can give it a quick stab.

One of the things we've learned in the establishment of the urban partnerships program, specifically on innovation and the social economy, is that the closer the money gets to the community before it's decided how it's used, the more effective it becomes. The community needs to own projects, let's call them; they have to be community-owned projects. If you don't have community buy-in, you can't sustain them in the long run.

One of the federal-provincial structural things we've found is that from my offices we push down resources to the community level, much like the model here from our colleague in British Columbia, because they're only one degree of separation away from the folks on the ground who are actually having to push this through. Any top-down structure doesn't really work. It has to be pushed down to the community, and it has to allow a little bit of risk. For federal programming, in the case of the one that we administer, we found that pushing it down to that level helped.

I'm going to agree right away with my colleague here. I'm a not-for-profit organization. I can't maintain a profit and I can't put it back in under the current tax rules governing not-for-profits. I have to come out with a zero balance every year. I have a \$49-million budget. Coming out with a zero balance is tricky business sometimes.

**Hon. Mark Eyking:** How do you do that? Do you just take it and have a trust?

**Mr. Jeffrey Cyr:** Very careful planning, very careful expenditures.

**Hon. Mark Eyking:** You don't do dividends.

**Mr. Jeffrey Cyr:** It doesn't work like a private corporation where you have dividends. I spend all the programming resources. Unearned revenues I'm allowed to hold over, and I do. They're very small amounts.

My concept on SIBs, too, is that we need to have a way to invest back into those community-based organizations so that they can generate revenue and use it for social good. Otherwise, we get trapped in our own financial systems. That's where social finance can come in handy.

I think there's work here within the federal government and CRA that needs to be done. I know that ESDC as a department was looking at parts of that. I don't know what the success is. I know that social finance has been a part of the last three federal budgets. We're assuming that we're going to try to push that boundary along.

There is room to break down barriers. When you push money down to that level, my provincial colleagues are able to leverage the provinces in, because it becomes a centre of gravity around the resources, fundamentally.

**The Chair:** Thank you.

We'll move to Mr. Mayes.

**Mr. Colin Mayes (Okanagan—Shuswap, CPC):** Thank you, witnesses, for being here.

It's good to see you, Mr. Cyr. I always appreciate the leadership you provide to the National Association of Friendship Centres.

It's called social finance because they want social outcomes. You're right that it's not about profits; it's about social outcomes. We've talked about various programs about which you were saying it would be nice to have a return on investment so that we could further invest in that type of thing. How do you measure the social outcomes? Quite often with programs, we find that they're up and running and they're good, and then when they finish learning those skills, all of a sudden the things that were done are just dropped. We want to move those ahead to make changes, social changes. I've

experienced a number in my life especially with first nations with regard to issues around ownership of housing, and actually the first nations community training the young people to be carpenters and plumbers and that type of thing, and all of a sudden there's an ownership and there's a social change there. It's quite amazing. I'm just wondering if you've had any of those experiences you could share with us.

The second question would be for everyone.

Are there any policy changes we need to look at as a government? There was some mention of issues with regard to Revenue Canada and how charities cannot have a profit. Is that something we need to look at as far as trying to find a policy change goes, so that we can accommodate that as long as the money is reinvested in the program or something else to benefit the community?

• (1615)

**Mr. Jeffrey Cyr:** You hit the nail on the head with social finance. It's about measurement, or outcomes measurement. The complicated component of social programs, and we've dealt with this for decades now, is how you measure when you've had success. If you put a leadership program into place, how do you know at the end of the day whether you've created a leader? There are ways to do it though. The issue is that they don't necessarily fall into—and this may be a little unkind—traditional bureaucratic thinking about the scope or timeframe for this program and the length of time we have to work within before we need to measure and bring results back to Treasury Board and figure out whether it's been successful or not.

The first thing to say is that programs should be long arc. They have to be beyond two or three years before you're really going to see change. It puts too much pressure on organizations to figure out how to measure that change. That change is generally measured—and I can give you one example of something that we're assisting with working on—through some unconventional means like storytelling. You kind of have to track people's lives to figure out where you've had input into them. We know that personal stories about where people got their start and how they were moved along are very powerful. Friendship centres are known for the stories of how we've helped individuals, and that applies to the broader scheme. We have to get better at the measurement. One of the reasons we're doing an indigenous social innovation summit in Winnipeg is to get at the measurement. It's about how we're going to know. We're doing it over three years, because even the summit needs to be measured against itself as to whether it's had success and whether we see a change.

One example is that we started to do preliminary work with the McConnell Foundation on Canada learning bonds. The take-up on Canada learning bonds is really poor, speaking from an indigenous community perspective. From an indigenous community perspective that's because there are multiple barriers around them, things you wouldn't think of: proper identity, proper bank accounts, fear and anxiety with regard to the system. Just walking into a bank, if you're not used to working with a bank, can be daunting for an aboriginal person who's come from Cross Lake and moved into Winnipeg.

The Winnipeg Boldness Project, which is not our project, is looking at ways around it. The Omega project in Toronto looked at it, and they've had success: a 40% to 60% increase in Canada learning bond take-up.

Now the social innovation component of that is to take that money that's going back into banks and have the banks at a local level reinvest it into social programs in the community at level of the credit union or the bank. That's where the innovation starts to come in. The money is already there. The government has already put the money in the learning bonds. It's already out there. It's just a matter of accessing it, and it's for people under a certain income level, under the poverty line. Then you can measure.

I think Stephen Huddart from the McConnell Foundation appeared before you. He said that as soon as you have a four-year-old—and I have five kids—who knows there's an investment in their education out there, they will immediately start to change their behaviours. That's social change. Now how are you going to measure things for that four-year-old? The government cycle is not going to allow you to do that. You need longitudinal measurement systems.

Unfortunately, as I said before, the systems we have aren't designed for the social change we need. The Treasury Board needs to know that it's going to take a long time to do this. It's going to take a while, and we need to look at the short-, medium-, and long-term changes that we actually want to see.

I know I'm way over my time, so the chair's probably going to grab that. I won't try to answer the second question, because I think we kind of handled it.

**The Chair:** Well, you are correct. You were way over your time, but that's okay.

We're going to give you a lot of latitude because it's very good input we're receiving from you.

Now we move on to the second round of questioning, and Madam Grouhé.

Oh, it's Madam Morin.

[*Translation*]

**Ms. Marie-Claude Morin (Saint-Hyacinthe—Bagot, NDP):** I am sorry, Mr. Chair. We should have let you know ahead of time.

My thanks to the witnesses for accepting our invitation. All your testimony was very interesting.

My question is for you, Mr. Cyr. It is mostly about your organization.

Pay-for performance models depend on an evaluation of the results, in order to see whether organizations have achieved set objectives or not. But evaluating results is difficult when we want to measure the success of some social programs, for example. I am not saying that it simply cannot be done, but it can sometimes pose an additional challenge when we are looking at it from a qualitative point of view, not just a quantitative one.

In your opinion, what kinds of indicators should be used to measure the results of social finance objectives? What steps should we take in order to get better evaluation and follow-up in terms of the impact of social finance models?

Thank you.

• (1620)

[*English*]

**Mr. Jeffrey Cyr:** Thank you for the question.

I'll try to be more brief than I was last time. Good English would help too.

It's hard to say without looking specifically at the individual program. Put simply, social innovation and social finance are about increasing the public good. At the outset we should know what the public good is. What are we trying to do?

If you take the Canada learning bond example, or our social enterprise model we use under the urban aboriginal strategy, it has very broad goals. We know what the broad goals are. We're trying to change leadership.

You can measure it, although it's very consuming to do it. We created a system where we could have a 12-year-old come in and get the leadership mentoring program. You take an intake slice of about 20 minutes, kind of like a client assessment tool, and you can measure exactly where they are. Let's say it's engagement and public speaking skills. Four months later they come out of the program and you should be able to track the difference, if any. It's good to know when there's not any change, as well, and how much effort and time has to be put into it.

There are a lot of indicators you can use. I think there are 264 indicators that are commonly used around the world. You can narrow that down to about 15. We've done the homework before on this sort of stuff.

One of the issues is that I don't think government officials who create programs go to that level. Sometimes they're asking you for indicators which are quantitative, when you really need to get a qualitative.... Changing our frame of reference is helpful. I'm not expecting everyone to change overnight and I'm not saying every program is that way.

If you want more people into learning bonds that increase educational outcomes, then you'd better be prepared to measure for 15 years and take some risk. The risk is small, but it's the commitment to change. I would say you're going to need qualitative stories from folks on an individual level.

I have 25 people in this program and with 15 of them we've seen change in their lives. We come back four years later and we've seen change again. Where are they now? That's the sort of thing we have to be doing in the long run and it takes commitment.

There are a ton of indicators you can measure all across the board, everything from increased economic participation and better schooling to how they adjust in society. There are ways. It's not rocket science to do it, but it takes a lot of effort and you have to build systems very thoughtfully at the outset.

They sometimes have to be holistic. Very quickly, if you have a child who cannot succeed in school, and you go backwards and do an indicator, and you find out they live in a household with four other families and that the parents can't help with homework, the indicator may not be that they're not getting good schooling; it's what's the support system. That's why friendship centres can have a wraparound holistic model. If we can't get to where the issue is, then we're not going to.... That's what social finance is supposed to do: get to cause and not the symptom. That takes a longer arc thinking.

I hope that's helpful.

[Translation]

**Ms. Marie-Claude Morin:** Thank you very much. That was very interesting.

[English]

**The Chair:** You have 10 seconds. Would you like to...?

**Ms. Marie-Claude Morin:** That's okay.

**The Chair:** Mr. Boughen, will you finish up this round of questioning for us, please?

**Mr. Ray Boughen (Palliser, CPC):** Thank you, Mr. Chair. Let me add my voice to those of my colleagues' in saying to the resource team, we are glad you could spare part of your day to be with us and share your expertise.

Jeffrey, you mentioned in your presentation that there is a tension that should be looked at with the young aboriginal people growing and being part of society. What do you see happening? I am told there is wealth there that hasn't been tapped efficiently for many of the aboriginal youth, but there is a great need in our world for academics, tradespeople, professionals, and so on. The aboriginal folks can fill any and all of those requirements, but how do you see them moving into those realms? Traditionally, they haven't been in there. We need them there.

•(1625)

**Mr. Jeffrey Cyr:** That's a big question.

What we know is that aboriginal people, indigenous people, who make it to post-graduate studies, master's or doctoral studies, do as well as any other person in Canada, so we know the problem is further down the chain. The question is leveraging young aboriginal people, young indigenous people, into an educational system. Obviously there are multiple barriers, both in access and cultural appropriateness. Location matters a lot, so if you have to finish grade 12 in Thunder Bay and you are from a reserve farther north than that, and you get that dystopia of moving to a city and not having parental support, we do have big issues. I am sure my first nations brothers and sisters would talk at length about education issues. If I could try

to bring it back to social innovation, there are ways to facilitate engagement that young people can own. They think differently than I do and Yancy does, and we are both aboriginal people. You know, under 24 they think differently.

We have discovered this most appropriately in our A4W Live, action for women live mobile platform which we are building. It goes to individual cellphones. We are going to be releasing it in June. It is designed to change gender-based behaviours between aboriginal men and women, boys and girls, about sexually based violence and all those sorts of issues. I have done focus groups and testing, and we now know that they think completely differently than we do about the reality. I think they are the source of energy and dynamism at a community level. I come back to, as much as possible, facilitating community-led and community-driven approaches to an issue, awfully creative at the community level, once you get down there and put mechanisms in place. Right now we know that when we take supports.... For example, the urban aboriginal strategy is designed to funnel partnerships, in particular. If we can get it down and support it at the community level, they can leverage what I call the nested energy inside communities in bigger and smaller cities.

It is a complicated question, to be honest. It has a lot of different leverage to it, a lot of things that we would need to do. From a social finance and social innovation perspective, it's there. One of the components in our social innovation summit is to engage youth as the facilitators, those who run around and learn from the folks who are doing social innovation, whether from MaRS or all the other big social innovation labs, because they need to own it. We found that if they own it, then it will flourish. This is not totally on point, but just to add something to that.

**Mr. Ray Boughen:** Thanks for that.

Éric, in your presentation you talked about leveraging funding. This chart talks about the commitment of government. Is there any move afoot to move the federal government out of it and have more commitment to funding from donors? Do we have to have the feds there to 38%?

**Mr. Éric Hébert-Daly:** I think you're talking about a different presentation. You may be talking about Evan's presentation.

**Mr. Ray Boughen:** Does your operation have funding from the feds?

**Mr. Éric Hébert-Daly:** No, we're not funded by governments at all.

**The Chair:** That wraps it up pretty much, Mr. Boughen. We're out of time.

**Mr. Ray Boughen:** We're out of time. We get the right witness and we run out of time. I'll pass it back to you, Chair.

**The Chair:** Thank you.

We want to thank you for being here, all three of our witnesses, for taking the time today. In your presentations, some of the things you've said are very significant to this study, and through the questioning you've also given us your perspectives, which will be incorporated in the study.

You're welcome to present to us in writing anything further that you may wish, through the chair to this committee, and we'll try to incorporate it in the final draft of what we come up with. It is a significant study, as you know. We truly appreciate your being here. On behalf of the committee, thank you so much.

We'll take a short break and then go into committee business.

*[Proceedings continue in camera]*

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