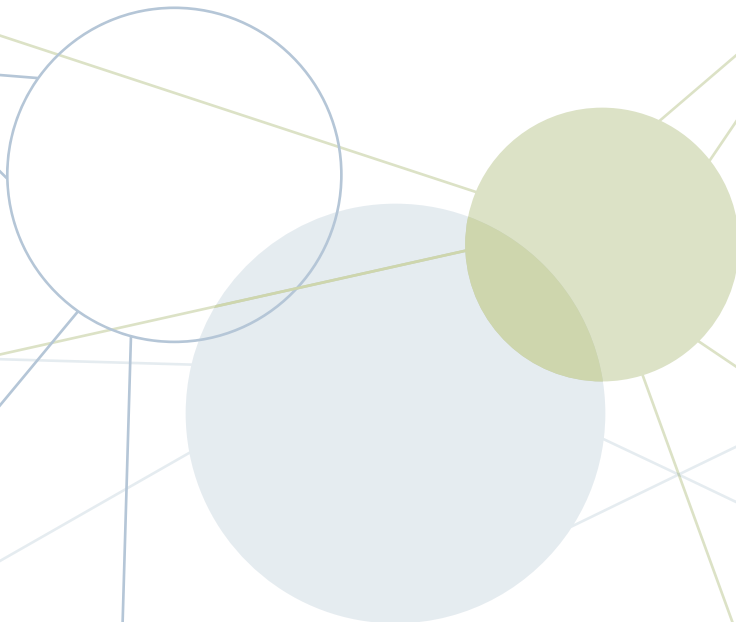




HARNESSING THE POWER OF SOCIAL FINANCE

Canadians Respond to the National Call
for Concepts for Social Finance

MAY 2013



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Message from the Minister



Last November, I had the pleasure of launching the Government of Canada's inaugural Call for Concepts for Social Finance at the Social Finance Forum in Toronto. I invited organizations and individuals from across Canada to bring their best ideas forward; ideas that could help our Government address some of our social challenges in new and different ways, and ultimately to help greater tap the potential of social finance.

The Call clearly struck a chord with Canadians. The response exceeded our expectations, with over 150 submissions received from across the country that address key priorities for Canada's long-term prosperity.

Social finance has enormous potential for unlocking new sources of capital and creating a broader shift in the way that all of us – governments, business, not-for-profits, charities and foundations – work together toward new ways to improve social and economic outcomes for Canadians. It's not about displacing government funding or programs, it's about maximizing the impact of our collective efforts by helping spread proven approaches.

Already, Canada has an impressive social finance sector led by a number of innovative organizations; many of whom are listed in this report. These leaders are crucial to moving this field forward and presenting potentially viable ideas to government. I would like to thank members of the impact-investing community who are part of my Voluntary Advisory Council on Social Partnerships. This group continues to provide me with advice on how our Government can help turn these ideas into action, and their contributions have been simply invaluable.

Moving forward, the Government will follow through on these concepts by immediately bringing together key players in the non-profit and private sectors. The goal will be to develop "investment ready" ideas into social finance pilot projects.

I would like to thank everyone who participated in the Call and I am excited about continuing to build on the momentum around social finance. I hope that together, we can take action, in new and innovative ways, and make Canada and our communities even stronger.

The Hon. Diane Finley, P.C., M.P.

Minister of Human Resources and Skills Development

Executive summary

The Government of Canada plays an important role in supporting and funding thousands of initiatives devoted to addressing some of Canada's most pressing economic and societal challenges. At the same time, the Government recognizes that the approaches currently offered by all governments, foundations, organizations and committed individuals are not consistently producing measureable results for some disadvantaged groups like the homeless, the persistently unemployed and at-risk youth. Individuals in these vulnerable groups often face challenges ranging from a lack of skills to chronic poverty or mental health issues.

To bring fresh thinking to long-entrenched dilemmas, new methods and cross-sector partnerships are needed. In recent years, the phenomenon of social finance has shown promise for increasing the impact of spending on societal issues.

As part of broader efforts to research the potential of social finance to augment existing programs with new capital and new ideas, Diane Finley, Minister of Human Resources and Skills Development, asked Canadians to participate in the National Call for Concepts for Social Finance between November 2012 and January 2013. A Voluntary Advisory Council on Social Partnerships to the Minister, composed of Canadian social finance leaders in the not-for-profit and private sectors, provided advice on the development of the Call for Concepts consultation.

For the past 18 months, Human Resources and Skills Development Canada (HRSDC) has been testing ways to maximize the impact of federal spending to support community-level partnerships and elements of social finance and impact investing (see Annex A for details).

The 154 responses to the Call showed that there are many innovative and collaborative solutions being developed by citizens, businesses, charities and other groups to resolve a wide range of societal difficulties. Submissions featured social impact bonds, social investment funds and social enterprises, as well as ideas for structuring the flow of funds and suggestions for using social finance methods to scale up successful existing projects or introduce new services. Fifteen examples are profiled in detail, selected to illustrate the wide range of ideas submitted and social finance tools described in various parts of the country. They include:

- **Boys and Girls Clubs of Canada's**
Skilled4Success, a concept for introducing young people to career options in the skilled trades
- **Pathways to Education Canada's**
Northern Graduation Network, a concept to increase high school graduation rates in northern communities
- **Ottawa Regional Cancer Foundation's**
Cancer Coaching concept that seeks to improve the quality of life for cancer patients
- **Aboriginal Savings Corporation of Canada/J.W. McConnell Family Foundation's** proposed First Nations Housing and Infrastructure Fund, a concept for accelerating investment in these areas

- **Social Finance for Supportive Housing Working Group's** concept to fund 10,000 housing units for people living with mental illness
- **JVS Toronto's** Youth Reach Program, a concept targeting marginalized youth who are at risk of conflict with the law
- **Valuenomics' Avanti Program**, a concept for addressing skills shortages in northern British Columbia's resources sector
- **Ottawa Community Loan Fund's** Seniors' Housing Project, a concept that would develop small-scale, independent community-based living units
- **Maytree Foundation's** Immigrant Mentoring Program, a proposed support system concept that pairs new Canadians with experienced professionals in their occupations
- **Omega Foundation's** SmartSAVER, a concept to boost participation of lower income families in the Canada Learning Bond and Registered Education Savings Plan
- **Mouvement des Caisses Desjardins'** microcredit program, a concept that provides interest-free loans, longer payback periods and business training to underserved entrepreneurs
- **The Toronto Enterprise Fund**, a concept that provides business coaching and financing to social enterprises staffed by marginalized people
- **Carleton Centre for Community Innovation's** Canadian Impact Infrastructure Exchange, a concept describing a proposed method of building capacity for large-scale public/private investment
- **SEA Change Nation's** LEARN-LAUNCH-SHARE Program, a concept to scale up a social enterprise that introduces at-risk youth to business and provides support for their new business ideas
- **YMCA Canada's** Single-window Solution for Youth Employment Support, a concept proposing a national service delivery model for streamlining access to internships and job opportunities

These promising ideas put forward by Canadians cut across sector boundaries and break down accepted ways of funding and delivering services. To permit a fuller understanding and appreciation of the concepts submitted, this report also provides a review of social finance activities occurring internationally and across Canada, as well as background information on key social finance tools.

In the coming months, the Government of Canada will take several steps to bring players together, incentivize leveraging, encourage new partnerships and stimulate innovative ideas for addressing social and economic challenges. The Government will look to leaders in the social finance sector, such as the J.W. McConnell Family Foundation, the Centre for Impact Investing at MaRS, Vancity (Vancouver City Savings Credit Union), LIFT Philanthropy Partners, Social Capital Partners, Mouvement des Caisses Desjardins and others to help identify a way forward.

Why a Call for Concepts?

The world has changed profoundly over the past decade, and Canada faces a range of increasingly complex challenges. There is also a growing recognition that governments no longer have a monopoly on defining and providing solutions. The traditional approach to solving complex societal problems is falling short, and there is much to be gained from the involvement of all sectors. Not coincidentally, a space known as “social innovation” is emerging to bring together the previously distinct government, private, not-for-profit (NFP) and charitable worlds. These groups are eager to share their experiences and skills for a number of reasons:

- NFP organizations have difficulties planning and sustaining efforts as funding from all sources (government, the private sector and individuals) becomes increasingly uncertain.
- Many private investors, including foundations, companies and high-net-worth individuals, are seeking strategic investments that deliver social impact as well as financial returns.
- Citizens and communities are recognizing that social innovation empowers them to play a greater decision-making role and to shape their lives.

For governments, this shift presents an opportunity to adopt the role of enabler and facilitator rather than procurer of services. It allows government to capitalize on Canadians’ best ideas and focus limited resources where they will deliver the strongest results.

In communities across the country, Canadians are already engaged in finding innovative approaches to tackling local issues such as job creation, skills development, social housing and homelessness. They are collaborating across sectors and leveraging new ideas and sources of funding. Budgets 2011 and 2012 highlighted the potential of these relationships to strengthen government-community partnerships.

In November 2012, the Minister of Human Resources and Skills Development introduced a pioneering web-based public policy process, the Call for Concepts for Social Finance. The goal was to seek ideas from individual Canadians and groups across all sectors of society to help government identify new ways to address social and economic issues. The Call for Concepts issued a challenge to Canadians: “What would you do to harness the power of social finance?”

The response from Canadians exceeded expectations. More than 150 submissions came from across the country, addressing key priorities for Canada’s long-term prosperity. These results have confirmed that Canadians are eager to participate in creating solutions to the dilemmas they see around them or experience personally.

WHAT IS SOCIAL FINANCE?

Social finance is an approach to mobilizing multiple sources of capital that delivers a social dividend and an economic return in the achievement of social and environmental goals. Social finance provides opportunities to leverage additional investments to increase the available dollars to scale up proven approaches that address social and environmental challenges. It also creates opportunities for investors to finance projects that benefit society and for community organizations to access new sources of funds.

WHY SOCIAL FINANCE?

Traditional public and grant funding cannot adequately support a growing number of social innovations. Social finance mobilizes many sources of capital to provide access to new revenue streams and leverage scarce government funds to scale up proven innovations and finance preventative interventions. Social finance is a form of impact investment that requires new tools and instruments. The Government of Canada has started to test approaches with several pilot projects launched over the past 18 months to assess new partnership models and explore new social finance tools. Recently, HRSDC has been piloting ways to maximize the impact of federal spending to support community-level partnerships through pay-for-performance agreements and leveraging of private sector resources.

Although the most obvious benefit of social finance is that it provides a new flow of financing to broaden the impact of existing programs or support new initiatives, it isn't only about money. Social finance engages a wider field of participants in generating new ideas for more effective programming in many realms (e.g., unemployment, poverty, homelessness) while introducing private sector best practices.

Despite the economic jargon – briefly explained in the Glossary – social finance is practical and grounded in real-world solutions. It allows a wide range of organizations and citizens including governments, businesses, high-net-worth individuals, foundations and community organizations to benefit philanthropically and financially by participating in initiatives like a skills development program in the natural resources sector, an affordable housing project or a consignment store for teen clothing – just a few of the innovative ideas submitted to the Call for Concepts.

Glossary

Social innovation refers to proven ideas that work to address pressing unmet needs by applying new learning and strategies to solve these problems.

Social finance is an approach to managing money that delivers both a social benefit and an economic return for investors.

A pay-for-performance contract is an agreement between a government and external organizations in which the government identifies desired social results and commits to pay the external organizations an agreed upon amount of money once these results are achieved.

A social impact bond (SIB) is an instrument for funding projects where a prearranged amount of money is paid out if performance results are achieved. SIBs combine a pay-for-performance element with an investment-based approach: private investors provide up-front capital to fund interventions, and can expect to get back their principal investments and a financial return if the results are achieved.

A social investment fund acts to pool capital from investors to provide loans, mortgages and venture capital to not-for-profit organizations, social enterprises and social purpose businesses.

A social enterprise/social purpose business is a company whose goal is to provide goods and services while also addressing a social agenda.



Social finance around the world

INTERNATIONAL DEVELOPMENTS

Although the concept of linking private capital to societal improvement has been around for decades in many jurisdictions, three countries are on the leading edge of social innovations and social finance models:

United Kingdom (UK)

The UK is the world leader in the development of social finance. Since introducing the world's first social impact bond (SIB) in 2010 – a prevention program to reduce recidivism among Peterborough Prison inmates – the UK has launched 14 national and local SIB projects that target a range of societal issues including “chaotic” families and homelessness. With its “Future for Children” bond, the UK was also the first country to present a public offer for investment in a SIB.

The UK is home to “Big Society Capital,” a social investment bank started by the government to help grow the social investment marketplace, as well as a public company titled simply “Social Finance” that has a similar goal. It has supported the creation of several social investment funds including the Centre for Social Action's Innovation Fund (£14 million), the Social Outcomes Fund (£20 million) and the Department of Work and Pensions Innovation Fund (£30 million).

The UK is also seeking to improve its legal and administrative environment for social innovation projects by reviewing its *Charities Act* and making amendments to financial services legislation. In June 2013, the UK will host a G8 Social Impact Investment event in London to discuss, among other issues, the role of social finance in the economic recovery at national and international levels.

United States

To lead the work on social finance, the White House established the Office of Social Innovation and Civic Participation, whose role includes working with the Social Innovation Fund, a grant program that helps non-profits expand effective programs. The 2014 Budget proposed by President Obama (*Budget of the United States Government 2014*) also included \$495 million for “Pay for Success” pilot projects in areas such as job training, housing and education as well as an incentive fund for state and local governments.

A recidivism SIB is underway in New York City, and two other SIBs in the areas of chronic homelessness and juvenile justice are being negotiated in Massachusetts. In California, a demonstration project to test a health impact bond is being launched to address chronic asthma and reduce associated hospital visits by young children.

The Harvard Kennedy School has created a SIB Technical Assistance Lab offering pro-bono assistance to states and local governments considering the Pay for Success model. A number of other states and municipalities (e.g., Philadelphia, Utah, Cook County) are also examining how Pay for Success approaches may work in those jurisdictions.

Australia

New South Wales recently signed a contract for its first “Social Benefit Bond” (SBB) which aims to improve services and lives through increased investment in the child protection system. Negotiations are underway for additional SBBs in the areas of family preservation and reoffending, and the region has also started a Social Investment Expert Advisory Group to provide advice on social investment and payment-by-outcomes options.

CANADIAN INITIATIVES

Many social finance initiatives are already successfully operating in Canada. As social finance has been a bottom-up phenomenon to-date, these activities are largely in the private and NFP sectors. The following are only a few examples of the changing social finance landscape across the country:

- The Youth Social Innovation Capital Fund (YSI-CF) was created in 2011 in Toronto to support young social innovators. The Fund provides finance (loans), resource support (networking and mentoring) and impact measurement support to help youth develop and launch their social innovations and social enterprises.
- The MaRS Centre for Impact Investing was established in late 2011 to act as a hub and incubator, encouraging collaboration among private, NFP and government sectors. The Centre is working on a Social Venture Exchange, the certification of “B” corps in Canada (corporations that use the power of business to address social or environmental problems) and the annual Social Finance Awards.
- The YMCA Toronto issued a “community bond” in December 2011 to fund 300 housing units for women and children. Worth \$1 million, the bond was purchased by the Muttart Foundation and will pay a reasonable rate of return.
- LIFT Philanthropy Partners uses venture philanthropy to strategically invest in Canada’s NFP sector to deliver social impact to tackle pressing societal challenges, including employment, literacy, skills training, health and wellness to improve the social well-being and economic prosperity of Canadians.
- BC Social Ventures Partners (BCSVP) pools funding and expertise to donate money, time and advice to help targeted NFPs achieve their goals. BCSVP helps organizations build capacity and assists community organizations to grow and work effectively toward their missions. The group focuses on assistance to children, youth and families as well as local social enterprises.

- RBC's Impact Fund, created in January 2012, is investing \$20 million to support the development of solutions for environmental and social problems. Priority areas include employment opportunities for newcomers and youth, environmental sustainability and water management projects.
- In British Columbia, the Vancouver Foundation and credit union Vancity created the Vancity Resilient Capital Fund with a grant from the Government of British Columbia. The pool of \$15 million dollars is earmarked for investment in social enterprises.
- Quebec credit union Mouvement des Caisses Desjardins developed the "Placement à rendement social," an investment fund focused on housing, environmental and cultural projects that allows the public to invest via their retirement vehicles (RRSPs) or tax-free savings accounts.

Governments of all levels have taken notice of these exciting developments in the NFP and financial communities, and many governments are exploring innovative ways to tackle intractable societal problems – including:

British Columbia

The British Columbia Social Innovation Council recommended in 2011 that the private and NFP sectors partner with the provincial government to create SIBs to fund prevention services, improve social outcomes and attract new sources of social investment capital. It further recommended that social enterprises gain access to government programs and supports typically provided to small and medium-sized enterprises, for which they are currently not eligible. In 2012, the provincial government co-sponsored "B.C. Ideas," a province-wide innovation competition that generated 466 ideas with winners sharing over \$270,000 in funding. The province's Budget 2013 highlighted British Columbia Social Innovation Council's recommendations, and echoed continued support for social innovation and entrepreneurship.

Alberta

Alberta's Budget 2012 mandated results-based budgeting and reviews of all government programs and services, as well as support for spending based on outcomes. Budget 2013 committed to accelerating this process, including work to evolve Alberta's Persons with Developmental Disabilities Program into a more outcomes-based service delivery orientation.

Ontario

Ontario's Budget 2012 committed to exploring opportunities for new partnerships that encourage improved outcomes at a lower cost by transforming traditional approaches to the delivery of services. The 2012 Commission on the Reform of Ontario's Public Services, also known as the Drummond Report, recommended pilot projects to test SIBs across a range of applications.

Quebec

The Minister for Industrial Policy and the Banque de développement économique du Québec planned to introduce a framework law in the National Assembly during the Spring 2013 Parliamentary session to recognize, promote and develop the social economy. To combine many economic development programs and simplify access to funding for NFPs, the Province will create the Banque de développement économique du Québec. Budget 2013 committed to increasing access to AccèsLogis Québec, a financial aid program that encourages pooling of public, community and private resources to produce social and community housing.

Newfoundland and Labrador

Newfoundland and Labrador's 2012 Speech from the Throne signalled an interest in exploring innovative initiatives for tackling complex challenges.

Nova Scotia

Nova Scotia's Budget Address 2012 committed \$200,000 to develop a social enterprise strategy that will support communities and businesses. Innovative strategies have also been outlined through the JobsHere agenda, which includes implementing a Social Enterprise Loan Guarantee Program. The 2013 Speech from the Throne declared that Nova Scotia would be the first Canadian jurisdiction to offer SIBs.

Municipal

Social finance initiatives are also being developed within municipal governments. One example is the City of Toronto's Toronto Atmospheric Fund (TAF), which seeks to address emissions from buildings and transportation. TAF's three programs — Incubating Climate Solutions, Mobilizing Financial Capital and Mobilizing Social Capital — promote energy efficiency retrofits in buildings, electric vehicles for fleets, efficient transportation of goods, natural gas alternatives like geothermal, and social innovation to support emission reduction strategies.

Canadians respond to the Call for Concepts

The Call for Concepts for Social Finance, open from November 8, 2012 through January 31, 2013, invited Canadians to build on the momentum of this growing movement and influence future policy initiatives. The questionnaire was designed to capture a broad spectrum of input and asked submitters to outline:

- The social problem being addressed (e.g., homelessness, unemployment)
- A description of the population being targeted (e.g., at-risk youth, Aboriginal people)
- The elements of the social innovation or project and the social finance idea being proposed
- How money would flow to the innovation project and through the proposed social finance initiative (e.g., via a SIB, investment fund or social enterprise)
- The types of measurements needed to demonstrate success of the idea and whether there is any existing evidence showing that this type of project has promise

More than 150 submissions were received; many were supplemented by additional materials to support the concepts. The awareness of societal difficulties and the scope of ideas presented were both impressive and encouraging. Submitters had given serious consideration to how partnerships and financing tools could be harnessed innovatively to deliver improved outcomes. From across the country, responders to the Call for Concepts outlined their concerns and supported their proposals with empirical evidence, anecdotes and third-party research. Regardless of the challenge identified or the solution proposed, respondents shared a strong desire to influence change and improve the lives of Canadians.

While there is a large number of strong submissions, in this report we have chosen to profile 15 particularly compelling concepts. Some are presented to illustrate the range of social issues that Canadians are eager to address, and others to highlight the different ways that social finance tools and structures can be utilized.

REGION AND SECTOR REPRESENTATION

Submissions came from most regions in Canada. Among participants who identified their location, the breakdown was skewed towards Ontario and British Columbia (Figure 1).

Among those who identified organizational affiliation, the majority came from the NFP or charitable sector, with the balance from private, expert/academic and government/think tank sources. Many organizations were national in scope (Figure 2).

Figure 1

Geographic Distribution (among 86 self-identified)	Frequency
Ontario	45
British Columbia	17
Alberta	9
Quebec	6
Manitoba	5
Nova Scotia	2
Saskatchewan	1
Prince Edward Island	1
Total	86

Figure 2

Types of Participants (among 109 self-identified)	Frequency
Non-profit or charitable organizations	79
Private sector	14
Expert/Academic	11
Government	3
Think tank	2
Total	109

ISSUES ADDRESSED

The submissions covered a broad range of issues that cut across federal, provincial and municipal oversight, underscoring the reality that many of today's societal challenges are too large to be addressed by one department or even one level of government. Some submissions suggested projects to address a very specific issue, while others encompassed multiple issues. Key areas of focus are outlined in Figure 3.

Figure 3

Concept Area	Frequency
Multiple domains	45
Youth	21
Health	15
Aboriginal people	13
Housing/Homelessness	13
People with disabilities	11
Public safety	6
Unemployed	5
Seniors	4
New Canadians	4
Other	17
Total	154

Youth

Submissions in this area pointed out that many young Canadians live in low-income housing, have high unemployment rates, experience a mental health issue and drop out of high school. The risk of carrying these issues or associated problems into adulthood was noted. A submission from the **Boys and Girls Clubs of Canada** (BGCC) seeks to strengthen youth participation in the labour market with a pre-employment and career-planning program called “Skilled4Success.” The submission states, “Many youths participating in [Skilled4Success] would not otherwise have the access or connections to go ‘behind the scenes’ to learn about jobs or work life.”



In Skilled4Success, young people from low-income families would have access to pre-employment and career planning counseling, as well as a bursary program for the skilled trades. Currently, Canada’s largest independent tire dealer, Kal Tire, has provided funding to BGCC to develop and deliver the Skilled4Success program at select BGCC locations. Funding from government and private investors

would allow BGCC to add financial literacy and digital skills development to its program and bring in other partners from the skilled trades. The success of this program will be measured over time by a higher rate of young people pursuing the trades; reduced spending in government income security programs will also result. Pilots were launched in January 2013 at 15 BGCC locations from British Columbia to Prince Edward Island with 300 participants; preliminary results are expected after one year and further evaluation is needed to assess longer term impacts.

Health

Several submissions in the domain of health focused on the value of bringing together a new web of supports for people with a particular illness. One such example is from the **Ottawa Regional Cancer Foundation**, which proposes a national Cancer Coaching program to provide better care to cancer patients from disadvantaged or marginalized social groups who are in need of greater support to navigate the cancer care system. This submission notes, “Cancer Coaching has resulted in significant improvements in measures such as depression scores, exercise behaviours and quality of life scores for cancer patients.”

The coaching program proposed by the Ottawa Regional Cancer Foundation would help disadvantaged cancer patients who are unable to access the support systems designed to reduce the social and health care costs associated with this disease.

These individuals, explains the submission, need greater support to navigate the system and return to productive employment. Accordingly, the concept would be to create a national community-based Cancer Coaching program, delivered through primary healthcare providers from various medical and health disciplines (e.g., social work, kinesiology, psychology) who have an oncology background.

The Cancer Coaching program would be financed through private foundations and individuals; results would be measured through higher return-to-work rates and reduced health care spending. As proof of the value of this concept, the submission cites small-scale survey results that indicate 82% of respondents felt better and were better able to cope with their illness after receiving Cancer Coaching.

Aboriginal people

Submissions in this area indicated that Aboriginal people in Canada have consistently poorer outcomes than non-Aboriginal Canadians when it comes to income, employment, health and life expectancy. A widely-cited reason is the lack of educational attainment: over 40% of adults aged 25–64 in the North have not graduated from high school. A submission from **Pathways to Education**, a wrap-around support program offering youth in low-income communities tutoring, mentoring and financial aid, states:

“...[we are] interested in exploring the creation of the Northern Graduation Network to address the achievement gap facing northern youth.”

The proposed “Northern Education Network” targets disadvantaged high-school aged youth, their families, and organizations that support them in northern Aboriginal communities. Pathways hopes to expand into three communities as the first stage, delivering supports through local NFPs and businesses that broker relationships between schools, businesses, volunteers, families and youth.

Pathways’ existing programs are funded in part by government; investment by social finance partners would enable expansion to northern communities. The numerous benefits include numeracy, literacy, employability, development of a culture of post-secondary attainment and increased familial involvement. Pathways programs have succeeded in significantly decreasing the dropout rate in some of Canada’s poorest urban communities. The concept indicates that a program currently underway in the north end of Winnipeg suggests that results will translate to more remote settings.



Housing/homelessness

Concepts in this realm identified the multi-dimensional nature of homelessness, a largely urban challenge often linked to low income, poor physical and mental health, addiction, work experience and education. A concept from the **Aboriginal Savings Corporation of Canada (ABSCAN)/ J.W. McConnell Family Foundation** proposes creating a fund to accelerate investment into housing and infrastructure in underserved First Nations. Individuals and communities with sufficient income to service housing debt but no access to long-term financing could apply for loans. Funds would be raised in part through bonds issued to investors using an existing First Nation owned and managed savings instrument (ABSCAN), and in part through institutional social finance sources, government seed money and guarantee mechanism and conventional sources of commercial capital.

Results would be measured in reduced government spending for income security, health care and safety. This concept has been working successfully since 2005 in some First Nation communities, but without the instruments to grow to scale. The submission asserts that there is strong demand and investor appetite, estimating that “based on the five-year housing development plans for one community alone in the first phase of construction, investments of \$50 million...would result in some 285 housing units.” After five years, the submission plans to invest a total of \$105 million in First Nations.

People with disabilities

Many submitters examined the challenges faced by Canadians with disabilities. Mobility issues, barriers to employment and isolation were among those noted. The concept submitted by the **Social Finance for Supportive Housing Working Group** proposes developing housing for people living with mental disorders, including seniors, for whom poor living arrangements translate to chronic health challenges and greater levels of violence and imprisonment. The concept seeks to use social finance strategies (e.g., a SIB) to develop 10,000 supportive housing units over the next five to seven years.

MaRS, a project team of supportive housing providers, the Mental Health Commission of Canada (MHCC), and other partners would assess feasibility, development, execution and evaluation, and ultimately identify investors and service providers to develop the units, implement rent supplements and deliver support programs. This initiative would use a blend of private and philanthropic capital and government support to acquire/build housing, fund rent supplements and operate support programs. In a SIB, investors would be repaid from estimated net government savings of \$26,215 per high-needs person per year.

Success could be measured through decreased rates of homelessness, fewer visits to emergency rooms/chronic health conditions, lower rates of incarceration and increased employment. An MHCC/ At Home/Chez Soi study found that 54 cents of every dollar invested in a housing-first approach is saved through a reduction in the use of health care and shelter services. As the submission states, “Housing improves the lives and makes better use of public dollars, especially for those who are high service users.”

Public safety

A number of submissions focused on reducing recidivism through employment and life-skills support. **JVS Toronto’s** submission for a “Youth Reach” program highlights the value of connecting at-risk youth to the resources that will reduce the likelihood of repeated conflicts with the law, arguing “...the ability to reach prospective participants while they are still in the justice system reduces the risk that they will disengage from social institutions or systems.”

The JVS program would provide case management to marginalized youth aged 15–30 with a history of conflict with the law. Participants would receive one-to-one job development and life skills support from roaming counselors who meet with youth in the community for three to five sessions.

With this concept, JVS is seeking to scale a proven program using private funding and a pay-for-performance model. Once a youth secures employment, government would make an initial payment back to the investor. A secondary payment could be made if the youth remains employed at 12, 18 or 24 months. The goal is to attach 60% of participants to employment, school or training in a sustained manner, and an additional 20% to other programs and services. The benefit would be reduced rates of recidivism for offenders and reduced rates of crime involvement for other youths in the community.

Youth Reach was started in 2001 in Toronto and expanded to York Region in 2008; targets were met within the first seven months of the year long service delivery contract. Key success factors have been recruitment via relationships with parole and detention officers, referrals from local youth outreach workers and past clients, and cross-agency collaboration.

Unemployment

Many submissions addressed unemployment either in general or for a specific population, and often focussed on barriers such as education, skills development and the acquisition of experience. A concept put forward by **Valuenomics** outlines their “Avanti” program to reduce unemployment in northern British Columbia among Aboriginal youth aged 20–30 by increasing training and skills in the resources sector.

The Avanti program would build on the government-funded “Bladerunners-type” initiative for Aboriginal youth in construction, modifying it to attract private investors and provide a workforce for the oil, gas and mining industries. It is envisioned as a six to eight month program delivered



by non-profit agencies or social enterprises providing around-the-clock support. Avanti would be funded through a social impact bond between a private investor (e.g., a resources company) and a non-profit organization, with the government guaranteeing a rate of return if social outcomes are met.

Results could be measured via declines in unemployment and crime rates as well as savings

on social assistance payments. Bladerunners-type programs, with Aboriginal youth accounting for 71% of participants, achieved a 75% success rate. As the submission states, “Stronger linkages of youth or young adults, including Aboriginal youth, to their communities will result in stronger and revitalized communities in northern B.C.”

Seniors

Submissions related to seniors proposed ways to improve caregiving, enable aging in place, prevent isolation and support the positive contributions that older individuals make to their communities and to Canada. The **Ottawa Community Loan Fund (OCLF)** suggested a community-based group-living facility based on the proven Abbeyfield House model, where relatively healthy seniors live in an independent but social setting and benefit from improved quality of life, thus requiring less health care support.

The concept is to use social finance to fund low-cost, small (10–12 unit), community/ethnic-based group homes where meals are provided and the focus is on companionship and shared support for healthy seniors who are unable to afford private retirement homes and for whom living alone may no longer be a preferred option.



Monthly residential fees would cover operations; capital funding would be achieved through a partnership between the service provider and investors, with the OCLF structuring the financial elements (i.e., a SIB). According to the submission, “The main benefits...are with respect to impacts on quality of life for seniors, particularly...health costs.”

This concept is based on the Abbeyfield House model in which local stand-alone associations access the resources of a national office to develop, build, staff and operate the housing facilities. Abbeyfield Houses have been operating successfully in Canada for over 40 years. The organization claims that most residents are fitter and more inclined to enjoy active lives without the need for extended care. As proof, health care savings can be measured by comparing residents’ medical costs to those of seniors living alone.

New Canadians

Submissions highlighted the many barriers to prosperity for new Canadians, including language skills, credential recognition and job-hunting support. Those who are unable to find suitable employment within their first year in Canada remain economically vulnerable and often fall into long-term under-employment, with negative impact on society. The **Maytree Foundation** concept suggests matching new Canadians with experienced professionals in their occupations, allowing them to develop networks, understand the Canadian context and share information. Explains the submission, “Mentors...expose their mentees to workplace culture in Canada and in their specific field through focused discussions, job shadowing, and other professional opportunities.”

The program would be delivered by agencies that will contract with private investors using a SIB. They will agree on standards, processes, outcomes and timelines. If agreed outcomes are achieved, the government would repay the original investment plus a “success dividend.” A similar program operated by the Toronto Region Immigrant Employment Council (TRIEC) has resulted in 70% of mentees finding employment. Further, there is additional benefit from reduced spending in government income security programs, increased tax revenues and improved productivity.



TOOLS AND STRUCTURES PROPOSED

In addition to proposing creative solutions to a wide range of societal challenges, Canadians responding to the Call for Concepts suggested the use of various social finance tools and structures. Among the submissions were ideas for using SIBs, social investment funds and social enterprises, as well as those for creating structural frameworks to build capacity in the social finance sector, and those for using social finance to enhance or scale up promising or proven programs traditionally supported by grants and contributions. In this section, we'll review how these tools and structures work, using submissions to illustrate.

Social impact bonds, unlike standard bonds, are not a form of debt security in which interest is paid by the issuer of the bond to the holder at maturity. SIBs combine a pay-for-performance element with an investment-based approach: private investors provide up-front capital to fund interventions, and can expect to get back their principal investments and a financial return if the results are achieved. This allows the government to use funds otherwise spent on services like counseling, health care or detention to reward investors who fund programs that reduce the need for these services in the first place. The initiative funded by the SIB must be proven, more beneficial than the existing program and both scalable and replicable.

The “pay it forward” philosophy of a SIB attracts investors wishing to influence societal change and willing to assume financial risk because they believe in the potential of the prevention program. Implementation of a SIB requires partnerships among government, service delivery organizations and investors; many also involve intermediaries, evaluation advisers and independent assessors.



The Call for Concepts received many submissions featuring SIBs, including one from the **Omega Foundation** designed to encourage savings for post-secondary education among lower-income families. The “SmartSAVER” program helps parents with children who are eligible to receive the Canada Learning Bond (CLB) to start Registered Education Savings Plans, improving financial literacy in the process. The program reaches parents in their own communities and languages via media, social networking, community organizations and government services using in-person and online training. Across all formats, the focus is on the availability of the CLB, and how to enroll. To deliver the program, SmartSAVER would contract with a range of non-profit service providers who would facilitate enrolment – primarily YMCA Canada whose member associations serve much of the target population across Canada.

Funding would be achieved via a SIB designed to achieve CLB enrolment targets. Involving financial institution investors (RESP providers) would be the highest priority. Acting as the intermediary, Omega would raise working capital from private investors and contract with facilitating organizations using a franchise model. Contracts with service providers would establish targets for CLB enrolment; this could be readily tracked by participating institutions.

The SmartSAVER program would measure short-term success through increased CLB enrolment, and longer-term results through voluntary surveys on educational attainment and employment levels. The ultimate impact of higher education would be reduced government spending and increased tax revenue. In a two-year pilot test in Toronto, CLB enrolment grew at 1.8 times the pace in the rest of Canada and achieved a CLB participation rate of 38.5% compared to 23.5% elsewhere.

Social investment funds (SIFs) pool capital from investors to provide loans, mortgages and venture capital to NFPs, social enterprises and social purpose businesses. SIF financing features less stringent repayment terms, allowing organizations to access “patient working capital” (funding with a longer-term repayment schedule) as well as bridge loans.

Several SIFs were proposed in the Call for Concepts. The submission from **Mouvement des Caisses Desjardins** describes three of its current microcredit programs to help individuals and entrepreneurs excluded from traditional credit markets to carry out their projects or access loans in addition to budget training. The particular targets for these products are single parents, singles under retirement age, Aboriginal people living off reserve, new Canadians and individuals with activity limitations.

In Desjardins’ concept, small interest-free loans with two to five year payback periods are provided to people excluded from the traditional financial market if they agreed to take coaching in budget education, employability or starting up a business. Partner organizations coach individuals on their business project or on designing and monitoring their personal budget, and also, if need be, distribute loans and monitor the repayment schedule. Desjardins provides the capital required for loans and covers the costs of management resources and coaching. The ability to increase this capital pool through high-impact funds would foster more microfinancing and savings programs.

At this point, Mouvement des Caisses Desjardins has not yet fully developed socio-economic methods to assess the impact of these programs. However, data confirms the merits of supporting vulnerable groups, such as the loan repayment rate, which varies between 83% and 93% depending on the program.

Pay-for-performance contract: A pay-for-performance contract is an agreement between a government and external organization in which the government identifies desired social results and commits to pay the external organization an agreed upon amount of money once these results are achieved. A pay-for-performance contract is one element of a SIB.

In a concept from the **Toronto Enterprise Fund** (TEF), social enterprises would employ socially marginalized people using funds generated by a SIB and the revenue earned by these businesses. TEF would deliver skills building, consulting and coaching, seed funding and multi-year operational funding to NFPs launching social enterprises that hire people with physical, development and/or mental health disabilities, disadvantaged youth and newcomers to Canada.

The SIB element would allow the TEF to raise funds from the private sector; the government would repay investors through savings on government supports and the increased taxable economic activities that the enterprises create. Repayment of the SIB would be based on various measures of success at the social enterprise level, explains the submission: “The social enterprises will have performance goals to meet, including but not limited to amount of wages paid to employees from the target populations.”

The TEF submission reports that through this program, which has been operating in Toronto since 2000, 90% of participants acquired technical and life skills, 80% developed connections to community, and 53% are connected to employment opportunities.

Sector capacity-building organization: Many submitters suggested creating tools and organizations to help actors within the sector (i.e., social entrepreneurs, individual and institutional investors, governments) better understand and engage in social finance. These “capacity builders” would seek to lower the transaction costs of social finance by preparing social enterprises for investment, helping social investors find appropriate social enterprises in which to invest, simplifying social impact measurement, packaging social investment opportunities for larger investors and assisting governments with SIB negotiations.

The **Carleton Centre for Community Innovation’s** concept calls for the creation of a Canadian Impact Infrastructure Exchange (CIIX) as a method of building capacity for social investment in infrastructure projects (e.g., transportation, utility, and waste management). Its submission suggests that large institutional investors require sufficient scale, lengthy track records and market-based risk-adjusted returns – even when investing in initiatives designed for social/environmental impact.

As the submission explains, “The CIIX would bring together all three levels of government with sources of private capital to invest in major infrastructure projects.” The CIIX would solicit for governments to interact with the exchange on project management expertise and connecting with financing options. Leading experts in responsible and impact investing would operate the exchange, using tools including a proprietary business case evaluator.

Large institutional investors attracted by both the market-rate risk-adjusted return and the potential for positive social/environmental returns would provide the necessary capital. The CIIX’s risk assessment methodology would support only those projects offering real, tangible and measurable results for investors, governments and communities in the form of improved infrastructure and reduced government spending. A number of models, including the West Coast Infrastructure Exchange (WCX) that includes British Columbia, are currently in the start-up phase.

Social enterprise: Social enterprises are organizations or businesses that use the market-oriented production and sale of goods and/or services to pursue a public benefit mission. This covers a broad spectrum of entities from enterprising charities, NFPs and co-operatives to social purpose businesses. A number of social enterprise ideas were submitted to the Call for Concepts, including **SEA Change Nation's** LEARN-LAUNCH-SHARE concept that aims to create employment opportunities for youth whose learning styles are not compatible with the education system and for youth who face barriers to the mainstream labour market. This concept seeks to provide vulnerable youth with paid work experience within a social enterprise (LEARN), to support the launch of social enterprise ideas they conceive with volunteer coaching and access to startup loans (LAUNCH), and after the launch to provide operations support from professionals in the areas of finance, marketing, legal and human resources to increase the odds of business success (SHARE).

The submission notes, "SEA Change will bridge the gap between public and private sectors and serve as an exit strategy for vulnerable youth from a dependence on social services, [and prepare them] to meet their basic needs." The main flow of funds would come from SEA Change's social enterprise, a teen clothing consignment store; social finance partnerships would permit SEA Change to scale their operations to employ more youth.

Success of this program could be measured by the number of youths who have successfully transitioned from a life of vulnerability to one of stability, and the resulting improved outcomes. Discrete elements of the SEA Change approach (employment support programs for at-risk individuals and Momentum Calgary's accelerator program) are proven; the proposed social enterprise would expand and enhance these elements with an integrated model and focus on youth.

Program delivery scaling/leveraging: A number of submitters to the Call for Concepts recognized the potential of social finance to augment existing programs by providing funds to increase the delivery area, widen the service offering or add a needed new element to the program. Although these concepts did not all delve deeply into how the financing partnerships might be structured, each provided evidence of the effectiveness of the foundational idea – as in the **YMCA Canada's** concept to create a national, single-window solution to support youth employment through an internship framework.



This concept suggests that the multitude of youth employment attachment programs offered across Canada results in a complex and redundant web of resources for youths seeking work, service providers and employers.

Accordingly, the YMCA suggests extending its existing, successful national internship program, in partnership with others, to create a one-window network of governments, NFPs and sector councils to better address the needs of youth and employers while reducing service duplication. The submission explains, “A national, community-based youth internship platform will reduce skills shortages, provide a better matching of youth skills with employer needs, address service gaps for youth, reduce government payroll and overhead costs, and streamline services.”

In this concept, the YMCAs of Greater Toronto and Greater Vancouver and YMCA Canada would act as third-party administrators to mobilize the development of a national marketing plan to communicate with employers and unemployed youth. Services would continue to be delivered at the local level using new and existing partnerships and systems. A social finance mechanism would leverage investments from multiple sectors and provide matched funding for employer contributions, with success measured through incidence of finding/retaining employment and salary levels. As evidence, the concept notes that more than 75% of the 11,000 participants who completed YMCA-delivered federal government-funded internship programs either found gainful employment, returned to school, or both.

WHAT HAPPENS NEXT?

In our quest to seek a variety of innovative solutions to societal issues, the Government of Canada has committed to developing partnerships and exploring the use of social finance tools. The Call for Concepts challenged Canadians to propose their own ideas for harnessing social finance, recognizing that complex societal issues can often be best addressed at the local level. The response has exceeded expectations. One hundred and fifty-four submissions from across the country outlined innovative ways to enhance existing programs and add new, largely preventative elements to offerings designed to support – among others – at-risk youth, Aboriginal Canadians, the unemployed, people with disabilities and seniors.

The response to the Call provided a good indication of Canadians’ interest in and understanding of social finance. While some participants demonstrated a sophisticated knowledge of the partnerships and instruments that might be involved in implementing their concepts, others took a more theoretical approach. Many of the respondents have already begun forging relationships across sectors and leveraging new sources of funding to address social and economic challenges. As a whole, the responses opened an important conversation about how and where we can take advantage of opportunities. With concepts from the “supply” side (investors to provide new sources of capital), the “demand” side (social enterprises and NFPs ready for investment), and intermediaries that will lower transaction costs (investment funds, entrepreneurial support and innovation incubators), it is clear that the market is primed for social finance to assume a meaningful role. The time is ripe to turn some of these ideas into action.

The Government can play a pivotal role by connecting great ideas with social finance partners. In the short term we will build on the Call's momentum by taking several steps to bring players together, incentivize leveraging, encourage new partnerships and stimulate innovative ideas for addressing social and economic challenges. In addition to continuing to work with the Minister's Voluntary Advisory Council on Social Partnerships, the Government will look to leaders in the social finance sector, such as the J.W. McConnell Family Foundation, the Centre for Impact Investing at MaRS, Vancitay (Vancouver City Savings Credit Union), LIFT Philanthropy Partners, Social Capital Partners and Mouvement des Caisses Desjardins and others to help chart a path forward.

That path will include four distinct areas for action. First, we will seek to further the conversation that the Call for Concepts has started via continued outreach. This conversation will take many forms, including social media outreach, webinars, and seminars.

Second, we will connect existing organizations and individuals interested in social finance. The Call for Concepts has made it clear that there is an opportunity to bring together many different players that all share an interest in a given policy area (i.e., unemployment, youth issues). Building the level of understanding and knowledge about the potential of social finance will be a key part of this convening role. This work must be done in partnership with the private and NFP sectors, whose energy and enthusiasm will contribute greatly to a new phase of engagement in social finance. As the Call for Concepts has demonstrated, the best solutions do not necessarily come from government.

Third, the Government will work with partners to bring together some of the innovators identified by the Call for Concepts in order to sharpen their social finance concepts. Once "investment ready," these innovative concepts could be launched to help address pressing societal problems facing Canada such as the skills challenge facing youth and Aboriginal Canadians, unemployment among persons with disabilities, homelessness or recidivism. Connecting partners and further developing concepts will ultimately result in investment-ready ideas that could be funded and turned into social finance pilot projects.

Finally, consideration will also be given to enabling other concepts and developing new social finance tools using existing program funds, with the goal of further cultivating and supporting social innovation in Canada. Human Resources and Skills Development Canada can be a leader by focusing existing programs to achieve social and economic outcomes in support of community-level innovation. To find out more about this work contact us about activities happening in your area at:

innovation-sociale@hrsdcc.gc.ca.

The depth and breadth of submissions to the Call for Concepts signifies the readiness of Canadians to approach intractable issues in new ways, bringing to bear new resources and new tools. This report will help ensure that these ideas can spread throughout Canada and foster fruitful new partnerships.

Next Steps

In the short term the Government will commit to a variety of concrete next steps. Watch for announcements in the coming months regarding:

- 1. Furthering the conversation:** Continued outreach, via social media, webinars, and seminars to continue to spread the basic ideas behind social finance and hear more great ideas from Canadians
- 2. Connecting partners:** Bring players together, via policy tables and targeted outreach, to incentivise, leverage, and encourage new partnerships, connect investors with investees, and stimulate innovative ideas
- 3. Sharpening ideas:** Work with partners, to create opportunities to sharpen some of the concepts presented here and develop 'investment-ready' pilot projects
- 4. Developing the tools:** Based on some of the ideas submitted, use existing program funds to test social finance tools (e.g. SIBs, pay-for-performance contracts, investment funds)

FURTHER READING

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Annex A

PILOTING INNOVATION

For the past 18 months, HRSDC has been piloting ways to maximize the impact of federal spending to support community-level partnerships and social finance approaches through pay-for-performance agreements and leveraging of private sector resources. A number of projects are now underway:

- Community innovation pilots are being tested to support projects addressing social issues in rural and Northern communities. For example, through leveraged support, the Arctic Children and Youth Foundation is engaging youth across the Arctic via internet technology and social networking tools to identify and develop solutions to the most significant issues they and their families face.
- The Career Focus pilot projects will provide funding to targeted organizations to create career-related work experiences for post-secondary graduates to help them develop advanced employability skills. Pilot organizations will receive a portion of their reimbursement for project activities as a pre-determined amount issued when the organization achieves defined employment results – \$500 for each project participant who is employed three months after the end of their internship and an additional \$500 per participant at six months post-internship. The pilots will end no later than March 31, 2014.
- A community partnerships pilot, Calgary's Community Kitchen Program leverages public and private funding to engage and mobilize community volunteers who work with vulnerable individuals and families. These volunteers complete a simple needs assessment and then link clients to appropriate community supports.
- Third party leadership pilots are testing whether grant-making organizations can leverage federal funds at a ratio of 1:3. For example, the Hamilton Foundation is a project that enhances accessibility of community social and health services to young, marginalized, low-income first-time mothers. The Trico Charitable Foundation is a project to incubate and coordinate a federation of up to seven affiliates across Canada to enable learning and increase the impact of social enterprises in regional communities.
- The 2011 Enabling Accessibility Fund (EAF) Call for Proposals for small projects tested the ability of applicant organizations to leverage non-federal resources in support of community-based projects that improve accessibility, remove barriers, and enable Canadians with disabilities to participate in and contribute to their communities. The 2012 EAF Call for Proposals continued to test the leveraging of non-federal resources.
- In a Northern pilot, the Department will assist community organizations to develop a combined labour market and social development project proposal to access funding from multiple HRSDC programs. The recipient organization will deal with a single application, a single process, and a single point of contact within the Department.