



How Pay-for-Performance Can Improve Employment Outcomes for **Syrian Refugees**

MaRS



Immigration, Refugees
and Citizenship Canada

Immigration, Réfugiés
et Citoyenneté Canada

AUTHORS

Jaymin Kim

MaRS Centre for Impact Investing
jkim@marsdd.com

Duncan Farthing-Nichol

MaRS Centre for Impact Investing
dfarthing-nichol@marsdd.com

ABOUT MaRS CENTRE FOR IMPACT INVESTING

MaRS Centre for Impact Investing works to unlock the power of private capital to tackle persistent social challenges. It works with investors, governments, ventures and service providers to create funding solutions for projects that generate social and financial returns.

MaRS Centre for Impact Investing

101 College Street, Suite 420
Toronto, Ontario M5G 1L7
Tel: 416-673-8100
impactinvesting.marsdd.com

Published May 2017

CONTENTS

Executive summary	4
Context	5
Research methods	6
Who are the Syrian refugees?	6
What employment programs serve Syrian refugees?	9
How can pay-for-performance improve the employment outcomes of Syrian refugees?	11
What is pay-for-performance?	11
Which pay-for-performance models might improve the employment outcomes of Syrian refugees?	13
What employment pilot projects do we recommend?	16
1. The business incentives project	16
2. The pay-for-success project	19
3. The top-up project	19
What other partners should IRCC consider as it weighs pay-for-performance?	25
Conclusion	25

EXECUTIVE SUMMARY

Canada is now home to tens of thousands of Syrian refugees. To integrate into Canadian life and to earn a living, many of those Syrian refugees want and need work. Yet most, at least in their first year, do not find work.

Immigration, Refugees and Citizenship Canada (IRCC) funds organizations across the country that deliver employment services to newcomers. IRCC funds these service providers based on the activities they complete rather than on the outcomes they help newcomers achieve. IRCC asked the MaRS Centre for Impact Investing (MCII) to investigate how IRCC might pay service providers based on outcomes. This report outlines our research and recommendations.

Syrian refugees, many of whom speak little English and have limited education, must overcome many hurdles to find jobs in Canada. First and foremost, they must learn English, both general English and English specific to their work. They must also adapt to Canadian workplace culture, develop networks nearly from scratch and, for some jobs, recertify to meet Canadian standards. Service providers attempt to cover all of these needs; however, with only so much money and a difficult labour market, they cannot accomplish as much as they would like.

Pay-for-performance (PFP) could help solve some of these problems. Under a PFP agreement, IRCC would either pay for a service provider's program based entirely on its outcomes or pay for it based in part on its activities and in part on its outcomes. IRCC and the service provider would jointly decide on the outcomes, targets and payments before the service provider began the program. IRCC may permit the service provider to run the program without a strict activities schedule and without expenditure reports. The service provider may thereby have the flexibility to adjust its program to meet its outcome targets.

PFP can funnel more money to programs that prove their value. The model can also spur more extensive partnerships between service providers and employers. And it can reveal data and insights that may help the employment integration system better serve its constituents.

We propose three PFP projects to improve employment outcomes for Syrian refugees. These projects require more work and input before they can become reality. We have specified the type of work and input required. The following table summarizes the three proposed projects.

TABLE 1: SUMMARY OF PAY-FOR-PERFORMANCE PILOT PROJECTS

Proposed PFP projects	Description	Rationale
1. Business Incentives Project	A service provider assesses a Syrian refugee's skill set and matches the refugee to an employer looking for that skill set. The employer hires the refugee. The employer, by connecting the refugee to on-site or off-site English instruction, helps the refugee improve his or her English. After a year, if the refugee still works for the employer and has improved his or her English by a set margin, IRCC pays the employer a set amount.	We think an incentive will help overcome employer reluctance to hire Syrian refugees. An incentive may also help Syrian refugees keep learning English even after they must begin earning money.
2. Pay-for-Success Project	A Syrian refugee enrolls into an occupational skills program (such as a construction program). The program teaches occupation-specific English, specialized skills and industry culture. The program connects its graduates to industry employers. IRCC pays the service provider for each graduate that finds and keeps a job. IRCC may pay a premium above the program's costs to compensate for the outcome risk transferred from IRCC to the service provider.	We think a pay-for-success agreement of this type will help service providers adjust complex occupational programs to the specific needs of Syrian refugees. A pay-for-success agreement may also help service providers expand to more refugees who want a quick route into employment.
3. Top-Up Project	A skilled Syrian refugee approaches a recertification loan program. The program lends the refugee money to cover recertification fees and living costs. The borrower studies, passes his or her exams and begins to look for work in his or her field. IRCC pays the service provider mostly on its activities but in part on the average difference in wages before and after a borrower takes a loan.	We think a top-up agreement of this type will help service providers understand how well they serve different segments of the newcomer population. A recertification program will enable higher-skilled refugees to find jobs in their fields of expertise. We believe IRCC could operate a top-up project without change to its terms and conditions.

CONTEXT

Since November 4, 2015, Canada has admitted more than 40,000 Syrian refugees. More than 25,000 of these refugees arrived between November 4, 2015 and February 29, 2016.¹

These refugees are now settling across Canada. Many are or soon will be looking for work. To help refugees find work, Immigration, Refugees and Citizenship Canada (IRCC) funds programs that help refugees to learn English, gain occupational skills, recertify their credentials and connect to employers. Despite these efforts, only about 50% of privately sponsored refugees (PSRs) and about 10% of government-assisted refugees (GARs) earn any kind of employment income in their first year in Canada.² When government or private support ends after

twelve months, many refugees are still without a job.

These numbers have led IRCC to explore how pay-for-performance (PFP) models might improve employment outcomes. Under a PFP agreement, IRCC would pay for a settlement program based on its outcomes rather than only its activities. By tying payment to outcomes, IRCC would attempt to focus the program's design and execution on specific, measurable results.

In December 2016, IRCC commissioned the MaRS Centre for Impact Investing to research how PFP might improve employment outcomes among Syrian refugees. This report is the product of that research.

1. #WelcomeRefugees: Key figures. (March 30, 2017). Retrieved from <http://www.cic.gc.ca/english/refugees/welcome/milestones.asp>

2. Syrian refugee integration - One year after arrival. (March 30, 2017). Retrieved from <http://www.cic.gc.ca/english/refugees/welcome/integration.asp>

RESEARCH METHODS

We learned about Syrian refugees and employment programs from three sources.

1. Interviews. We interviewed 22 people, including settlement sector experts, service providers, Syrian refugees, employers and social finance experts. The settlement sector experts and service providers explained the challenges that Syrians and other refugees experience in their search for employment. The Syrian refugees described their paths through the settlement sector and into employment. The employers shared the skills they believe that Syrian refugees should develop. The social finance experts discussed PFP refugee projects that are currently in the planning stages.

2. Reports and papers. We reviewed academic papers and government reports to learn how refugees integrate into employment in Canada and other Western countries. Most of the papers

we found assessed settlement success across a country or region. Very few papers evaluated discrete employment programs.

3. Databases. We gathered and analyzed data from the Government of Canada's Open Data portal and from CANSIM, Statistics Canada's main socioeconomic database.

WHO ARE THE SYRIAN REFUGEES?

We focused our project on Syrian refugees who arrived in Canada after November 4, 2015. We excluded refugees who settled in Quebec because the province has its own sponsorship system and process. The table below summarizes the data available on the Open Data portal for the 31,878 Syrian refugees who settled between November 4, 2015 and September 30, 2016.

TABLE 2: SUMMARY OF SYRIAN REFUGEE DEMOGRAPHICS

Age	<18 years : >18 years ratio = about 1:1
Gender	Male : female ratio = about 1:1
Language skills	About 60% of the refugees speak neither English nor French. This statistic holds across Canada and independently in each province (except Quebec).
Education level	About 80% of the refugees have a secondary-school level education or less. This statistic holds across Canada and independently in each province (except Quebec).
Settlement location	Of the 31,878 refugees, 43.5% arrived in Ontario, the most of any province (Quebec received the second most at 18.4%). Of those in Ontario, 45.9% (6,364) settled in Toronto (Ottawa received the second most at 12.6%).

In our project we segmented the Syrian refugees by their English skills and their occupational skills (closely related to education). In our interviews, service providers, employers and Syrian refugees all agreed that a refugee's English skills influence his or her employment more than any other factor. A refugee's occupational skills influence the kinds of jobs to which he or she can apply and the types of employment services that may assist him or her. In general, PSRs tend to speak better English and have more extensive education than GARs.

We focused on Syrian refugees who settled in Toronto. We did so for three reasons.

1. The demographic characteristics of the Syrian refugees who have settled in Toronto do not differ much from those of Syrian refugees in the rest of Canada (outside Quebec).

2. Interviews with service providers in Ottawa, London, Halifax and Calgary indicate that, despite some variations in local labour markets, employment programs within and outside of Toronto face very similar challenges and offer similar services to Syrian refugees.

3. Toronto's highly concentrated and accessible Syrian refugee population will likely ease the development of a PFP pilot.

Our interviewees cited several challenges to finding employment. The following table summarizes four of those challenges. The interviews alone do not permit general statements on the needs and characteristics of Syrian refugees. The four challenges, however, rose frequently enough that we believe they apply to substantial segments of the Syrian population.

TABLE 3: EMPLOYMENT CHALLENGES FACED BY SYRIAN REFUGEES

Challenge	Description	Challenge addressed by...
1. English-language skills	<ul style="list-style-type: none"> Without at least basic English, Syrian refugees cannot even interview for most jobs in Canada. Many jobs also require mastery of niche occupational terms. Many Syrian refugees are working hard to attain English-language skills. A recent survey conducted by COSTI Immigrant Services, a service provider, indicated that 90% of GAR families have enrolled at least one adult in some sort of language program. Language programs range from five-days-a-week formal English classes to informal language circles. Interviews suggested that each Canadian Language Benchmark level takes most immigrants about two months of full-time instruction to complete. For some jobs, a refugee might have to spend a year or more in full-time classes. Some refugees struggle to balance language classes with demands of family and income. We heard about some Syrian refugees who have left language classes early to take jobs. Some Syrian refugees, most often GARs, lack literacy in their mother tongue. Learning a foreign language is doubly challenging for refugees learning to read and write for the first time. 	See the business incentives model and the pay-for-success model below.
2. Workplace culture and digital literacy	<ul style="list-style-type: none"> Many Syrian refugees find Canadian workplace culture unfamiliar. For instance, some Syrian refugees struggle to manage the job search's competitive process (writing resumes, applying online, interviewing). Interviewees mentioned challenges absorbing Canadian workplace etiquette. As an example, a refugee working in construction did not realize he could not take a phone call while on site. Canadian employers expect digital literacy. Many Syrian refugees, both lower-skilled and higher-skilled, have rarely or never used a computer. Canadian employers cannot hire a higher-skilled Syrian refugee into a job commensurate with the refugee's skills if the refugee cannot use a computer. 	See the pay-for-success model below.
3. Personal networks	<ul style="list-style-type: none"> Most Syrian refugees arrive in Canada with few connections. PSRs can often rely on their sponsors, but GARs do not have that ready-made network. We've heard a number of anecdotes in which a Syrian refugee finds a job through a chain of connections. Personal networks or a connection who can vouch for the refugee can especially help when a refugee has not worked for several years and must explain that gap to an employer. 	See the business incentives model and the pay-for-success model below.
4. Accreditation	<ul style="list-style-type: none"> Many skilled jobs in Canada require accreditation. Syrian refugees who held accreditations in Syria can rarely (if ever) transfer them. Syrian refugees do not face this problem alone, of course. Skilled newcomers of many categories must recertify (or perhaps certify for the first time) in Canada. Unless they can spend the time and money to acquire accreditation, immigrants will likely work in jobs that do not draw on their full range of skills. 	See the top-up model below.

The pilot programs we recommend in the rest of this report reflect our understanding of these challenges.

WHAT EMPLOYMENT PROGRAMS SERVE SYRIAN REFUGEES?

We identified seven primary categories of employment programs that assist refugees. We summarized the programs in the following table. We interviewed all of the Canadian programs listed in the table.

TABLE 4: EMPLOYMENT PROGRAMS SERVING SYRIAN REFUGEES

	Occupational language training (may be at work)	Workplace culture skills training	Resume and interview preparation	Mentoring / networking	Skills training	Accreditation / alternative credentials	New business / entrepreneur support	Location	Approx. skill level
The Mentoring Partnership				Partners immigrants with employers				Canada	High
Immigrant Access Fund						Microloans for accreditation		Canada	High
RCJP / Magnet			Online platform that matches jobs based on skills					Canada	High and Low
World Education Services						Alternative accreditation assessment		Canada	High
COSTI	11 sector-specific language classes	10 weeks of workplace training, various life skills classes	Support to learn about and find work					Canada	High and Low
ACCES	Construction Trades Program	Construction Trades Program	Job search services, some sector-specific		Construction Trades Program			Canada	Low some High
YMCA-YWCA National Capital Region		Power of Trades	Individualized job search support		Power of Trades			Canada	Low
Halifax Partnership				Connector Program; connect local businesses with migrants				Canada	High and Low
London District Catholic School Board	Enhanced English training							Canada	High and Low
Arab Community Centre of Toronto			Pre-employment counselling					Canada	High and Low
Just Bread					Women learn about bread making in local bakery			UK	Low
Transitions			Recruitment support for skilled refugees					UK	High
Refugeeswork.at			Resume and interview prep					Austria	High and Low
Integsjobb - Step in Job	Work conditional on combining with language studies. 80% salary subsidy							Sweden	Low
Restart Refugee Support							Interest-free loans and mentorship to start businesses	London	High
RefuAid						Based on IAF model		London	High
Duo for a Job					Matches youth with senior professionals			Brussels	n/a
Chamber of Commerce Mentoring for Migrants					6-month partnership with experienced professionals.			Austria	High
The Entrepreneurial Refugee Network							Mentorship, network, investment for refugees starting new business	UK	High

While these service providers work relentlessly to assist refugees, they continue to face challenges in achieving employment outcomes for Syrian refugees. Many of these challenges are beyond the control of service providers. The following table summarizes some of the challenges to improving employment outcomes for Syrian refugees. It also suggests how PFP models might address such challenges.

TABLE 5: CHALLENGES THAT SERVICE PROVIDERS FACE IN SERVING THE EMPLOYMENT NEEDS OF SYRIAN REFUGEES

Challenge	Description	Challenge addressed by...
1. Lack of funding	<ul style="list-style-type: none"> Many service providers must apply for new money every year just to stay open, distracting focus from their programs and leaving them uncertain as to their future. Contribution funding is not always enough to maintain or scale an evidence-based program, limiting the reach of high-performing service providers. 	<p>More funding for evidence-based programs. In particular, the pay-for-success model (see below) lets service providers tap into investment dollars and transfer risk onto investors. Service providers that today rely entirely on IRCC funding may benefit from the alternative funding sources that PFP can bring to the table.</p>
2. Work skills matching	<ul style="list-style-type: none"> Higher-skilled Syrian refugees sometimes feel they have no choice but to take jobs below their skill level or expertise. A refugee who begins a survival job may not have the time to improve his or her English and earn accreditation. Lower-skilled Syrian refugees sometimes become discouraged when stuck in jobs stigmatized in their culture. For instance, factory jobs-which seem, from our interviews, quite common among Syrian refugees-are considered low class (retail jobs, by contrast, are considered respectable). 	<p>Expanded accreditation programs. Accreditation programs can help refugees with technical or higher-skilled backgrounds to recertify and find work in their fields (see the top-up model below).</p>
3. Employer willingness	<ul style="list-style-type: none"> Service providers said some employers hesitate to hire Syrian refugees because the refugees take extra time and effort. Syrian refugees who do not speak English fluently or understand Canadian workplace etiquette will not fit as smoothly as most other employees. As one small example, Syrian refugees often cannot produce a police check. The costs and obstacles add up. 	<p>Incentives to Canadian employers to train and employ Syrian refugees (see the business incentives model below).</p> <p>Programs that teach occupational skills and connect refugees to employers (see the pay-for-success model below).</p>

HOW CAN PAY-FOR-PERFORMANCE IMPROVE THE EMPLOYMENT OUTCOMES OF SYRIAN REFUGEES?

WHAT IS PAY-FOR-PERFORMANCE?

Pay-for-performance (PFP) models tie program funding to results instead of just activities. For instance, a PFP model might pay a service provider a set amount for each refugee who lands and retains a job for at least a year, rather than just pay for each training session the service provider delivers.

models. It differentiates between activities, outputs and outcomes.

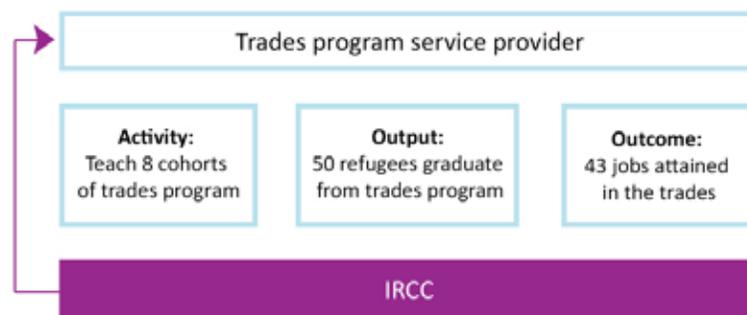
The best PFP structure will depend on both the service provider's circumstances and the government's objectives. For instance, if a service provider cannot risk tying all of its program's funding to outcomes, the government and the service provider might design a PFP model where 80% of the program's funding ties to activities and 20% to outcomes. The government might pay the trades program 80% of its contribution agreement's value based on the number of training workshops completed. The government may pay the other 20% to the extent that the program helps its graduates actually find and keep jobs.

Funding scenarios

Scenario 1:
80% based on outcome,
20% based on activity and output

Scenario 2:
20% based on outcome,
80% based on activity and output

Scenario 3:
100% based on outcome



As an example, a government funder that aims to help Syrian refugees find jobs may ask a service provider to deliver a trades program. Under a PFP agreement, the government and the service provider agree upfront on the outcomes to be achieved and the amount to be paid for achieving them. The government might pay the service provider for each refugee who graduates from the program and finds and keeps a job. If the agreement depends 20% on outcomes, the service provider receives that 20% of the agreement's value only if enough of its graduates (based on an agreed-upon target number) find and keep jobs. The diagram below depicts different ways of structuring PFP

Service providers that gravitate to PFP cite greater flexibility in their activities and fewer reports on their expenditures as PFP's attractive features. Ultimately, it is the outcomes—regardless of the activities or the outputs—that matter to the people who the service providers are trying to help. PFP aims to give service providers the space to adapt their activities to better achieve outcomes.

A compromise between activities and outcomes will limit the benefits of PFP. Tying only 20% of funding to outcomes does not confer the same flexibility on a service provider as an agreement that links all of the money to outcomes.

A PFP arrangement could tie 100% of its funding to outcomes. In this case, the risk of failure could be borne by investors. In some PFP arrangements, investors lend service providers the money they need to cover a program's costs. The investors receive their principal and earn interest only if the service provider hits its outcome targets. The loan thereby transfers the risk of the PFP arrangement (the risk that the

service provider misses its outcome targets) to investors.

A PFP arrangement may or may not involve investors. The stronger the service provider's financial health and the less the program pays on outcomes, the more likely the service provider will be able to take on a PFP agreement without asking an investor.

TABLE 6: EXAMPLES OF PFP IN IMMIGRANT EMPLOYMENT SERVICES

	Fast Employment of Immigrants	Duo for a Job
Country	Finland	Belgium
Target population	3,700 refugees	180 immigrants 18 to 30 years old
Intervention	Intensive skills screening, language instruction, sector-specific skills training and work placements.	Matches an immigrant to a retiree in the immigrant's field of interest. The retiree advises the immigrant and connects him or her with employers.
Outcomes / payment metrics	<ol style="list-style-type: none"> 1. The number of people who completed integration training 2. The change in taxes collected from participants and employment benefits paid to participants (measured against a randomized control group) 	The employment rate among participants (measured against a control group)
Investor capital raised	Information not publicly available	€0.23 million
Possible investor return	About 8% of the investor capital raised	€0.29 million

WHICH PAY-FOR-PERFORMANCE MODELS MIGHT IMPROVE THE EMPLOYMENT OUTCOMES OF SYRIAN REFUGEES?

We recommend three PFP models to help Syrian refugees into employment. The table below describes each model and lists the criteria by which IRCC should select programs under each model.

TABLE 7: PROPOSED PAY-FOR-PERFORMANCE MODELS

	Business incentives model	Pay-for-success model	Top-up model
Description	A model that encourages businesses to hire Syrian refugees and improve a transferrable skill of their refugee employees.	A model in which IRCC pays the service provider only on outcomes or a mix of outcomes and activities. IRCC will not track expenditures in this model. IRCC may pay more than the program's cost to compensate the service provider (or investors) for the risk of missed outcomes targets.	A model in which IRCC pays the service provider on a mix of outcomes and activities. IRCC will track expenditures and pay only for expenditures actually incurred. IRCC cannot pay more than the cost of the program.
Criteria	<ol style="list-style-type: none"> 1. <i>Match refugees to jobs that use their skills and qualifications.</i> The program may partner with an employment-matching service, such as Ryerson University's Magnet, to connect employers and Syrian refugees. 2. <i>Measure an outcome that indicates a transferrable skill.</i> The program must condition the incentive at least in part on the refugee's growth in a transferrable skill. The program cannot condition the incentive on a skill that only helps the particular employer. 3. <i>Suggest a credible way to measure outcomes.</i> The program must identify a method to measure and verify a change in a refugee's transferrable skill. 	<ol style="list-style-type: none"> 1. <i>Augment employment services now offered to Syrian refugees.</i> The program might offer a new service, an existing service to a new population, existing services combined in a new way, or another configuration. 2. <i>Show some evidence to link the program to specific outcomes.</i> IRCC and the service provider will struggle to select payment outcomes if the program cannot show evidence drawn from the program or from programs built on similar elements. 3. <i>Suggest a credible way to measure outcomes.</i> The program must identify a method to measure and verify its outcomes 	<ol style="list-style-type: none"> 1. <i>Be offered by a service provider able to pay the cost of the program upfront and to accept the risk of missed outcomes targets.</i> Some service providers interviewed worried about cash flow problems if payment was delayed until outcomes. Some service providers also worried about losing money if they missed outcome targets. 2. <i>Augment employment services now offered to Syrian refugees.</i> The program might offer a new service, an existing service to a new population, existing services combined in a new way, or another configuration. 3. <i>Show some evidence to link the program to specific outcomes.</i> IRCC and the service provider will struggle to select payment outcomes if the program cannot show evidence drawn from the program or from programs built on similar elements. 4. <i>Suggest a credible way to measure outcomes.</i> The program must identify a method to measure and verify its outcomes.

WHY WE RECOMMEND A BUSINESS INCENTIVES MODEL

Many of the service providers we interviewed spend a lot of their time finding employers and then persuading those employers to hire refugees. The Arab Community Centre of Toronto, for example, often connects refugees to its network of employers in the Arab community. The Community Centre and other service providers have accomplished a great deal, but the high unemployment numbers among PSRs and GARs suggest that too many employers see only the costs of hiring refugees and not the opportunities.

Some European countries deploy wage subsidies to boost immigrant employment.³ Canada's federal and provincial governments offer many wage subsidies to help different subsets of the labour market.⁴ Employer incentives, especially wage subsidies, are a simple method of expanding employment opportunities.

Many researchers have studied the conditions under which employer incentives improve employment prospects. If IRCC decides to advance this pilot to a second, more detailed phase, it may draw on that literature to design an employer incentive that complements the settlement sector's extensive pre-employment support. The literature can help IRCC to design an effective program and select the right outcomes.

We recommend an employer incentive that pays only if Syrian refugees develop a transferrable skill through their jobs. Most jobs, of course, teach a great deal that refugees can take to other positions. But an incentive that pays only if a refugee improves a transferrable skill will guarantee that the refugee receives career-building instruction. As detailed below, we recommend English as the transferrable skill on which the incentive will depend. Tying English improvement to an employer incentive will leverage employer capacity to help refugees on the most important determinant of integration.

WHY WE RECOMMEND A PAY-FOR-SUCCESS MODEL

In our interviews, we learned how service providers try to meet the many needs of Syrian refugees. We learned how service providers carefully assess a refugee's needs and combine programs to meet those needs. We also learned how some programs, such as the YMCA-YWCA National Capital Region's Power of Trades program and ACCES Employment's Construction Trades Program, cover everything from English instruction to skill training to job placement. The service providers we interviewed would like to have the time and space to be able to customize their work to the refugees they serve. Yet IRCC today asks service providers to commit in advance to their activities and to report in detail on their expenditures, imposing paperwork that distracts from mission and a rigidity that may ill serve a diverse population. Under a pay-for-success agreement, the government pays for a service provider's program either only on the outcomes achieved or on a mix of outcomes achieved and activities undertaken. The government scrutinizes the program's budget and sets outcome payments based on that budget, but it does not track expenditures during the program. Instead, the government asks service providers to report on outcomes. A pay-for-success agreement sets a goal against which to adjust and offers the flexibility to adjust. We hypothesize that releasing service providers from stringent activity and expenditure reporting requirements will lead to programs that achieve better results.

We recommend that IRCC test the pay-for-success model either by paying for a program based entirely on outcomes or based on a mix of outcomes and activities. We suggest that IRCC agree to pay a premium to the program's costs if the program succeeds. That premium will compensate the service provider (or investors) for taking the risk that the program might miss its outcome targets. The premium will represent the risk that government avoids

3. Aiyar, S., et al. (2016). The Refugee Surge in Europe: Economic Challenges. International Monetary Fund. Retrieved from <https://www.imf.org/external/pubs/ft/sdn/2016/sdn1602.pdf>

4. Wage subsidies. (March 26, 2017). Retrieved from <http://canadabusiness.ca/grants-and-financing/government-grants-and-financing/wage-subsidies/>

by agreeing to pay (in whole or part) only if the program actually succeeds.

We understand that IRCC cannot pay a premium under its current terms and conditions. However, without a premium, we believe that few, if any, service providers will agree to accept much risk. Without a premium, the percentage of a contribution IRCC can pay on outcomes will likely have to stay very small (maybe 10% or 20%). We recommend that IRCC change its terms and conditions to open greater possibilities for PFP models.

WHY WE RECOMMEND A TOP-UP MODEL

IRCC's terms and conditions require that it pay contributions on activity reports and eligible expenditure claims.⁵ The terms and conditions permit IRCC to run small PFP pilots. In a PFP pilot, IRCC pays the service provider on outcomes either in whole or in part. IRCC, however, still pays only for eligible expenditures actually incurred. A service provider must therefore accept the risk of missing an outcome target and yet cannot collect any premium to compensate for that risk. It must also still hew to the list of eligible expenditures.

We do not believe service providers will accept the risk of an outcomes-only

agreement when they must still report on all of their expenditures and cannot earn more than their program costs. As detailed above, a premium would account for the risk that the service provider absorbs and the government avoids by paying on outcomes.

To mitigate risk to the service provider, we suggest that IRCC commission a program under a top-up agreement. Under a top-up agreement, IRCC pays most of a contribution based on activities and only a small part based on outcomes.

A top-up agreement would let IRCC test PFP without transferring too much risk to the service provider. Because it fits within IRCC's current terms and conditions, the parties could move a top-up agreement quickly to execution (a pay-for-success agreement, by contrast, would require a change to IRCC's terms and conditions to decouple outcomes and expenditures and to permit a premium). A top-up agreement would help IRCC learn how to manage a program based on its outcomes. It would also begin to accrue to both IRCC and Syrian refugees the benefits of flexibility and adaptation. Those benefits, which may include more Syrian refugees in good and lasting jobs, should ultimately save the government money. The more Syrian refugees paying taxes and the fewer relying on social assistance, the better for the budgets of governments across Canada.

5. Immigrant, Refugees and Citizenship Canada. (2016). Terms and Conditions on Settlement Program Contributions. Retrieved from <http://www.cic.gc.ca/english/transparency/documents/pdf/SettlementProgram-EN.pdf>

WHAT EMPLOYMENT PILOT PROJECTS DO WE RECOMMEND?

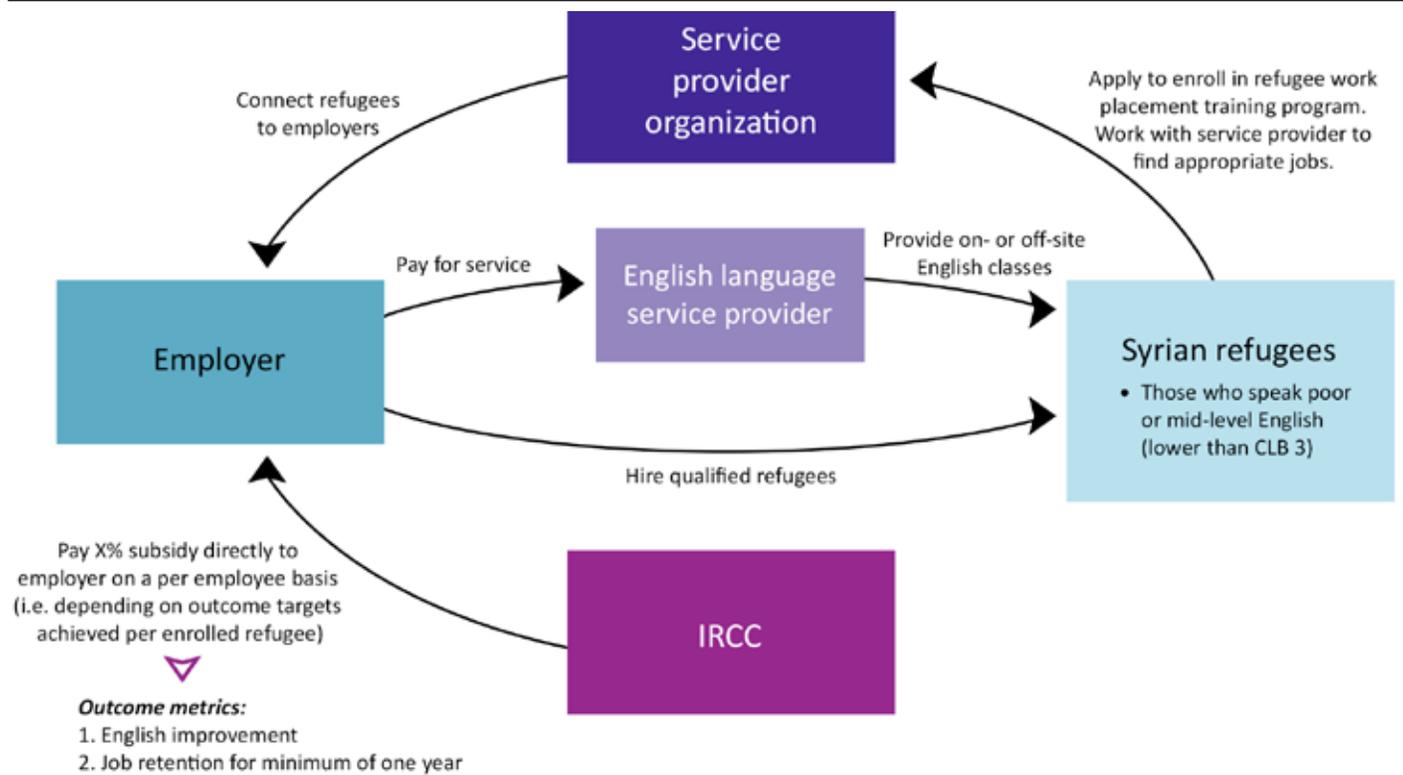
Based on the criteria and rationales above, we selected three PFP pilot projects that we believe will help Syrian refugees find work either more quickly, at better pay or at closer connection to their skills. In this section, we describe each project and how we think it may help Syrian refugees. For each project, we have proposed a project structure and outcomes.

If IRCC decides to advance the pilots, it will have

to spend a lot of time refining and finalizing the pilots' structure and outcomes. That work must, of course, draw heavily on the expertise of service providers. Our service provider interviewees often mentioned that they must play a key role in designing the outcomes of any PFP agreement under which they are expected to work. IRCC should also look to service providers—and to other experts—to select outcomes free of perverse incentives (like the incentive to help only those refugees who are easiest to employ). Selecting precise and suitable outcomes is one of the most difficult elements of PFP design.

1. THE BUSINESS INCENTIVES PROJECT

Key stakeholders and roles



Proposed pilot timelines



Target population	Syrian refugees who speak poor or mid-level English (lower than Canadian Language Benchmark 3)
Program structure	<p>This section outlines one way to structure the program. The details would very likely change if IRCC decides to move forward.</p> <p>A refugee enrolls with a service provider that matches employers and employees. The service provider matches the refugee with an employer who needs the refugee's skills. The employer helps the refugee to improve his or her English. The employer might organize English instruction itself (as Guelph-based manufacturer Danby has done), but more likely it will pay an English instructor to deliver on-site instruction. If, after one year, the refugee still works for the employer and has improved his or her English by a specified margin, IRCC pays the employer a percentage of the refugee's wage.</p>
Stakeholder	Employers, English instructors and an employment-matching service provider
Payment outcomes	IRCC will pay if, after one year, the refugee still works for the employer and has improved his or her English by a specified margin.
Potential service providers	We have not identified a service provider to manage the entire employer incentive program. No one in the Canadian settlement sector runs a similar employer incentive program. However, some service providers offer some parts of the program. For example, Magnet matches employees and employers. The Refugee Career Jumpstart Project has begun to connect employers with people who can travel to a workplace and teach an hour of English a day to the refugees who work there. Some language trainers run informal English cafés and other non-standard language programs that may fit into a workplace schedule. IRCC might look to an organization outside of the settlement sector to enroll Syrian refugees into the program, manage the service providers and handle financial flows.
Rationale	<p>Even a relatively small financial incentive may encourage employers to see past language and cultural barriers to a refugee's long-term fit. For example, Ontario's Rate Drop Rebate reduces the cost of an employer's loan for each person he or she hires and retains for six months. Rate Drop Rebate analyzes an employer's labour need and matches an employee who can fill that need and who faces disadvantages in employment. Rate Drop Rebate costs the Government of Ontario about \$3,000 per employee. The government saves about \$6,000 per employee over the six-month retention period (and more if the person stays employed after the six months).</p> <p>An employer incentive can do more than increase employment. Many jobs expose refugees to constant English. Most workplaces are full of people who speak English. Some employers, like Danby in Guelph, multiply these advantages by facilitating formal and informal English instruction. Other employers, however, cannot afford to supply English instruction as part of the workday. Paying an incentive to an employer if a refugee's English improves may help those employers cover the cost of English instruction.</p>
Evidence	We have not found a government that offers an employer incentive in which payment turns on how well the employee learned a skill. European countries, however, have successfully used wage subsidies to help immigrants into employment. ⁶

6. See Konle-Seidl, R., and Bolits, G. (2016). Labour Market Integration of Refugees: Strategies and good practices. Brussels, Belgium: European Parliament, Directorate General for Internal Policies. Retrieved from [http://www.europarl.europa.eu/RegData/etudes/STUD/2016/578956/IPOL_STU\(2016\)578956_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/STUD/2016/578956/IPOL_STU(2016)578956_EN.pdf)

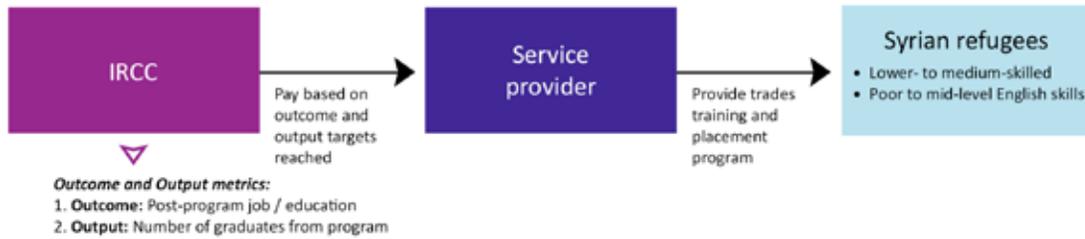
We describe below the role of each key stakeholder and list key questions to consider.

Settlement sector's role	<p><i>Match Syrian refugees to employers.</i> While an incentive to employers could operate independent of a matching program, our interviews convinced us that a matching program would better serve the long-term interests of Syrian refugees. A matching program would connect real gaps in an employer's business with Syrian refugees who can fill those gaps. Like Rate Drop Rebate, the matching program would connect employers to qualified people who the employer may not have considered.</p> <p><i>Supply English instruction to employed Syrian refugees.</i> We predict that most employers will not want to organize their own English instruction. Settlement sector organizations, especially those that offer opportunities to learn English outside of a full-time program, may partner with employers to offer flexible English instruction.</p>
IRCC's role	<p><i>Decide on outcomes and targets in consultation with service providers and settlement sector experts.</i> To find the right balance between ambitious and realistic outcomes, IRCC should consult with settlement sector experts and employers.</p> <p><i>Pay employers if their Syrian refugee employees meet the outcome targets.</i> IRCC should pay employers through an organization established to track Syrian refugees and distribute payments.</p>
Social finance sector's role	<p><i>Track Syrian refugees and process employer payments.</i> We recommend opening the program to all Syrian refugees in a region (like the Greater Toronto Area) that speak poor or mid-level English. Under those criteria, thousands of refugees might enroll. We recommend that a specialist organization track Syrian refugees and process IRCC's payments to employers.</p>
Key questions	<ol style="list-style-type: none">1. How much must an incentive pay in order to convince employers to hire Syrian refugees and to help them improve their English?2. How should IRCC pay the incentive? Should it be paid as a wage subsidy or by another method, like a discount on a loan? Would a method other than a wage subsidy cost IRCC less?3. Will Syrian refugees suffer stigma under a program that pays employers to hire them? How can the program focus on the value that refugees can add to an employer's operation?4. Do IRCC's terms and conditions permit payments to employers?

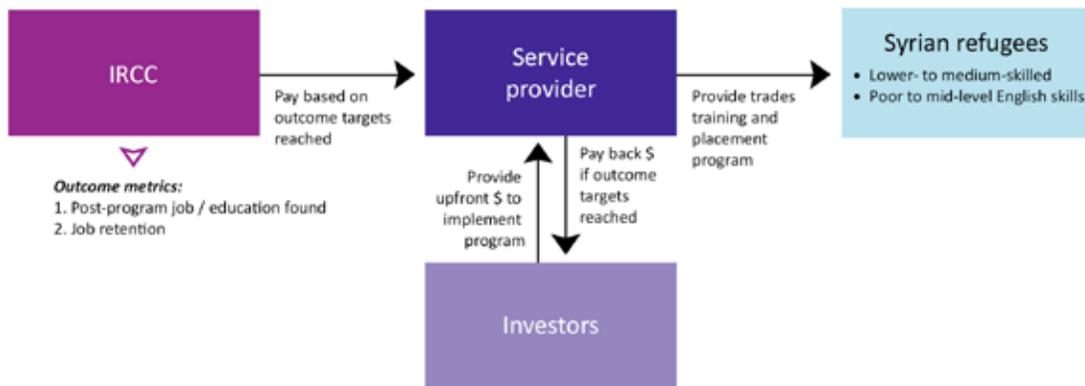
2. THE PAY-FOR-SUCCESS PROJECT

Key stakeholders and roles

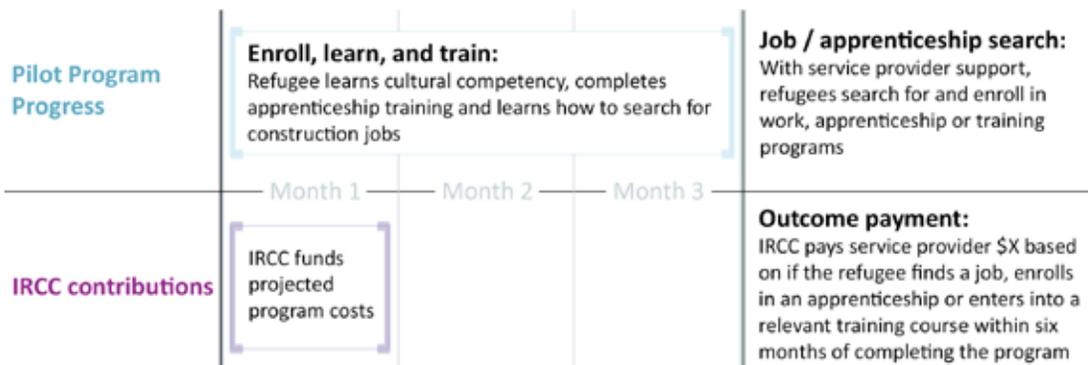
Scenario 1: Without investors



Scenario 2: With investors



Proposed pilot timelines



Target population	Low- to medium-skilled Syrian refugees (such as labourers, farmers, construction workers or tradespeople). Poor to mid-level English skills. People who previously worked in the trades or who want a career in the trades. People motivated to find a job quickly.
Program structure	<p>This section outlines one way to structure the program. The details would very likely change if IRCC decides to move forward.</p> <p>The refugee enrolls in a program designed to help him or her find work in the trades. ACCES is an example of a service provider that offers such a program. The program provides a selection of services tailored to the Syrian refugee cohort it attracts. The program may teach the refugee trades-specific English. It may familiarize the refugee with the expectations of Canadian trades employers. It may prepare the refugee for apprenticeship training and may actually supply apprenticeship training. It may let the refugee earn equipment-operator tickets and health-and-safety certificates. The program attempts to ready the refugee for a trades job or advanced training as quickly as possible.</p> <p>At the end of the program, the service provider connects the refugee to employers (or to an advanced training program, if the refugee so desires). For those who find work, the service provider works alongside the employer and the refugee to ensure a smooth transition.</p> <p>Under a pay-for-success arrangement, IRCC pays partly or entirely on outcomes. IRCC lightens or eliminates activity and expenditure reports to account for the shifted focus to outcomes. IRCC may pay a premium above the costs of the program to account for the risk transferred to the service provider or to investors.</p>
Stakeholder	A service provider and employers
Payment outcomes	IRCC might consider paying a set amount for each program graduate who enters a job, an apprenticeship or an advanced training course within six months of finishing the program. IRCC might consider paying if the graduate stays in the job, apprenticeship or advanced training course for at least six months (or, in the case of a training course, until the end of the course).
Potential service providers	See Appendix A for a few possible service providers.
Rationale	<p>Occupational skills programs combine a suite of services to help participants into particular industries. These programs include elements such as occupation-specific English instruction, health-and-safety certificates, equipment-operator tickets, workplace culture introduction and employer connections. In the span of a few months, these programs attempt to help newcomers to continue their old careers or to start new careers. They focus on low- to medium-skill jobs that let people enter the workforce or paid training quickly.</p> <p>We heard from service providers that many Syrian refugees worked in masonry, tiling and other construction jobs in Syria. Many of these refugees speak little or no English. For these refugees, an intensive program that teaches practical, work-ready English may help them into employment more quickly than general English classes. Tangible skills and connections to employers who need those skills (either through a temporary work placement or a job) can move them past survival work and into quality jobs.</p> <p>An occupational skills program would benefit from the flexibility of a pay-for-success model. Few occupational skills programs exist today. Programs have either just begun to serve Syrian refugees or will likely evolve to meet the needs of Syrian refugees. By encouraging programs to adapt to outcomes, a pay-for-success model may drive more effective service to Syrian refugees. Pay-for-success is designed to let service providers adjust and experiment with their programs more easily than in agreements tied to specific activities and expenditures.</p>

Evidence	Few occupational skills programs exist in Canada. Some of those that do exist are very young. We have not found evidence specific to occupational skills programs.
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We describe below the role of each key stakeholder and list key questions to consider.

Settlement sector's role	<p><i>Design and deliver the occupational skills program.</i> The service provider will play the central role in designing a program that meets the needs of Syrian refugees.</p> <p><i>Show leadership and dedicate significant resources and effort to implementing PFP project.</i> PFP projects require service providers to adopt an outcomes-focused mentality. Most service providers today do not take such an approach. For a PFP project to work, the service provider must lead. It must willingly accept the reputational risk that it may miss its outcome targets. It must also adopt data feedback loops to ensure it can adjust delivery against its outcomes.</p>
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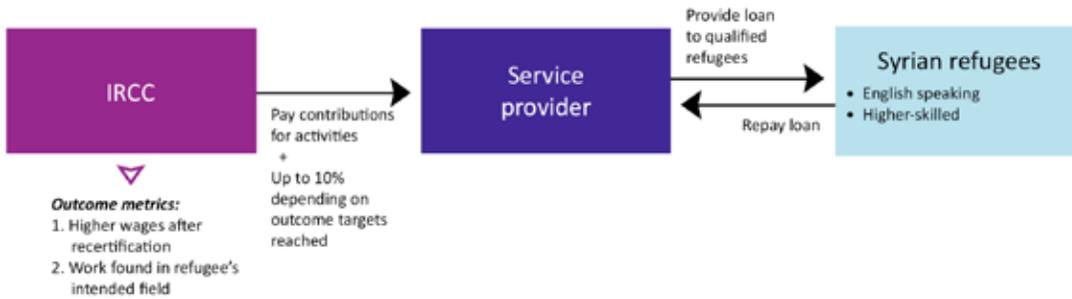
IRCC's role	<p><i>Decide on outcomes and targets in consultation with service providers and settlement sector experts.</i> To find the right balance between ambitious and realistic outcomes, IRCC should consult with service providers and settlement sector experts.</p> <p><i>Pay the service provider on its outcomes.</i> IRCC may commission an independent validator to verify the refugees' outcomes. We discuss independent validators briefly below</p>
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Social finance sector's role	<p><i>Assess and confirm the feasibility of paying for an occupational skills program through PFP.</i> The social finance intermediary would study the occupational skills program and examine its evidence. The intermediary would advise on whether the program can produce meaningful, measurable outcomes.</p> <p><i>Structure a PFP agreement.</i> The social finance intermediary would advise IRCC and the service provider on how to structure the PFP payments. It would help IRCC, the service provider and a legal team to seal the PFP arrangement in a contract.</p> <p><i>Help the service provider raise investment, if necessary.</i> The service provider may decide to seek investment to smooth its cash flow and transfer the risk of missed outcome targets off its balance sheet. If it decides to seek investment, it would likely require a social finance intermediary to link it to investors and help it pitch to those investors.</p>
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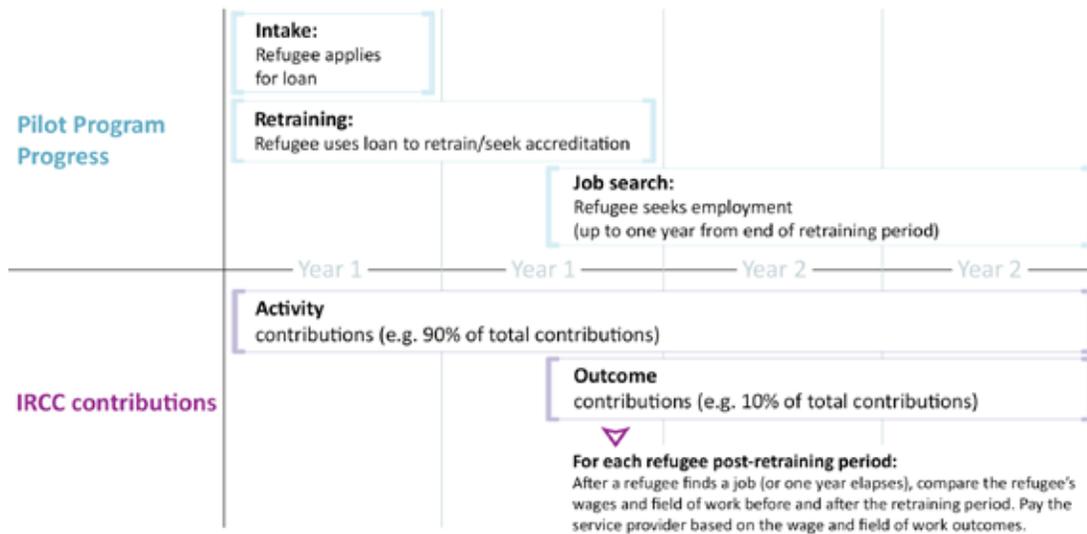
Key questions	<ol style="list-style-type: none"> 1. What percentage of its contribution should IRCC pay on activities and what percentage on outcomes? 2. Will recruiting investors help the project to scale more quickly than if it relies on the service provider's finances alone? 3. Can IRCC change its terms and conditions to enable it to pay a premium? What difficulties does IRCC expect in an attempt to change its terms and conditions? 4. Does IRCC want to launch a small and simple program in a short time, or does it want to develop a more elaborate and larger program over a longer period of time?
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3. THE TOP-UP PROJECT

Key stakeholders and roles



Proposed pilot timelines



Target population	Higher-skilled Syrian refugees who require Canadian certification to continue in their fields
Program structure	<p>This section outlines one way to structure the program. The details would very likely change if IRCC decides to move forward.</p> <p>Specialized lenders lend newcomers up to \$15,000 to recertify in the occupations they pursued in their home countries. IRCC and other governments fund those lenders to help them keep interest rates low. Under a top-up agreement, a lender lends to Syrian refugees (or to a larger segment of the newcomer population). IRCC splits its contribution between a majority on the lender's activities and a minority on its borrower's outcomes.</p> <p>Just as with the pay-for-success model, the parties in a top-up project agree on outcomes and targets. IRCC pays most of its contribution on activities. It reserves a small amount to pay if the program hits its outcome targets. Both activity payments and outcome payments cover eligible expenditures as defined by IRCC's terms and conditions. The service provider must therefore report on activities, outcomes and expenditures.</p>
Stakeholder	A lender that specializes in recertification loans
Payment outcomes	IRCC might consider paying on the difference between a borrower's wages before and after the loan. IRCC might also consider paying on the difference in the borrower's field of work before and after the loan. Under that scheme, IRCC would pay if a borrower moved closer to his or her original field of employment. Finally, IRCC might consider paying on the change in a borrower's credit score.
Potential service providers	See Appendix B for a few possible service providers.
Rationale	<p>In order to meet the criteria "Augment employment services now offered to Syrian refugees," we suggest a recertification loan program. One prominent lender, the Immigrant Access Fund (IAF), believes it serves only a fraction of the market for recertification loans. Recertification lenders could likely expand a great deal.</p> <p>Recertification loans cover exam fees, tuition and other costs that immigrants must pay to recertify into their professions. Some programs allow immigrants to apply the loans to living expenses. The loans help highly-trained immigrants to escape the survival job trap and instead find jobs in their fields.</p> <p>Many Syrian refugees speak little English and took only a few years of schooling. Just under 7%, however, hold a bachelor's degree or higher, and another almost 8% have some postsecondary education. Syrian refugees who must recertify to restart their careers in Canada must find a way to pay the fees while at the same time studying for exams and courses.</p> <p>Newcomers in the recertification process often turn to loans to make ends meet. A Syrian refugee could apply for a bank loan, but the bank may shy away from someone so new to the country and with so short a credit history. The bank may also charge more than the refugee can afford. Recertification loan programs lend at subsidized rates and look beyond credit histories. Government and philanthropic funding allow the programs to lend at subsidized rates.</p> <p>IAF and programs like it function well under their current funding arrangements. We have been asked the benefits to applying PFP to recertification loans. First, we believe that recertification loans—and their simple yet meaningful outcomes—offer IRCC an easy entry into PFP, especially within the confines of its current terms and conditions. Second, we believe that PFP may give a recertification loan program more information on why and for whom the program works.</p> <p>Evidence suggests that recertification loans help immigrants make more money and find jobs in their field. A snapshot study, however, does not necessarily help a service provider adjust over time or learn how well its programs serve new groups, like Syrian refugees. By mandating careful collection of outcomes data, the top-up model may reveal population segments that need more help than a loan can provide. The model should encourage the service provider to adjust to the needs of each borrower.</p>

Evidence	Researchers have published two studies on IAF. ⁷ Those studies show that borrowers earn more money after recertifying. IAF's records indicate that 80% of its borrowers find work similar to their pre-Canada work. ⁸
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We describe below the role of each key stakeholder and list key questions to consider.

Settlement sector's role	<p><i>Screen Syrian refugee applicants and lend to approved applicants.</i> Lenders already assess loan applicants to determine whether they meet loan criteria.</p> <p><i>Track Syrian refugees who complete the recertification program.</i> The service provider would set up data collection infrastructure to track, measure and report on target outcomes. The service provider would need to collect data on Syrian refugees before and after they enter the recertification program. It would need to track employment data to learn whether borrowers find jobs in their intended fields or at higher wages.</p> <p><i>Show leadership and dedicate significant resources and effort to implementing PFP project.</i> PFP projects require service providers to adopt an outcomes-focused mentality. Most service providers today do not take such an approach. For a PFP project to work, the service provider must lead. It must willingly accept the reputational risk that it may miss its outcome targets. It must also adopt data feedback loops to ensure it can adjust delivery against its outcomes.</p>
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IRCC's role	<p><i>Decide on outcomes and targets in consultation with service providers and settlement sector experts.</i> To find the right balance between an ambitious outcome and a realistic outcome, IRCC should consult with service providers and settlement sector experts. IRCC would need to determine what constitutes a meaningful period of employment. For instance, if a client finds a job with higher wages in his or her intended field but keeps it for only two weeks, does that count as success?</p> <p><i>Pay service provider on its outcomes.</i> IRCC may commission an independent validator to verify the refugees' outcomes. We discuss independent validators briefly below.</p>
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Social finance sector's role	<p><i>Assess and confirm the feasibility of paying for a loan recertification program through PFP.</i> The social finance intermediary would study the recertification program and examine its evidence. The intermediary would advise on whether the program can produce meaningful, measurable outcomes.</p> <p><i>Structure a PFP agreement.</i> The social finance intermediary would advise IRCC and the service provider on how to structure the PFP payments. It would help IRCC, the service provider and a legal team to seal the PFP arrangement in a contract.</p>
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Key questions	<ol style="list-style-type: none"> 1. What percentage of its contribution should IRCC pay on activities and what percentage on outcomes? 2. What can IRCC offer to a service provider to attract them to a model in which the service provider still reports on its expenditures and cannot earn a premium, but risks some of its contribution on outcomes? Can IRCC offer a larger or longer contribution than it would otherwise allocate? 3. How should parameters be set for determining whether or not a Syrian refugee has found work in his or her intended field? 4. For how long should a Syrian refugee have to hold a job before the job counts toward the outcome targets?
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7. Emery, J.C.H. (2015). Evaluating the Income & Tax Yield Outcomes of the Immigrant Access Fund Program in Alberta. Retrieved from <http://www.iafcanada.org/wp-content/uploads/2015/10/Emery2015.pdf>; Emery, J.C.H. and Ferrer, A. (2010). The Social Rate of Return to Investing in Character: An Economic Evaluation of Alberta's Immigrant Access Fund Micro Loan Program. Retrieved from <http://www.iafcanada.org/wp-content/uploads/2015/10/The-Social-Rate-of-Return-to-Investing-in-Character.pdf>

8. Our Impact. (March 23, 2017). Retrieved from <http://www.iafcanada.org/our-impact/>

WHAT OTHER PARTNERS SHOULD IRCC CONSIDER AS IT WEIGHS PAY-FOR-PERFORMANCE?

The previous section discussed the roles of the settlement sector, the social finance sector and IRCC within each pilot. In this section, we discuss the roles of validators and intermediaries across PFP models. Many PFP projects contract a validator and an intermediary.

Independent validators

IRCC should consider hiring a social research organization to validate outcomes. An independent organization can avoid any biases in assessment. Social research organizations that have some experience with social finance models include:

- HUB Health Research Solutions
- Social Research and Demonstration Corporation
- Toronto Health Economics
- Technology Assessment Collaborative

IRCC may wish to deploy a request for proposals (RFP) to select a social research organization.

IRCC might deploy the RFP before the pilot's launch if it wants to solicit the validator's advice on evaluation and data collection. Selecting and working with a validator sooner rather than later will ensure that the validation process integrates with the service provider's data collection process.

Social finance intermediaries

IRCC should consider hiring a social finance intermediary to advise on each PFP pilot. PFP models are relatively new financial structures that usually require an expert to intermediate between stakeholders. Social finance intermediaries help stakeholders to understand the PFP design and to work together toward the outcomes. While service providers know their programs best, social finance intermediaries must become intimately familiar with the program design. A well-versed intermediary can recommend the PFP structure that will best align stakeholder incentives and avoid perverse incentives.

CONCLUSION

We propose three pilots: 1) an incentive to employers who hire Syrian refugees and help them to improve their English, 2) a pay-for-success arrangement to implement a new trades program, and 3) a top-up arrangement to expand recertification loans.

To prioritize the pilots, IRCC should ask the following questions.

1. What barrier is the most important to overcome? Should IRCC focus on employer reluctance, inadequate resources to help low-skilled refugees with little English or too few options for high-skilled refugees who are ready to recertify and continue their careers?
2. Does IRCC want a quick win on PFP or a larger, riskier project that may help more Syrian refugees?
3. Does IRCC want to design its first PFP project with a strong and familiar service provider or with an organization that might bring new ideas and new skills to the table?
4. For which of the pilots will IRCC have to modify its terms and conditions? How long will it take to modify the terms and conditions?

Regardless of which pilot it selects, IRCC should promote PFP among employment service providers. Service providers today see several obstacles to PFP. First, service providers are usually non-profit organizations that cannot draw on savings to run a program or to cover losses if a program misses its outcome targets. These service providers hesitate to take the risk of missed outcome targets. Second, most service providers do not regularly collect rigorous outcome data, and funders, including governments, usually request activity or output data. Establishing new data collection methods takes a great deal of effort. IRCC should consider providing contributions to enable more service providers to increase their data collection capacity.

APPENDIX A: OCCUPATIONAL SKILLS SERVICE PROVIDERS

Program	Sector	Elements	Population
ACCES Employment: Construction Trades Program (Toronto)	Construction	Program teaches workplace culture, construction-specific English and hands-on construction skills. Participants can earn health-and-safety certificates and construction-skills tickets. Program helps the refugees move into an apprenticeship, a job or an advanced training course.	Syrian refugees.
YMCA-YWCA National Capital Region: Power of Trades (Ottawa)	Trades (construction, automotive, industrial and service)	Six weeks of in-class trades orientation followed by a three-week work placement. Participants often take English classes on the side as they work toward an Ontario high-school diploma. Program works with employers to place graduates into jobs.	Immigrants (permanent residents, Convention refugees and live-in caregivers).
Skills for Change: Pre-Apprenticeship Training Program (Toronto)	Machining	In-class and practical education on technical English, technical math, computer numerical control and other machining skills. Participants then complete an eight-week work placement. Program works with employers to place graduates into jobs.	Newcomers, women, youth and Aboriginal people. High-school diploma or equivalent.
St. Stephen's Community House: Connections (Toronto)	Customer service	Twelve weeks of in-class training to improve business communication skills and learn common business software. Six-week job placement. Participants gain certification in Customer Service Excellence. Support offered after program to help graduates find jobs.	Immigrants on social assistance. Minimum English as a Second Language 6.

APPENDIX B: RECERTIFICATION LOAN PROGRAMS

Program	Loan Amount and Rate	Term	Population
Immigrant Access Fund (national except Quebec)	Up to \$10,000. RBC Prime plus 1.5% (now 4.2%).	Two- to four-year term. Interest only during accreditation (maximum two years).	Permanent residents, provincial nominees, refugees and Canadian citizens born outside Canada.
SEED Winnipeg: Recognition Counts - Micro Loans for Skilled Immigrants (Manitoba)	Up to \$10,000. Assiniboine Credit Union Prime plus 2%.	Five-year term. Interest only during accreditation and initial job search (maximum two-and-a-half years).	Permanent residents and Canadian citizens born outside Canada. Must reside in Manitoba, live on low income and seek employment in field.
S.U.C.C.E.S.S.: Foreign Credential Recognition Loan Project (British Columbia)	Up to \$15,000. TD Prime plus 1%.	One- to two-year term. Three months interest-free.	Permanent residents and Canadian citizens who hold foreign credentials.
MOSAIC: Microloans (British Columbia)	Up to \$7,500. Prime plus 3%.	Not specified.	Permanent residents and Canadian citizens who can show how a microloan would accelerate their careers.
WIL Employment Connections: Internationally Trained Worker Loan Program (southwestern Ontario)	Libro Credit Union Prime plus 1%.	Not specified. Interest only during training.	Permanent residents and Canadian citizens. Must reside in southwestern Ontario, write an occupational goal plan and seek an occupation in high demand.
Immigrant Services Association of Nova Scotia: Career Pathway Loan Fund (Nova Scotia)	Not specified.	Not specified.	Permanent residents and Canadian citizens born outside Canada. Must reside in Nova Scotia and write an occupational goal plan.



MaRS Centre for Impact Investing
101 College Street, Suite 420
Toronto, Ontario M5G 1L7
Tel: 416-673-8100
impactinvesting.marsdd.com