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Universities also expressed serious reservations about whether private sector contributions to research in our disciplines would grow fast enough to reach the established ceilings especially in the later years of the cycle. Finally, even if the Council does succeed in generating private sector funds to reach the established ceilings, it is difficult to plan future activities because the matching funds do not go into the Council's base budget. After the final year of the matchings funds policy, the Council's budget will decline from \$82.2 million to \$63.7 million. The Council would therefore like assurance that this will not occur and that the matching funds will be included in its base budget.

Nevertheless, faced with the challenge of responding to the matching funds policy, the Council acted quickly. In 1986/87, it introduced the Canada Research Fellowships (CRF) program which is jointly financed by the SSHRC and the private sector. This program was designed to improve the career opportunities for promising researchers in the social sciences and humanities and to ensure an adequate supply of highly qualified Canadian researchers to meet the expected demand for faculty and research appointments in Canada throughout the next decade. Despite the best efforts of universities, there was virtually no response from the business sector and almost all CRF's were funded using university endowment funds. Our experience with this program, therefore, has confirmed our concern that the opportunities for gaining substantially increased funding from the business sector for research in the HSS are probably relatively limited.

The council also embarked on a consultation with the academic community to review its priorities in the light of the anticipated financial implications of the matching funds policy. Given the deterioration of its budgetary situation and concern that matching funds would not reach the ceilings established for years three and four, the council made the hard decision to cancel seven of its programs to protect its core activities. In the spring of 1987, it prepared a discussion paper, "Focus on Priorities", which was circulated to the academic community seeking their views on how SSHRC could develop new initiatives which would attract more private sector contributions in the future.

Generally, respondents to the council's consultation document expressed serious reservations about the implications of the matching funds policy for the council. They felt that the policy was an inappropriate approach for providing basic funding for SSHRC, as much of the research it funded related to government or quasi-government organizations and would not, therefore, be eligible for matching funds under the terms of the policy.

Despite the academic communities' reservations and the council's own apprehensions about the ability of universities to generate sufficient private sector funds to ensure that the ceilings would be reached, the results from the first year under the

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program have in fact far exceeded our expectations. The \$6 million ceiling was not only reached but surpassed, with eligible contributions in 1986-87 amounting to \$24.7 million. The large volume of funds reported was due largely to the fact that a broad definition of "private sector" was allowed under the policy which included university endowments and trusts, private sector trusts, non-profit corporations and foundations. Of the \$24.7 million of eligible private sector contributions, 42 per cent came from university endowments and trust funds. That is, moneys already raised by the universities for their own purposes. A further 13.9 per cent came from private foundations and trusts. Contributions from business organizations amounted to \$3.7 million or 14.9 per cent of the total. It should also be noted that 80 per cent of the eligible private sector contributions came from large universities and they will therefore be receiving 80 per cent of the return rate paid by the council. However, the fund-raising efforts of these large institutions do benefit the entire university research community as they provide a financial return to the council which will be distributed through its programs to assist all successful applicants, whenever they are in the country.

Although the council is pleased with the universities' response to the matching funds policy during the first year of its operation and is hopeful that the large volume of funds reported will enable it to reach the ceilings for the third and fourth years, there is no guarantee that this will occur. At this stage it is not clear to what extent the matching funds reported are new funds, and also whether or not there is any room for significant growth in private sector support of humanities and social sciences research.

To encourage universities actively to solicit private sector contributions for university research, the council has offered the universities an incentive fee, and that is in two parts. In the case of the funds received for Canada Research Fellowships, the council matches 100 per cent of the private sector contribution raised by the university. In the case of other contributions, the incentive fee is 20 per cent of the matching grant claimed by the council for the first two years of the program. The council intends, however, to review the payment of the incentive fee for the last two years of the policy, in light of its budgetary situation, and the experience with the first years of the program.

The amount of eligible claims for 1986-87 is \$18.7 million above the established ceiling of \$6 million. Under the rules of the matching funds policy, the council is not able to carry forward the overmatch to the next year. This means that incentives paid to universities will be substantially lower than that expected by the universities. The SSHRC has requested the government to increase the matching ceiling or to allow it to carry forward the overmatch, but so far the government has been unwilling to accede to this request. This means that the