Impatient Readiness: The State of Social Finance in Canada 2021
The Table of Impact Investment Practitioners – or the Table, as it has been fondly known to its members since earlier iterations as a scrappy volunteer-driven community of practice – has a great many people to thank for this inaugural State of Social Finance in Canada report. In an ecosystem where collaboration is an essential ingredient of progress, this was a particularly memorable shared effort, involving more than forty contributors. From the “project partners” steering group determining the scope of the inquiry, to the pan-Canadian research team building the database, to the compelling visualization of the data in graphic and map form, complementing insights generated in community consultations – all captured by a writers’ collective encompassing all TIIP members – the report represents the combined efforts of values-aligned partners from cover to cover. Exemplary cooperative practice would usually discourage the naming of names, but a single exception will be made here, to recognize, with great appreciation, project coordinator Lena Courcol’s indispensable herding.

If the collective nature of the endeavour is the first of three facets of the report to highlight, the vibrant diversity of the social finance landscape and the perspectives this work encompasses is another. Very early on it was recognized by the project partners that anything but the lightest-touch attempts to harmonize the structure and content of the chapters would be an injustice to the distinctiveness of the narratives. The practitioners tell the stories that they have helped to shape. The narrative is from the viewpoints of social finance intermediaries – those who raise capital to invest in social purpose organizations, enterprises and initiatives for triple bottom-line returns – and each chapter reflects distinct intersections of influences and experience. Crucially, the thematic chapters speak to legacies of dispossession and exclusion experienced by marginalized, racialized, remote and underserved communities – and their historically under-deployed capacities. While fully acknowledging persisting challenges, each of these chapters adopts an asset analysis – focusing on the enriching and amplification effect of full, equitable inclusion, of social finance as a tool in charting a path to reconciliation, and the paradigm-shifting power of vigorous diversity among those deploying the tools and capital of social finance. Collectively, the report represents the foundations of an open-source platform deliberately built as a versatile resource for all ecosystem partners. Already plotted with the National Aboriginal Capital Corporation Associations and Community Futures networks and anticipating the addition of financial cooperatives, the dashboards have been designed to allow ecosystem partners to further populate the database, and define the parameters for their own purposes.

This work was undertaken with support from the Investment Readiness Program, when it was already clear that the ways in which intermediaries across the country were working to make more resources available on the ground for social purpose organisations must be better understood and supported, in order to reinforce the emergence and development of inclusively innovative practices. The pandemic, and the inequalities it has exacerbated, compels us to think even more deeply about how we more effectively invest to support a just, generative recovery, to which this work is a timely contribution. The 2021 State of Social Finance strives both to serve as a capacity-building tool to guide social finance intermediaries and partners towards the most promising practices, and to highlight – among governments, investors and stakeholders committed to supporting a more sustainable and equitable future – the pivotal role of social finance in advancing an inclusive recovery.

Lauren Dobell, Executive Director, TIIP

The report tells a critical part of the social economy story, but only part. This leads us to the third key facet of the report, perhaps the most central to the Table’s role as Investment Readiness Program as an “ecosystem mobilization partner.” From the outset the project partners set out to ensure that this was not a standalone report, nor even the first of a series tracing an evolving perspective – however trenchant – but that it would also make significant contribution to further research and fruitful knowledge-exchange among networks. The interactive maps that accompany this report represent the foundations of an open-source platform deliberately built as a versatile resource for all ecosystem partners. Already plotted with the National Aboriginal Capital Corporation Associations and Community Futures networks and anticipating the addition of financial cooperatives, the dashboards have been designed to allow ecosystem partners to further populate the database, and define the parameters for their own purposes.

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## Contents

- **Foreword**  
  Page 2  
- **Contents**  
  Page 4  
- **Acknowledgements**  
  Page 6  
- **Introduction**  
  Page 10  
- **Regions**  
  Page 28  
  - Atlantic  
  - Quebec  
  - Ontario  
  - Manitoba & Saskatchewan  
  - Alberta  
  - British Columbia  
- **Pan-Canadian Themes**  
  Page 76  
  - Indigenous  
  - Grassroots  
  - Inclusion, Diversity, Equity, Access (IDEA)  
- **Conclusion**  
  Page 100  
- **Appendix**  
  Page 104  
  - Glossary of Terms  
  - Bibliography
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Introduction

This report is a testament to the depth and breadth of impact investing in Canada over the past decade. Social impact fund assets under management have increased substantially in recent years, nearing an estimated $1 billion. The proliferation of funds has fostered a vibrant diversity of impact and increased investment choices. As "a tool that seeks to mobilize private capital to access new sources of funds," social finance creates opportunities for investors to finance projects that benefit society and for community organizations.

As "a tool that seeks to mobilize private capital for the public good," social finance creates opportunities for investors to finance projects that benefit society and for community organizations to access new sources of funds. This does not exclude government tax advantages and investments being used to augment private capital or to mitigate risk that supports private investments. Integral to social finance objectives is that social and environmental outcomes are measured along with financial returns.

The social finance ecosystem includes a range of actors—from investors through to the enterprises and initiatives that generate the social and environmental returns being delivered. There is a complex network of organizations that work to attract new capital to impact purposes, build the capacity of intermediaries, and support the social enterprises that contribute to the social economy. This report focuses on social impact investment funds, also known as social finance intermediaries. These funds aggregate capital from multiple sources, providing a pooled investment approach that reduces the risks associated with direct, single-purpose investments. Social impact funds are the primary social finance tool that links capital and measurable impact.

Social impact fund investments are made in enterprises and projects that seek to create measurable positive social and environmental change. This is distinct from funds or investments that seek to "do no harm" (usually through screening out certain investments), or funds that direct capital away from certain activities (e.g., zero-carbon funds) in favour of others. With the recent surge in interest in environmental, social and governance (ESG) investment there is often confusion between simple ESG screens and genuine impact investment, which is a more intentional and outcome-driven investment approach. Social finance capital is directly linked to the imperative for sustainable development, and the achievement of the 2030 United Nations Sustainable Development Goals (SDGs).

The Impatient Readiness: The State of Social Finance in Canada 2021 report is not intended to be a comprehensive inventory of investment opportunities, and social impact funds do not exist in isolation from the targets of their investment—social enterprises and initiatives—or the value-driven investors. The report is an illustration of the development of the social impact investment sector, providing regional and thematic context and insights, and speaks to the successes achieved and challenges being faced by funds and impact investment practitioners in the development of social finance across Canada.

Social finance in Canada is not new. As noted in the Indigenous chapter that follows, "social finance in Canada can and should be thought of as an Indigenous concept." It reflects "the Indigenous-centric values that we hold collectively as Canadians: that ultimately, we are all relatives and therefore have a shared responsibility for the well-being of our collective society and for the public good." These values shaped the pre-confederation economies of Turtle Island and can be seen in the tenets of the re-emerging social economy—sustainability, reciprocity, and communal well-being. The elements of this framework can also be seen in the early system of credit and savings that may have first developed in Ethiopia, and continue to be the basis of helping people access funds in a collective setting.

Social finance reflects the Indigenous centric values that we hold collectively as Canadians: that ultimately, we are all relatives and therefore have a shared responsibility for the well-being of our collective society and for the public good.

Post-confederation, values of communal well-being shaped the creation of co-operatives to support community access to capital and economic development. For example, as described in the chapter on Atlantic Canada "in the 1920s, a group of priests and educators... came together to address the social and economic issues facing the peoples of Atlantic Canada." These efforts resulted in the Antigonish Movement—a multi-pronged approach, including micro-finance, to support small, resource-based communities across the Maritimes. Similarly, co-operatives have been an integral part of the social impact sector.
sector in Quebec and the Prairies. The co-operative movement in Canada today is large and diverse, framed by the underlying values of collective community benefit and welfare. New co-operative models are emerging in Alberta (the Opportunity Development Co-operatives, for example) and British Columbia (BC). These co-operatives, enabled by new regulatory frameworks in those provinces, are supporting innovative ventures, meeting the needs of smaller rural communities, or simply aggregating capital for larger impact investment in social enterprise.

The increased interest in social impact investment by investors and governments can be linked to the development of a robust ecosystem in Quebec, at the centre of which is the Chantier de l’économie sociale. The Quebec ecosystem illustrates how the capacity of financial institutions and civil society organizations can be leveraged to create a mature investment environment. In Ontario, the efforts of institutions such as the MaRS Centre for Impact Investing, and the work of pioneering community and private foundations have supported the development of intermediaries and encouraged the growth of impact investment. These critical sources of capital have fostered the expansion of social impact investment opportunities and have created an understanding of how public policy instruments can play a role in the expansion of the social economy.

Social finance intermediaries are as diverse as the funds that they manage. These include a growing number of collective or community-owned grassroots organizations, focused on local impact. In BC, the BC Community Impact Investment Coalition benefits from provincial and national securities regulation exemptions to invest in the social economy of their communities. The growth of grassroots intermediaries is not as evident in the Prairies, Northern Ontario, and parts of Atlantic Canada, where it remains a challenge to raise and deploy social impact capital.

The growth of impact investment is substantial and encouraging, for advocates of a more just, inclusive, sustainable circular economy. It is also not without challenges and these are well-illustrated in the chapters that follow. Chief among the challenges is broadening access to investment capital and attracting capital from sources across the investor spectrum. The Inclusion, Diversity, Equity and Inclusion (IDEA) chapter that follows clearly sets out patterns of exclusion in social finance, and the need to address inequities in access to capital, using a multilayered lens approach in supporting persons and communities that are under-represented in the social finance ecosystem.

The experience of Quebec shows that enabling government policy and intentional financial support translate into increased private investment and greater access to capital, and therefore social impact. The public recognition of the social economy as a fundamental component of sustainable development; the creation of institutional instruments such as the Quebec Solidarity Funds, and the critical role of intermediaries such as the Réseau d’investissement social du Québec (RISQ), combine to establish a sound and sustainable basis for social finance and the social economy.

**Sector Diversity and Complexity**

The investment focus, size, and scope of social impact of funds varies greatly. This is not unexpected – social finance seeks to create measurable positive impacts addressing social and environmental challenges, to support economic development, achieve social inclusion, create a more resilient civil society infrastructure and scale enterprises that are providing innovative and enduring solutions advancing sustainable local and global development. There are a myriad of opportunities to put capital to work for social change and innovation, to which social finance fund managers have responded in diverse ways. Common to all funds is the need to access and deploy capital in ways that are still

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This plot identifies Canada’s social finance intermediaries based on the size of investments they place. Here, intermediaries are broken down into five ranges of investment size, with the length of each bar representing the number of intermediaries that place investments in that range. The pie chart at the end of each bar demonstrates the intermediaries’ targeted investment stages of investees (i.e., seed, early, mid, late).

Note: The proportion of investee legal entity types within an investment range is representative and scaled based on percentage. Of the intermediaries surveyed, 55% have data on investment range.
relatively new to investors and is for the most part still on the margins of financial and economic policies in this country.

More than over 130 social finance intermediaries have been identified through regional surveys. This includes a relatively small number of funds managing more than $5 million in assets under management (the largest manage over $100 million) to a larger group of smaller funds (less than $250,000 in AUM). The illustrations in the report draw especially on the experience of three dozen funds belonging to the Québec-based CAP Finance and the pan-Canadian Table of Impact Investment Practitioners, which jointly strive to support all funds actively engaged in impact investment across Canada.

Impact investment funds invest at all stages of enterprise development, with larger funds tending to be focused on mid to late stages, and smaller funds tending to invest in seed and early stages (see Figure 1). These differences may in part be the product of investor risk appetites, investment return expectations, and depth of social mission of the funds in question.

Among the funds surveyed there is a relative parity in the number of for-profit and non-profit intermediaries, with a larger proportion of AUM being directed to for-profit enterprises. This may be a function of the largest funds being more exclusively focused on for-profit enterprises (see Figure 2), whereas smaller funds may tend to support non-profit ventures. It is interesting to note that co-operative enterprises (both for-profit and non-profit) make up a significant proportion of the investment targets for funds.

Approximately 75% of investments made by social impact funds surveyed are equally divided between private equity and private debt, with a smaller proportion in real assets (see Figure 3). Public equity and public debt form the smallest proportion of reported investments. The illiquidity of most social impact investments stems from the time required to create the change in social outcomes being financed, or the development and maturation of the enterprises being supported. While capital lock-up periods and fund redemption policies vary widely, it is common for social impact funds to require patience in the realization of the full returns on investment, even where there are in-course yields available to investors. These characteristics likely have an influence on the source of investment capital available to impact investment funds.

In the past twenty years, impact investment in most of Canada has been led by foundations and mission-driven individuals, though Québec is a notable exception to this pattern. Private and community foundations are attracted by the ability to generate impacts through investment, rather than relying solely on granting, which in most cases is restricted by the income generated from investment and the desire to ensure the preservation of this capital base as an endowment to generate grants in the future. There are notable leaders, such as the Hamilton and Ottawa Community Foundations, McConnell Foundation, and Makeway (formerly Tides Canada) that have headed the call to use philanthropic capital to accelerate social finance. There also remains considerable foundation capital that remains on the sidelines.

Foundations, key in the development of the social impact space in much of Canada, can be constrained by the size of funds (the risk of holding a disproportionate investment in a small fund) and by internal policies that seek to achieve mission-related impact (limited investment opportunity alignment with specific missions).

High-net-worth (HNW) individuals may be attracted to the outcomes of impact funds and are generally less constrained than foundation investors. To date, with some exceptions, there has been limited engagement of financial institutions in social impact investment. This may again be due in part to issues of scale, in this case the relative cost and complexity of making small investments. There is evidence that larger funds (i.e., over $10 million AUM) are having success in attracting institutional investors.

Québec, as noted above, has a unique history and approach to social finance. Following the economic crisis in the early 1980s, which exacerbated existing social and economic inequalities, a diverse set of actors came together to create an intentional

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**Figure 2** — Relationships between Canada’s social finance intermediaries and investees

<table>
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<tr>
<th>Intermediaries</th>
<th>Investees</th>
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This Sankey diagram illustrates the links between Canada’s social finance intermediaries and their investees (organizations they place investments into). Intermediaries and investees are coloured according to their legal entity type, and the width of the grey link represents the number of intermediaries of one legal entity type (for-profit organizations, for example) that target investees of one legal entity type (charities, for example).

Note: While social finance intermediaries exist as a single legal entity type, their fund mandate may include investees of multiple legal entity types. Of the intermediaries surveyed, 93% have data on legal entity types.
Different social impact funds target a broad range of outcomes (see Figure 4). Of the funds surveyed, the majority operate in three sectors — employment, community development, and business literacy. Relatively few funds target the environment (biodiversity, forestry, and oceans), arts and media, and transportation. While the absolute number of funds under review were relatively small, the net assets under management were high. Investment in clean tech, energy retrofits and environmental technologies is an important component of the social finance ecosystem, while conservation finance is an exciting emerging field.

Not all funds are thematic — for example, community loan funds that support non-profit and/or for-profit enterprises are largely sector-agnostic and seek impacts across a range of economic sectors. Increasingly social impact funds are measuring outcomes in the framework of the United social finance ecosystem. A key institution has been the Quebec Solidarity Fund, supported by the labour movement, which together with local development funds, community-based funds, and state funds support the delivery of solidarity finance and development capital.

The chapter on Quebec in this report describes how the social finance ecosystem received a critical boost in 1996 with the convening by the Premier of Quebec of a summit on employment and the economy. Following the suggestions of a working group bringing together the diverse actors in the Quebec economy and civil society organizations, and investment fund unlike any existing entity, dedicated entirely to co-operative and non-profit enterprises. With initial financing of $10 million, of which 50% came from large financial institutions and private corporations, the creation of the Réseau d’investissement social du Québec (RISQ) represented a major step in the evolution of social finance in Quebec despite its modest capitalisation. Quebec now has the most developed system of social finance in Canada, recognized in all sectors and by all orders of government as integral to the economic development of the province. More recently, the ecosystem has encompassed funds focused on Indigenous communities and thematic funds developed through private initiatives.
All of the seventeen SDGs were primary focuses of one or more of the impact funds under review. Those funds that are not thematic in design generally focus on multiple SDG outcomes (see Figure 5). Thematic funds are more likely to focus on one or a limited number of the SDG outcomes. The majority of thematic funds focus on one or more of these – decent work and economic growth (SDG 8), reduced inequalities (SDG 10), and sustainable cities and communities (SDG 11).

Fig. 5 — Breakdown of Canada’s social finance intermediaries by SDG alignment

This bar chart shows the breakdown of Canada’s social finance intermediaries based on the alignment of investees (organizations intermediaries invest in) with the United Nations Sustainable Development Goals (SDGs). The length of each bar represents the number of intermediaries with investees aligned with that SDG.

Note: A single intermediary may appear across multiple SDGs if they invest in organizations aligned with multiple SDGs. Of the intermediaries surveyed, 90% have SDG data.

Economic and social empowerment of vulnerable or marginalized communities is a significant theme for many funds – directly and indirectly. Of the funds included in the survey that have a focus on inclusion, the plurality focus on Indigenous communities, with the focus on youth and women the next largest targets (see Figure 6). It should be noted that some funds that may not specifically focus on inclusion tend to target these communities by virtue of their mission. For example, funds seeking to support the delivery of affordable housing will indirectly impact households made vulnerable in the market and are likely to include a higher proportion of racialized and persons marginalized in their communities.

Impatient Readiness: The State of Social Finance in Canada 2021 illustrates the richness of the current impact investment offerings. The report also provides indicators of what actions can assist in the continued growth of the sector, and the broader application of social finance to address an increasing range of challenges experienced by communities. It is the product of a collective effort – a team of researchers who compiled the data used to illustrate the current context, community mappers who assisted in identifying the pan-Canadian tapestry of social finance intermediaries, and the members of TIP who contributed time and knowledge of their local and regional context to provide a more complete picture of social finance in late 2020. As noted in the Foreword, social finance has many origins, many pathways, many parents, and emerges from many traditions. The report captures this as best as is possible at this particular point in time.
This doughnut chart shows the breakdown of Canada’s social finance intermediaries according to their mandated scope. The size of the slice of the doughnut represents the number of intermediaries that operate within each scope.

Note: Intermediaries may only have one assigned scope. All of the intermediaries surveyed have data on mandated scope.
Methodology: notes and considerations

Origins

As referenced elsewhere in the report, and in the bibliography, a number of reports produced over the past ten years have sought to capture a moment in, a perspective of, or recommendations for strengthening Canada’s dynamic social innovation and social finance landscape. These have included three compendiums of comparative studies of impact investment funds belonging to TIIP’s predecessor tables, beginning with *Eight Tracks / Huit Pistes*, published in 2014. Building on this foundation, the Impatient Readiness: The State of Social Finance in Canada 2021 report is the most comprehensive examination to date of the social finance marketplace, its gaps and opportunities, challenges and successes, primarily from the perspective of those who raise, place, and manage capital to generate positive social and environmental, as well as financial, returns.

Defining a Social Finance Intermediary

Echoing the definitions used by the Social Innovation and Social Finance Strategy Co-creation Steering Group, ESDC defines social finance intermediaries as the actors connecting “the supply side of the social finance market (such as social finance investors) with the demand side (such as social purpose organizations)”⁴. It offers as familiar examples “community loan funds, credit unions, Indigenous financial institutions, and chartered banks”⁴. For the purpose of this study, the criteria has been further refined to focus on those entities that invest exclusively for impact – that is, in mission-driven social purpose organizations (SPOs), enterprises or initiatives – in communities across Canada.

Consistent with the criteria employed by the Table of Impact Investment Practitioners, this report defines social finance and impact investing intermediaries as those:

- with an existing capital base, whose primary purpose is impact investing;
- actively deploying capital to generate measurable social and/or environmental returns, as well as patient, concessionary or market-based financial returns;
- investing primarily in non-publicly traded Canadian enterprises; and
- producing publicly accessible reports, including robust impact measures

Scope of Inquiry

While the lens was thereby narrowed for the purpose of identifying the protagonists, the pan-Canadian canvas was sweeping, and at the same time insufficient for the purpose of understanding the evolution of the social finance landscape from the perspective of its intermediaries. In recognition that the many distinctive paths

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3. Ibid.

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each traced reflected intersecting influences of history, geography, demography, socio-economic circumstances, civic and community priorities, three cross-cutting themes – examining persistent challenges in mobilizing social finance tools and capital, notable advances, and key contemporary issues from the perspective of Indigenous-led social finance, historically marginalized and racialized communities and grassroots organizations – overlay chapters organized by region. For the purposes of this report, social finance in the Indigenous context includes investments in the Indigenous economy to improve well-being in First Nations, Inuit, and Métis communities and Indigenous peoples across Turtle Island (North America). Social finance in the context of the focus on Inclusion, Diversity, Equity, and Access includes investments in marginalized and underserved communities. This theme considered communities of people experiencing barriers due to elements of their identities including, but not limited to sexuality, race, nationality, gender identity, ability, and age. Social finance in the grassroots context includes social finance intermediaries that align with three core principles: community-based, democratic, and local.

**Project Partners**

As described in the Foreword, this inaugural report involved a broad team as advisors, researchers, authors, analysts, community informants and graphic designers, with a view to building resources that informed a specific study in the short term, and were also widely accessible, on an open-source basis, to the whole ecosystem for a wide range of further research.

**Data Collection**

A team of twelve researchers were tasked with identifying and gathering publicly-available data to situate social finance intermediaries within geographic regions and across the three pan-Canadian themes. Under the supervision of the research leads at Rally Assets, the team compiled the database which was then used to generate the maps and charts featured in this report.

**Database Development**

As research lead, Rally Assets was responsible for the development of a database structure that would capture relevant information on each social finance intermediary. The final structure of the database included over a hundred attributes per intermediary, covering areas such as location, geographic scope, asset class, investment stage, sector, target populations, and alignment with the United Nations Sustainable Development Goals (SDGs).

**Data Visualization – Charts**

The compiled database was used to generate the various charts included in this report using R, an open-sourced language and environment for statistical computing and data visualization.

**Data Visualization – Maps**

The experienced community mappers of the University of Victoria’s Map Shop were engaged to develop a cartographic visualization of the data collected by the research team, and to resolve an assortment of inevitable quandaries in how best to capture both a moment and a dynamic process. Intermediary headquarter locations were mapped based on their physical location. Additionally, each intermediary’s regional scope was expanded to census subdivision boundaries and the number of unique intermediaries operating in each subdivision was mapped nationally. More importantly and enduringly, the Map Shop team was tasked, from the outset, with designing a platform that would be accessible and useful to ecosystem partners – including those identified as potential social finance intermediaries within the broad definition provided above – Aboriginal Financial institutions, credit unions, CDFIs, and chartered banks – as all increasingly strive to identify triple bottom line outcomes, develop metrics, and intentionally engage in community impact investment.

**Report Authorship & Community Consultations**

Effectively the entire membership of the Table of Impact Investment Practitioners was involved in the drafting of the report, as both formative in shaping the current landscape, and players in the recent narrative. It was an approach, as described in the Foreword, which recognized that identifying enduring and watershed developments in an evolving landscape relies more on hands-on involvement than a detached Archimedean perspective, and that the vibrant diversity of influences is best captured by practitioners on the ground. Contributors are recognized, with infinite respect and appreciation, in the acknowledgements.
Interactive Map Overview

Left Panel
Select a variety of dropdown options to filter the social finance entities featured on the map.
Filters include:
- Province (of the social finance entities’ headquarters)
- Thematic lens
- Sector
- SDG alignment
- Legal entity type of the targeted investees
- Investment range
- Investment stage

Legend
Understand the symbols on the map by referring to the dynamic legend.

Layers
Explore a series of map layers by adding up to 7 different types of social finance entities, including credit unions, foundations, AFIs, etc.
View the geographic scopes of the featured intermediaries by toggling the 'Intermediary Regional Scope Count' layer.

Pins
Each pin represents the headquarters of a single social finance intermediary. Click on the pin to display information about the entity, including the intermediary’s name, contact information, etc.

Try it Out!
Scan or click the QR code below to visit the interactive map online.

Bottom Panel
A dynamic bar chart that illustrates the provincial breakdown of the social finance intermediaries featured on the map.
Regions

Atlantic
Quebec
Ontario
Manitoba & Saskatchewan
Alberta
British Columbia
Background

It is difficult to generalize about the state of social finance in Atlantic Canada. Some parts of the region have a long history of co-operative endeavour that remains vital today, while other parts remain relatively underdeveloped when it comes to alternative and community-based finance. Nonetheless, it is important to remember that social finance and social impact funds are not new concepts in Atlantic Canada.

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It was in the 1920s that a group of priests and educators, led by Father James John Tompkins and Father Moses Coady, came together to address social and economic issues facing Atlantic Canadians. Together they founded the Antigonish Movement, an approach that combined adult education, co-operatives, microfinance, and rural community development to support small, resource-based communities across the Maritimes. The movement focused on empowerment through education, skills development, and capacity building for the common good, with the goal of letting people in Atlantic Canada become “masters of their own destiny” — a phrase that became the title of a seminal book about the Antigonish Movement. The People’s School was established at Saint Francis Xavier University in Antigonish, Nova Scotia, with the goal of helping build the movement, and was instrumental in the development of the credit union system. It is no exaggeration to say that the success of these credit unions, along with other pioneering ideas of the Antigonish Movement, has influenced provincial finance systems as well as other asset-based community development initiatives in Canada and around the world.

Over the past century, the legacy of the Antigonish Movement has installed core values of collective identity and community in Atlantic Canadians. This has led to the development and adoption of alternative structures across the economy, including co-operatives, social enterprises, as well as non-profit organizations.

Today, one in three Maritimers are members of co-operatives, and the $5.2 billion sector employs over 11,000 people and provides affordable housing for over 6,000 people across the region. Additionally, there are more than 12,000 non-profit organizations across Atlantic Canada, many of which are engaged in social enterprise development as a way of meeting community needs, opportunities, and aspirations.
Nova Scotia

Founded in 1976, New Dawn Enterprises Limited is the oldest Community Development Corporation (CDC) in Canada and is a founding member of the Canadian Community Economic Development Network (CCEDNet). As a private, volunteer-directed business, New Dawn seeks to establish and operate ventures that meet the needs of local communities. New Dawn subsidiaries — New Dawn Innovation Fund, New Dawn Community Investment, and New Dawn Holdings — have participated in the provincial government’s Community Economic-Development Investment Fund (CEDIF) program since 2004. Over the last decade, New Dawn’s CEDIFs have raised $11 million for direct investment in Cape Breton alone. New Dawn Holdings provides investors with the opportunity to support local, innovative, growth-oriented companies, while earning competitive dividends. New Dawn employs over 175 people from the Cape Breton community and serves 500 members of the community every day.

The Nova Scotia Co-operative Council (NSCC) is an important champion of social finance initiatives in Nova Scotia and has influenced the establishment of social impact funds in other provinces across Canada. For over 70 years, NSCC has represented more than 300 co-operative businesses and credit unions in Nova Scotia. NSCC supports groups and individuals to launch businesses that not only help individual entrepreneurs help themselves and their communities, but also contribute to economic growth.

NSCC manages a $160 million social and small business financing program, financing over 3,000 social enterprises and small businesses, and creating 16,000 jobs in the past two decades. In 2013, NSCC also launched Nova Scotia’s first community impact fund, focusing on a wide variety of community investment priorities. The fund used a full spectrum of social finance tools, including term debt, subordinated and/or unsecured debt, lines of credit, mortgages, loan guarantees, equity and equity-like investments, and even royalty agreements. All of these tools were put into use to support areas such as sustainable agriculture, affordable housing, clean technology, and financial services for underserved populations.

The Nova Scotia Co-operative Council and its members recently hosted a “A Conversation with [newly elected] Premier Iain Rankin”. During the event, the Premier stated “All program and funding decisions going forward will have a community and social impact lens.” He further explained that programs must deliver impacts beyond the traditional finance lens. This bodes well for the Nova Scotia Co-operative Council and its members, who have historically had a triple bottom line – people, planet, and profit. NSCC believes the Premier will be an ally for the work they are doing and the leadership they provide in communities.

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A few examples illustrate the range of recent social enterprise investments in Nova Scotia undertaken by NSCC:

- **Affirmative House** is a 46-unit equity-based housing facility that provides affordable housing to seniors and persons with disabilities.
- **The Bus Stop Theatre Co-operative** is a performance venue in Halifax. The theatre has been in operation since 2003 and hosts over 100 different groups and shows annually. A modest investment allowed the Theatre to purchase the building they have been renting for more than a decade.
- **Sustainable, local food has emerged as a critical target for investment**, and Cape Breton Food Hub Co-operative provides regionally and culturally specific food to Cape Breton and hosts over 100 different groups and shows annually. A modest investment enabled the co-operative to leverage access to high-quality local food across the region. NSCC’s modest investment enabled the co-operative to leverage $850,000 in additional financing to purchase a building.

Meanwhile, the NSCC helped to fund the Coastal Community Radio Co-operative, a community-owned radio station that provides regionally and culturally specific radio coverage to Cape Breton communities, businesses and artists.

**Government Financing in Nova Scotia**

Community Economic Development Investment Funds (CEDIFs) were first created in Nova Scotia in 1999 and have since been replicated across provinces in the region. As a simple tax credit incentive, the program offers individual investors a 35% provincial tax credit in Nova Scotia, and up to 50% in New Brunswick. There are approximately 115 enterprises seeded by CEDIFs in Nova Scotia alone, which have collectively raised over $104 million between 1999 and 2019. CEDIFs invest in for-profit enterprises, and generally fund a single project, such as a windmill farm or a company’s new product line. The program is a creative initiative that retains invested capital in the province with RRSP eligibility. CEDIFs face several challenges such as a complex set-up process, inability to invest in real estate, and difficulty in valuation when investors withdraw their investments.

The Black Business Initiative (BBI) was created in 1996 with financing provided by both the provincial government and federal governments to provide financial support for black-owned businesses. In New Brunswick, a similar initiative exists in a network of enterprise organizations at the municipal level that manage government funds dedicated to investing in small business and entrepreneurship.
The Centre for Entrepreneurship Development (CEED) is a government-funded agency based in Halifax that provides loans up to $15,000 for youth-owned businesses. CEED also manages the Federal Self-Employment Benefit Program, which enables individuals to draw employment insurance when starting their business.

New Brunswick

The Saint John Community Loan Fund is the first and only fully independent community loan fund in Atlantic Canada. It has grown from a single purpose microfinance organization to one that delivers training and social finance, in addition to developing and managing social purpose real estate.

The fund’s social finance work started in 1999 with microfinance, offering loans as small as $250 from a tiny pool of capital. Today, that pool has grown to $800,000, from which the Saint John Community Loan Fund has made more than 275 loans, and invested in more than 170 start-ups, 5 buildings, and 6 social enterprises. The fund is now working on an aggressive goal to reach a fund of $10 million within the next three years and extend its reach throughout New Brunswick. The fund operates in three portfolios: Micro Works, for individual loans for self-employment; Launch Social, a portfolio of loans designed to secure equity for social enterprises; and finally Build NB, which finances social purpose real estate.

Saint John Community Loan Fund’s financial products are flexible and built around the needs of an enterprise or project. They can include simple loans, bridge loans with a deferred and defined payout timed on future revenue, or royalty agreements paid on a per-unit sale, to a maximum return. Other products offered are equity stakes with valuation timing or agreements to purchase future revenue. The range of initiatives sponsored by this suite of creative impact investments is exciting, and is transforming the lives of many people. For example, the fund concluded a royalty agreement with the Farmers Truck, which is building patient-pending food truck bodies to distribute food to food deserts. Meanwhile, a bridge loan was extended to a Slocum and Ferris to help transition from a private company to a charity helping school children participate in arts programs.

Other innovative projects include a share agreement with Sensory Friendly Solutions, a company creating a marketplace for companies meeting the demand for Sensory Friendly shopping. In the heart of downtown St. John, the fund initiated a $40,000 purchase of future revenue to keep a 150-year-old company in the Old City Market. Besides saving part of the city’s cultural heritage, Slocum and Ferris will help clients of the SJ Learning Exchange build essential workplace skills and host a product incubator for products produced by the Loan Fund’s Entreprening Women graduates.

Meanwhile, when it comes to social purpose real estate, the Saint John Community Loan Fund has invested $100,000 to leverage the building of the $2.7 million Social Enterprise Hub, a collocation space for social enterprise, micro enterprise, and enterprising non-profits.

Finally, the fund invested the equity to leverage the construction of three semi-detached affordable home ownership units, in addition to assisting in the acquisition and maintenance of affordable housing by a local non-profit developer.

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Community Economic Development Corporations and other actors

Similar to the CEDIFs in Nova Scotia, Community Economic Development Corporations (CEDCs) provide a 50% tax credit to guide investing toward social enterprises. First announced in April 2018, this structure has yet to develop into the force they have become in Nova Scotia, and so far, only one CEDC has been established. Critically, they do not allow for investing in affordable housing, the creation of blind pools, or the use of debt.

Outside of the efforts of the Saint John Community Loan Fund, New Brunswick’s social finance ecosystem is beginning to grow, with new partners taking advantage of the need for community-based development and finance alternatives.

Accelerating capacity for social enterprise development has been on the agenda of the Economic and Social Inclusion Corporation (ESIC). This is a cross departmental government organization focused on poverty reduction and supports a network of Social Inclusion Networks throughout the province.

Among other capacity-building initiatives, the Pond Deshpande Centre (PDC) in Fredericton runs an entrepreneurship accelerator that graduates up to twenty social entrepreneurs each year, while the Cooperative Enterprise Council of New Brunswick is supporting capacity building for co-operatives and for youth social entrepreneurs.

Finally, Saint John’s Community Foundation is an Investment Readiness Program (IRP) delivery organization and manages the disbursement of IRP monies throughout the province. To date, some twenty social enterprises have received grants to develop their business cases, or research products and service growth.

Prince Edward Island

Prince Edward Island’s social finance ecosystem is perhaps the least developed of the Maritime provinces. So far, social finance on the island owes a great deal to the activity of the provincial government, with supports for community economic development and social enterprise that include a Community Development Equity Tax Credit Act, introduced in 2011. This program is similar to Nova Scotia’s CEDF model and provides a 35% personal income tax credit up to a maximum of $7,000. Despite the opportunity to invest in a range of businesses approved by the Community Economic Development Business program, the uptake since the program’s inception has not been robust.
Several other government-led programs exist, including Finance PEI, Innovation PEI, and Policy Hacks, informally support social innovation on the island.

Newfoundland and Labrador

Despite the many opportunities, and challenges, for social finance in Newfoundland and Labrador, the province’s social finance ecosystem remains relatively underdeveloped.

The Direct Equity Tax Credit established in 2000, follows Nova Scotia’s CEDIF model, and provides a provincial income tax credit of 30 – 35%, up to a maximum of $50,000, for investments made in small businesses in key growth sectors.

The Non-Fund Community Sector Council of Newfoundland plays an important role in social enterprise development in the province but does not manage funds.

Regional Players

As in other parts of Canada there are a number of organizations that have been established either by government or community that do not fit neatly into the areas and jurisdictions we’ve already examined. Some of these entities are capitalized by governments and operate with government capital. Others are community driven, and mission oriented. Very few cross the spectrum of impact investing, whether we are speaking of diversity in financing tools, or terms of the investment target. Despite this, it is worth taking note of these players, as they will no doubt be a part of the growth and development of the regional ecosystem going forward. They include the following:

Community Business Development Corporations (CBDCs) are created and largely funded by the Federal government. There is a network of forty-one CBDCs in Atlantic Canada that provide lending in the form of loans, loan guarantees, and more rarely, equity to businesses, most of which require existing track records to access financing. Although the CBDCs offer a social enterprise loan product, it has not gained much traction. CBDCs do not invest in affordable housing or real estate, unless as a by-product of the enterprise focus.

Credit Union Small Business Loan Programs offer lending up to $500,000 in term financing including lines of credit. The program does not offer equity investing.

Venture capital funds are an important part of the investment landscape throughout the region, with a variety of venture capital funds supporting high-growth private companies, most notably in the technology sector. New Brunswick Innovation Foundation (NBIF) was set up in 2001 as a venture capital firm through provincial government funding. NBIF was able to solidify its business model in 2011 when one of its portfolio companies, Radian6, sold to Salesforce for $276 million in cash and $50 million in stock. Despite the lack of social mission, they are an important source for regional investment.

From an initial capitalization of approximately $7 – $9 million from the federal government, Ulnooweg has lent out more than $65 million, leading to the creation of thousands of jobs. The group is the parent of a registered charity, the Ulnooweg Indigenous Communities Foundation, focused on building capacity for children and youth across sectors in education, culture and innovation. In addition, the Ulnooweg Financial Education Centre (UFEC), assists First Nation decision makers by enhancing skills in governance and financial decision-making, opening up opportunities for greater participation in the Canadian economy.

An important social finance intermediary arising from the region’s Indigenous community is Ulnooweg Development Group (UDG), a multi-focused and mission-driven organization established to create change. UDG has been providing loans and business services to Indigenous entrepreneurs throughout Atlantic Canada since 1986. From an initial capitalization of approximately $7 – $9 million from the federal government, Ulnooweg has lent out more than $65 million, leading to the creation of thousands of jobs.

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Challenges and Opportunities

Despite the history of initiatives such as the Antigonish movement, it remains the case that terms such as “social enterprise” and “social finance” are relatively new throughout the region. Governments at all levels are wrestling with incorporating them into policy frameworks, and with limited tangible support. The Nova Scotia Framework for Advancing Social Enterprise, launched in 2017, received little support and resulted in no action. New Brunswick’s Economic and Social Inclusion Corporation recruited a community-driven committee to provide a policy paper for the province in 2015 but attracted little funding for capacity or start up.

The majority of tangible support for social finance has come from the community sector, whether through financing itself, or via capacity development. Throughout the region, growth in the sector has been hampered by funds and partners with limited understanding of less traditional investment instruments such as royalty agreements and quasi-equity. Unfortunately, there is a continued perception on the part of both government and investors of higher risk with social finance.

Nonetheless, there are some clear leaders in the social finance ecosystem in the region, both as funds and non-fund organizations. They have a proven track record, with demonstrated results, and committed and experienced leadership. The opportunity is to leverage their strength by investing in a full spectrum of activities, from research and development to capacity development and financing, which required deepening the understanding of social finance in the across public, private, and philanthropic sectors, and with potential investors. Participating in a pan-Canadian network of social finance funds provides an opportunity to exchange exemplary practices and showcase promising models.

Simple incentives are useful, but tax credits such as the CEDC and CEDIF can be improved by enabling blind pools, the use of debt to investees, and enabling investment in social-purpose real estate. On the investor side, we need a better way to value investments for greater movement in and out of the CEDIF pool.

To achieve development and growth of Atlantic Canada’s social finance ecosystem, participants will have to find champions capable of engaging provincial and municipal governments as partners. Work must be done to identify and fill gaps in the marketplace, particularly the need for patient capital. Finally, social finance will succeed if it can address systemic issues such as affordable housing, food security, and senior care.

The demand for affordable housing is massive, and requires innovative financing solutions that include government programs, as well as private social finance funds. In New Brunswick, 4,500 individuals are waiting for social housing managed by Social Development New Brunswick. This is both an enormous challenge — and an opportunity — for social finance solutions.
Social finance has been an integral part of Quebec’s socio-economic development for many decades. It is a history that begins with the development of the co-operative movement, which early on established a presence in several major sectors throughout the province. We can sense the depth of this history today when looking at the expanding presence of non-profit organizations employing innovative social finance solutions to meet social needs. Today, over eighty years after the establishment of the first financial co-operative in Quebec, the ecosystem continues to grow and support both people, and the economy.

Following the major economic crisis of the early 1980s, social finance in Quebec experienced an important resurgence. Confronted with high unemployment, the decline of many regions, and deeply felt social and economic inequalities, Quebec society undertook a process that led to the creation of a genuine ecosystem of social finance that has attracted attention internationally. This phase began with the participation of the labour movement, responsible for the creation of the Quebec Solidarity Fund in 1983. This fund, and the emergence of community-based investment funds in the same decade, were unique at the time. Significantly, both were the direct result of social movements mobilizing for a more inclusive and sustainable economy. Just as importantly, these efforts embodied a commitment to economic democratization, where investment was put toward generating positive social impact while generating financial returns.

The uniqueness of Quebec’s social finance ecosystem is reflected in the language used. In Quebec, solidarity finance refers to investment in the social economy, either through co-operatives, non-profit organizations, mutuals, or community trusts. This kind of investment is made with the goal of generating sustainable socio-economic or community economic development. Solidarity finance instruments bring together diverse community actors, and can take many forms, including guaranteed and non-guaranteed loans as well as patient capital. It is important to see that solidarity finance aims at reconstructing social capital within communities.

Meanwhile, development capital refers to investment in job creation, local and regional development, protection of the environment, and worker participation. Development capital uses more traditional venture capital instruments but distinguishes itself from traditional venture capital through its social or environment objectives. Financial return is important but must be weighed against economic and social aspirations.

The concepts of solidarity finance and development capital have been used to describe the overall field of what is referred to, in the Canadian context, as impact investment and social finance.

Along with credit unions and other co-operative entities, social finance is deeply embedded in the broader socio-economic landscape and is recognized as a significant economic force. As a result, Quebec’s social finance ecosystem...
is considered a model or a “template” in many regions and countries across the world, with social finance professionals in the province actively involved in international networks that promote and develop social finance as a key component of sustainable development.

To understand social finance in Quebec, it’s helpful to recognize two of its fundamental development dynamics. The first can be seen as territorial, and is oriented toward local and regional development, while the other is focused on enterprise development and the social economy. The social economy in Quebec includes more than 11,200 collective enterprises, of which 75% are non-profit organizations, 22% are non-financial co-operatives, and 3% are financial co-operatives or mutuals. Collectively these enterprises have 13.4 million members, of which 2.4 million are members of non-financial co-operatives, 4.5 million are members of non-profit organizations, and 5.6 million are members of financial co-operatives. Framework legislation recognizing the social economy as an integral component of Quebec’s socio-economic infrastructure was adopted unanimously by Quebec’s National Assembly in 2013.

The tradition of state presence in co-operatives and social finance is based in part on the aspirations of a majority francophone nation within Canada and occurs within a political culture of social dialogue that cuts across political parties and encourages cross-sector partnerships. Despite this, the recent history of social finance is rooted in citizen-based community economic development organizations that grew out of the early 1980s in urban neighborhoods struggling against economic restructuring and the recession. Labour unions were strategic partners in these community-based processes. The strategies for economic revitalization pioneered by these organizations planted seeds for what we refer to now as “place-based strategies”.

The development of the social economy and social finance made a leap in the mid-nineties. In a summit convened in 1996 by the Premier of Quebec, government, employers, trade unions, community organizations, and social movements were called on to address the need to create jobs without increasing the deficit. Responding to this initiative, a social economic working group proposed a series of innovative approaches to create tens of thousands of jobs while responding to social and environmental needs. One of these ideas was a unique investment fund, dedicated to co-operative and non-profit enterprises. Known as the Réseau d’investissement social du Québec (RISQ), the fund began with an initial $10 million, with 50% of this amount coming from large financial institutions and private corporations. Despite the modest capitalisation, RISQ was a major step in the evolution of social finance in Quebec.

With the creation of the Quebec Solidarity Funds in 1983, and the first local investment fund — the Fonds de développement de l’emploi de Montréal (FDEM) in 1988 — social finance has diversified and expanded. The social economy movement, represented by the Chantier de l’économie sociale, has been instrumental in developing innovative financial tools to support the development of collective enterprises, whether they be co-operative, enterprising non-profits, mutuals, or social utility trusts. New approaches to financing traditional sectors, such as housing or community real estate, have also enriched the development of Quebec’s social finance ecosystem.

Unlike many other parts of the world, the social finance tools and institutions created over the past decades in Quebec were designed by social movements; they embody citizen mobilization at local, regional, and provincial levels. Many have benefited from government support, through a variety of measures including direct injection of capital, credit enhancement, legislation, and fiscal measures, of which a few significant examples are described below:

Local development funds often partner with outside investors to complete their investments. Since 1997, local funds, now managed by municipal local development centres, have been financed by the provincial government. In Montreal, PME Montréal offers technical assistance and loans of up to 400,000 to local businesses, including social economy enterprises. There are also 57 Community Futures Development Corporations in the province supported by the Government of Canada.

Community-based funds include small loan circles and local funds serving marginalized populations denied access to conventional loans. The Réseau québécois du crédit communautaire (the Quebec Network of Community Credit Funds) brings together these funds, aided by the Quebec government through direct financial support, or indirectly through employment programs.

State funds play an important role in supporting social finance. Investissement Québec, for example, is a state-owned public corporation with two programs dedicated to social economy enterprises. The first provides capital for collective enterprises and offers a support program for collective buyouts of small and medium-sized enterprises (SMES). The Government of Quebec is also an investor in the green economy through its Écoleader fund, coordinated by the Fonds d’action québécois pour le développement durable (Québec Action Fund for Sustainable Enterprise).

As we’ve seen, co-operative funds have been part of the social finance landscape for many years. The Caisse d’économie solidaire Desjardins, created in 1917 by the labour movement, is dedicated exclusively to collective enterprises and social housing, with assets of $11 billion in 2019.

Capital régional et coopératif Desjardins (CRCD, or Desjardins Capital for Regional and Co-operative Development), established in 2001 by the Mouvement Desjardins with the help of a provincial tax credit, has contributed to the growth of 530 enterprises, co-operatives, and funds across Quebec, investing over $1.3 billion.

Labour solidarity funds are unique to Quebec and major players in the financial ecosystem, with assets of $15.6 billion at Fonds de Solidarité FTQ and $2.2 billion at Fondaction. Since their creation,
both labour solidarity funds have been involved in local, regional, and sectoral funds, many of which invest in the social economy. They have also been a major investor in hybrid and private social economy funds.

Hybrid funds combine the capital of several partners. To date, government, labour and private pension funds, private sector companies, foundations, religious congregations, and assurance companies have been investors in funds managed by civil society organizations.

The Chantier de l’économie sociale Trust was created in 2006 to meet the need for long-term capital for social economy enterprises. The Trust began with an initial injection of $23.8 million by the Government of Canada, leveraging a further $30 million investment by the two labour solidarity funds and the Government of Quebec. Since 2007, the Trust has invested more than $80 million in almost 300 projects, created and maintained 5,186 jobs, and generated a total of $586 million in the Quebec economy. The Trust also participated in the creation and management of sectoral funds for community housing and student cooperative housing.

In 2021, the Trust collaborated with RISQ as well as Centraide, taking on the management of a new hybrid fund in collaboration with a series of partners, including the City of Montreal. This fund was designed to help community organizations stabilize infrastructure costs by allowing them to become owners of their buildings. The fund was capitalized by foundations, labour funds, and private investors for a total of $18.65 million.

The Fonds d’innovation pour la gouvernance (INNOGEC: Innovative Fund for Governance and Management of Collective Enterprises) is another hybrid fund. It provides access to professional management consulting and governance services by contributing to payment of professional fees. The fund was initially capitalized by the minister de l’Économie et de l’Innovation, Fondaction, Filaction and the Caisse d’économie solidaire.

The Fonds Inlandsis, created by Fondaction and Co-op Carbone in 2017, is the first Canadian fund to invest exclusively in projects that reduce greenhouse gas emissions across North America. With the input of private investors in 2019, the total capital available to the fund increased to $40 million. In less than four years, it has supported 36 projects associated with regulated carbon markets in Alberta, California, and Quebec.

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Some private sector funds contribute to social finance. The Fonds d’investissement de Montréal (FIM) (Montreal Investment Fund) was established to purchase and renovate real estate for co-operative and non-profit housing. Founded by architect and philanthropist Phyllis Lambert, along with the broad participation of private sector partners, this entity has generated $185.2 million in total investment to build 1,053 community housing units, and financed the acquisition and preservation of 39 affordable rental buildings.

Inspired by activity in Toronto, community bonds are gaining momentum following the publication of a how-to guide by Territoires innovants en économie sociale et solidaire (TIIES). As of 2020, $1.7 million had been raised for 17 enterprises, and a strategy to promote and develop this form of funding should result in the expansion of this type of financing. The City of Montreal has committed $500,000 to promote and support the use of community bonds, while the Quebec government has announced $500,000 to support community capitalization projects, including community bonds.

Over past decades, First Nations Funds have emerged as a new financial tool to support First Nations communities. Some have been created exclusively through private funds, while others are hybrid or capitalised by public contributions. Their investments are also varied, including loans to individuals, business start-ups, and community infrastructure, including housing.

Collaboration, Lessons, and Challenges

Québec’s political culture is one of collaboration, and social finance is no exception. Several initiatives have helped strengthen the sector as a whole, including the publication of a Guide for Financial Analysis of Social Economy Enterprises. This spirit of collaboration was formalized in 2009 with the creation of CAP Finance, a network for socially responsible finance that included development capital and solidarity finance. As with its pan-Canadian partner Table of Impact Investment Practitioners (TIIP), formalizing dialogue, knowledge transfer and collaboration help demonstrate the collective capacity of these financial actors within Québec’s economy.

As the Québec social finance ecosystem continues to diversify, one of the key lessons we can learn is how its bottom-up approach has resulted in the creation of financial products and tools based on concrete needs. Social movements on the ground have insisted on playing an active role in defining these needs, and co-designing financial products with investors. This process of co-construction and co-ownership among diverse partners has been the basis for a dynamic and successful ecosystem approach. It means that social finance in Québec is characterized by a diversity of tools and actors who work in collaboration.

Social finance continues to grow in Québec as investors become more open to new proposals based on past successes, and as networks of the social economy and local actors identify needs and opportunities. Two recent initiatives by RISQ provide illustrations of ongoing innovations. In 2018, the Réseau de relayeurs du RISQ—a network of 27 social economy organizations across Québec—was established to provide support services to help collective enterprises meet their objectives. More recently, RISQ has launched a pilot project to respond to the diversity of financial needs throughout the lifecycle of social economy enterprises. Inspired by the venture capital model of repayment based on revenue, the Fonds d’innovation et de croissance en économie sociale is now in a pilot phase, introduces more flexibility into repayment schedules by tying them to earnings of the enterprise.

With respect to challenges experienced by the sector, it seems clear there is a need to accelerate the development of social finance instruments for social purpose organizations (SPOs) in a growing number of sectors. Some of these sectors will require important innovations in how new investment tools are structured. Where there are challenges, there are also critical opportunities. Some of these might be developing co-operative and collaborative digital platforms, using artificial intelligence for the common good, or preserving of cultural organizations badly affected by the pandemic. Small-scale infrastructures for more sustainable food systems have been identified as a target for new financial tools. There is also a need to significantly scale up investment in community housing and real estate.

Such efforts will benefit from an overall consensus on the place of the social economy enterprise in Quebec, entrenched as it is in framework legislation. Unlike other regions in Canada, such entities are often valued by investors keen to identify social purpose and impact. Ultimately, collectively owned enterprises and organizations boasting democratic governance serve as a proxy for community accountability, and thereby helps diminish perception of risk while ensuring positive impacts.

Role of Government

As we’ve seen, the Quebec government has been a key strategic partner in the successful development of social finance in the province, followed to a lesser extent by the federal and municipal governments. As a result, the announcement of a social finance initiative by the Government of Canada was well received in Quebec, with social finance actors here still waiting for the Social Finance Fund to be deployed. The context is favourable for maximising the impact of this forthcoming federal investment; an injection of capital from the Government of Canada could allow important advances in leveraging private capital to create new financial instruments, or consolidate and expand existing funds. This investment will allow social economy enterprises and other social purpose organizations to play a key role in the post-pandemic recovery, while helping Canada advance toward meeting the United Nations Sustainable Development Goals.

One issue that should be noted in Quebec is the inadmissibility of collective enterprises to many of the existing and new federal programs that support economic development. Despite the existence of framework legislation on the social economy and the recognition from the Canada Economic Development for Quebec Regions (CED) staff of the importance of the social economy in the economy of Québec, most measures are not conceived to include collective entrepreneurship nor adapted when applied in Québec, despite collective entrepreneurship contributing in important ways to several federal government priorities including women entrepreneurship and regional economic development.
In Ontario, there is no simple origin story about social finance and impact investment. The ecosystem is a product of diverse — and fragmented — initiatives, mostly propelled by civil society organizations and philanthropic investors, and supported by modest government policy and financing initiatives.

The first Ontario co-operatives were established more than 150 years ago and were supported by early credit unions and community-based financing initiatives. For decades in Canada’s most populous province, people have responded to community social and economic challenges, often using earned revenues, and invested capital before these were seen as social finance. There are examples of collective enterprises that date to the early 20th century that would now be thought of as social enterprises.

This rich history became the basis for the emergence of specialized social finance intermediaries in the latter part of the 20th century, and includes the Canadian Alternative Investment Cooperative (1984), federally supported Community Futures organizations (late eighties), Sarona Asset Management (1993), and Social Capital Partners (2001). The diversity of social finance entities in the province by the turn of the last century is the result of contributions from movements, organizations, and individuals, but critically, this diversity still lacks vital institutional or policy frameworks to bring together and anchor elements of the sector.

By the early 2000s, there was growing Federal interest in the social economy, as expressed in the Martin Government’s social economy initiative, more advanced financial models of social and community enterprise, and an increase in institutional investment interest in the social finance ecosystem. All of this contributed to the emergence of a critical mass of social finance initiatives in Ontario. An indication of how complex and diverse Ontario’s landscape of social finance has become in recent times was illustrated by the Social Finance Forum, launched in 2008. Conceived as a national event for the social finance sector, the forum especially highlighted the strength and development of Ontario’s ecosystem, bringing together three segments of the social finance landscape that contribute to the Ontario landscape today.

Philanthropic investors — often motivated by a desire to deepen impact through social finance and impact investment, these organizations and individuals make investment decisions based on mission, or as a complement to conventional investment strategy, and were the source of the first significant investment in social finance capital. This group includes private foundations such as the Lyle S. Hallman Foundation and Inspirit Foundation, and community foundations led by Hamilton, Ottawa, and Kitchener. Philanthropic investors have continued to be leaders in developing the social finance space in Ontario, supporting intermediaries, as well as funds and enterprises.
Social finance funds and platforms were early initiators of social finance investment opportunities. These entities provide interested investors with access to social, environmental, and community impacts. Funds such as InvestEco Capital CoPower and the Community Forward Fund were pioneers in impact investment vehicles and continue to demonstrate success in achieving social impact and risk-adjusted financial returns.

Convenors, accelerators, and social finance service providers are organizations that play a vital role in developing interest among investors for social finance. They facilitate the flow of capital, in addition to supporting and promoting investment opportunities. They include organizations like Rally Assets (formerly, Purpose Capital), the Centre for Social Innovation and MoRS Discovery District, which created the MoRS Centre for Impact Investing.

Financial institutions have taken advantage of some opportunities to support the development of social finance infrastructure and enterprises directly. They have included the Royal Bank of Canada, Toronto Dominion, and, since 2018, Vancity Community Investment Bank, the first Schedule 1 chartered bank to commit itself to financing only initiatives and organizations making positive social or environmental change. More recently non-banking financial institutions have started to engage in placement of capital in social impact, largely through impact funds and intermediaries. Among Ontario’s credit unions, uptake of social finance tools has also expanded, including Alterna Savings’ recent launch of a microloan fund for entrepreneurs in collaboration with the Afro-Caribbean Business Network (ACBN), or through financing of co-operative and non-profit housing development and renewal.

A significant provincial actor in the social finance ecosystem has been the Ontario Trillium Foundation. Through its granting initiatives, the Foundation is an important source of capital supporting the development of ecosystem infrastructure to enable social finance intermediaries and social purpose organizations. Support for scaling of social finance activity also includes initiatives like Causeway Social Finance (2007-2010) and the Government of Ontario’s adoption of a social enterprise strategy (2013), discussed further below. The current social finance ecosystem in Ontario is diverse and includes investors and funds that operate at a national scale, as well as local or regional entities. New intermediaries are entering the ecosystem every year, helping support the growing flow of private and institutional capital into social finance.

Social Finance Lenders
There is a high level of activity in this segment of the ecosystem, with a diversity of actors ranging from banks to credit unions, place-based impact investing funds, and Community Futures Development Corporations (CFDCs). All offer a variety of debt financing mechanisms at different interest rates, and this group includes a range of institutions, including Alterna Savings, Libro Credit Union, DUCA, Kindred Credit Union, Vancity Community Investment Bank, the Black Opportunity Fund, Community Forward Fund, ACCESS Community Capital, Fair Finance Fund, VERGE Capital, and many others.

Track Record
As a province brimming with social finance activity, and with close access to financial markets in Toronto, Ontario is home to many social finance intermediaries, many of which have a national in scope and impact. Activity in the provincial ecosystem has, over the years, enabled intermediaries to establish a track record of execution, impact, and returns. The sector here shows that intermediaries are beyond proof-of-concept and have built a strong foundation for a rapidly growing marketplace.

The sector here shows that intermediaries are beyond proof-of-concept and have built a strong foundation for a rapidly growing marketplace.

Successes

Environmental Funds
As we might expect, there is a wide range of world-leading funds and intermediaries based in Ontario, making investments in cleantech, climate action, and related sectors. The exciting news is that demand is generating creation of more intermediaries on the supply side. This segment includes groups such as InvestEco Capital, CoPower, ArcTern Ventures, The Atmospheric Fund (TAF), Solarshare, and other renewable energy co-operators and actors.

Foundation and Faith-based Engagement
A number of community foundations in Ontario have been active investors and field builders, in places like London, Ottawa, Hamilton, and Kitchener-Waterloo, with smaller foundations emerging in Oakville, Prince Edward County, and beyond. This wellspring of activity has been abetted by the involvement of community foundations in the Federal Investment Readiness Program (Irf). Moreover, there are private foundations and faith-based organizations in Ontario that are lead investors and catalysts for local markets, from the Congregation of the Sisters of St. Joseph and the Ursuline Sisters of Chatham, to the Catherine Donnelly Foundation, Bealight Foundation, and the Ontario Trillium Foundation (OTF).

Infrastructure
In addition to social finance funds themselves, infrastructure supporting provincial and national social finance includes a number of sophisticated convenors, advisors, and service providers in the provincial ecosystem. These include Social Capital Partners, an ecosystem catalyst; the Centre for Social Innovation, a capacity builder
Investors access to social impact investment be-
vestment. Ultimately, this will also be a benefit in
as portals that will facilitate HNW investments
investment decisions. The recently conducted
interest in impact in this segment of investors and
by New Market Funds Society indicates a growing
Investment Readiness Program work undertaken
pathways to learning about social finance. The
portunity to educate this segment and provide
advisors, and other HNW investors. There is an op-
portunity to educate [high-net-worth individuals] and
provides advisory, portfolio management and in-
vester education, and MaRS Discovery District, an
outcomes-based financing and convenor. Other
entities are: Tapestry Community Capital, a bond
provider developing capital administration; and
SVX, a group providing education, capital advis-
ing, and fund management support.

Opportunities

Broadening Investor Interest and Access

High-net-worth (HNW) accredited investors repres-
nt an important source of investment capital for
funds and enterprises. Operating independently
from institutional governance structures gives
these actors the chance to learn and make de-
cisions quickly. In addition, many hold important
positions adjacent to the social finance ecosys-
tem, and are likely to influence institutions, financial
advisors, and other HNW investors. There is an op-
portunity to educate this segment and provide
pathways to learning about social finance. The
Investment Readiness Program work undertaken
by New Market Funds Society indicates a growing
interest in impact in this segment of investors and
among advisors who play a critical role in HNW
investment decisions. The recently conducted
research points to opportunities for the social
finance sector to work collaboratively in the de-
velopment of data sources and infrastructure such
as portals that will facilitate HNW investments
and bridge the knowledge gap about impact in-
vestment. Ultimately, this will also be a benefit in
establishing tools that will allow non-accredited
investors access to social impact investment be-
yond the few opportunities currently available.

Supporting Women-led Enterprises and
Gender Lens Investing

Ontario has made some advances in supporting
women-led enterprises, and this is helping build the
pipeline for social finance and mainstream in-
mediaries. This activity has been driven in large
part by the work of the Women of Ontario Social
Enterprise Network (WOSEN), a province-wide
organization that provides advisory, portfolio
management, and community bond catalyst; Rally Assets,
and MaRS Discovery District, an outcomes-based financing and convenor. Other

Community Capital Institutions

There is growing momentum to facilitate start-up
and scaling of community capital institutions in
Ontario providing capital and capacity support to
local enterprises and organizations in urban and
rural centres. These intermediaries range from
provincial to regional place-based impact in-
vesting funds like VERGE Capital and the Upper
Canada Equity Fund, to community futures or-
ganizations advancing social enterprise strategies.

There is an opportunity to educate
[high-net-worth individuals] and
provide pathways to learning
about social finance.

Regional differences

Although the social finance infrastructure in
Ontario is one of the most robust in Canada, sig-
nificant regional differences persist in relative
access to social finance tools and capital. Among
the most pronounced of these is the capital and
intermediary gap between Northern and Southern
Ontario. Southern Ontario has a larger number
and range of social finance intermediaries, with
a diversity of financing and impact investment
opportunities. The region is home to Canada’s
financial centre, and there is a larger base of
investors, foundations, and capacity building
intermediaries providing both capital, and a pipe-
line of investment opportunities.

While Northern Ontario is relatively underserved
by private and non-profit intermediaries, there are
some impact-focused and mainstream inter-
mediaries seeking to fill these gaps by financing
impact ventures, funds and organizations. These
include groups such as Northern Ontario Angels,
PARO Centre for Women’s Enterprise, and the
Sudbury Catalyst Fund, along with Community
Future Development Corporations (CFDCs), and
the Federal Economic Development Initiative for
Northern Ontario (FedNor) have also financed im-
 pact enterprises.

There is a capital and intermediary gap between
rural, urban, and suburban regions in Ontario.
Cities like London, Hamilton, Ottawa, Kitchener-
Waterloo, and Toronto offer a greater range of
intermediaries and financing options. Despite
the strong presence and success of community
futures organizations in rural and smaller urban
centres, these entities often lack sufficient capital
and a mandate to finance social enterprises.

Challenges

Lack of Large Institutional Capital
Placement

Given the size of Ontario’s financial and regula-
tory environment, limited institutional capital has
been deployed for social finance. Structural and
incentive problems mean that social finance in-
termediaries often fail to appear on the platforms
of mainstream financial institutions and advisors.
Direct institutional investment in social impact
funds is often limited by fund size or invest-
ment concentration, and the lack of investment
in understanding and identifying opportunities
for investment.

Lack of Access to Capital and Supports for
BIPOC communities

There are persistent challenges to accessing
capital for Black, Indigenous, and People of Colour
(BIPOC) communities in Ontario, particularly
among Black-led organizations and enterprises,
and other communities of colour. Organizations
like Social Economy through Social Inclusion (SESI)
are seeking to tackle this challenge through con-
vvenings and strategic initiatives, while funds such
as Marigold Capital are galvanizing investors.
These challenges are examined in greater detail
in the Indigenous and Diversity, Equity, & Inclusion
chapters of this report. There is a clear interest
among investors and policymakers in increasing
the flow of capital into BIPOC communities.

Investor Support

There is a persistent gap between investor edu-
cation on the one hand, and focused services in
social finance on the other. Despite the maturity
of the market, the onus is still on the investor to
identify options. Critically, few investment advisors
have expertise in social finance. Even in cases where advisors want to support investors capitalize social finance, they may not know how to differentiate between different strategies or discern quality of impact outcomes.

**Retail Products**

Opportunities in Ontario are too few, and too fragmented for non-accredited investors. A brief survey tells us there are a very limited number of social impact, retail-accessible products on the market. There are examples of organizations in the province which have been able to raise capital from retail investors, including SolarShare, Innovation Works, Zooshare, the Centre for Social Innovation, and CoPower. Retail offerings can be complex from a regulatory perspective, or are limited to the offering of certain types of debt. Platforms such as Frontfundr are starting to overcome some of these barriers — however, the cost of using these intermediaries is often an impediment to seeking retail investor capital.

**Lack of Incentives, Policy Infrastructure and Investment**

The Ontario government has not introduced key enabling policy tools like those available in Atlantic Canada and in British Columbia. These tools, such as tax credits, have helped incentivize investment in social finance intermediaries. Currently, there is limited policy infrastructure and investment at a provincial level to really enable social finance. This is a serious barrier, as social finance infrastructure remains fragmented, and emergent elements are still fragile. The Ontario ecosystem, while more robust than many parts of the country, lacks an enduring policy framework and the supports required to ensure continued inclusive development of the sector.

**Role of Government**

Public policy frameworks in Ontario have lagged behind the development of the social economy sector. In years past the provincial government publicly committed to harnessing the opportunities of social finance to address critical social and community economic development issues. However, only in 2013 did it launch a Social Enterprise Strategy to accelerate connections to capital, and harness the value of social finance. This initiative has not been sustained as it was not accompanied by significant catalytic capital and other policy instruments.

Given shifting government priorities, political interest and funding, support for social finance and the social economy has lapsed in recent years. For example, the Procurement and Investment Readiness Fund was cancelled, and the ONE Social Enterprise Partnerships were not renewed. These initiatives sought to provide support for community organizations, businesses, impact investors, and intermediaries, and were needed to deliver social enterprise resources and advance collaboration at a regional level. Unfortunately, the provincial government has not sustained or developed much-needed enabling regulatory and financing supports for the ecosystem, which has impacted the growth of social finance and social enterprise. Nor has the Ontario Government helped facilitate the flow of capital through tax incentives.
As we move further west, it is helpful to see Manitoba and Saskatchewan as places where the ecosystem of social finance is still emerging, yet with key fundamentals in place. The role of community-governed finance for local economic development, as well as government regulation and incentives, are important across both provinces. Co-operatives have a long and deep-rooted history in Manitoba and Saskatchewan, beginning in the late 1800s with a strong presence in agriculture, manufacturing, as well as in other business. These collective entities have been essential in maintaining key industries in rural communities, such as grocery, banking, and other kinds of retail. Despite these high-level similarities, there are significant differences between the two jurisdictions, and while the two economies are similar, they are not the same. Finally, the provinces have distinct regulatory environments, with little active collaboration among social economy actors. If we can bear all of this in mind, it will still be useful to examine both ecosystems together.

In both Manitoba and Saskatchewan, there has been a focus on co-operatives and workforce development oriented social enterprises. The range of impact of this focus, however, should not be underestimated, as it extends into recycling programs, composting, car sharing, and arts and culture. While there are few intermediaries specifically serving social purpose organizations (SPOs) outside of the Community Futures network, some credit unions, and Indigenous capital corporations, there are also interesting community investment and public-private outcome-based funding models emerging. Social enterprises tilted toward workforce development have been an exciting and innovative tool, particularly for low-income, Indigenous, people living with disabilities, and workers facing barriers to inclusion. An early model still present in the landscape is Goodwill, and in its wake, a host of other thrift store models exist, with some focusing on workforce development, and others providing low-cost clothes and household goods in low-income areas. Still other entities derived from this model are building financial resilience for parent organizations. Today, Winnipeg enterprises such as BUILD Inc., Diversity Food Services, Mother Earth Recycling, Purpose Construction, ImaginAbility, L’Arche Tova Café, and many others are providing a wide range of opportunities for training and job skill development. There are similar entities in Saskatchewan, such as BUILD UP Saskatoon, supported by Quint Development Corporation, or SARCAN Recycling, which provides recycling across the province.

Key social finance leadership in both provinces is emerging among Indigenous peoples. Aki Energy and Aki Foods have taken the social enterprise model with impressive success to First Nations. This social innovation was the primary focus of the now-defunded Manitoba Social Enterprise Strategy, which included a full pillar on the financing needs of these kinds of enterprises. Despite high levels of poverty in both provinces among Indigenous communities — the result of colonial histories of exclusion and racism — there are significant opportunities for just and sustainable growth.

Despite significant ground-level enterprise development, impact investing models have been limited in both provinces. In part, the smaller presence of impact investing in this region’s social finance ecosystem is due to the relatively small market, and similarly, lower population density. As a result, the focus on workforce development
and more traditional funding opportunities make sense. However, there are several innovative examples, often combining elements of public support, social procurement, and impact investing that are important to note.

In Saskatchewan, the first provincial social impact bond was launched in 2014 in partnership with Conexus Credit Union and EGAZ Youth Centre, focusing on at-risk single mothers. In addition to this precedent-setting model, Community Futures and credit unions continue to be important stakeholders, and were key partners alongside the larger community foundations in the recent Investment Readiness Program (IRP).

In Manitoba, the Communities Economic Development Fund, a Crown corporation providing loans to local businesses, has begun exploring the social impact bond model. The Community Enterprise Development (CED) Tax Credit has enabled several co-operatives, such as Peg City Car Co-op and Pollock’s Hardware Co-op Ltd., to raise their own investment shares incentivized by the tax credit. Despite this success, there is reluctance to develop models similar to that of the Community Economic Development Investment Funds (CEDIFs) in Nova Scotia, where a tax incentive enabled millions of dollars of retail investment and local economic development. Poverty reduction remains a key concern for government, and the ecosystem as a whole. For example, the Jubilee Loan Fund offers a Jubilee Investment Certificate using pooled funds to provide loan guarantees for community businesses like childcare centres, affordable housing development, and some social enterprise models.

Also focused in Manitoba, a social finance working group has been active for many years, with representatives from the Canadian Community Economic Development Network (CCEDNet), SEED Winnipeg Inc., Jubilee Fund, Assiniboine Credit Union, Manitoba Co-operative Association, United Way Winnipeg, and the Winnipeg Foundation. These key stakeholders were the main actors involved in the finance pillar of the Manitoba Social Enterprise Strategy, a sector-government co-created partnership. The finance pillar of the strategy emphasized new funding models to cover the training and social costs of workforce development, as well as loan guarantees and tax credit incentives. It is clear that the focus on funding and debt arises from the many non-profits in the ecosystem using businesses as key training models. The same group has commissioned social finance studies and hosted the Winnipeg Social Finance Forum in 2018.

The Manitoba Co-operative Community Strategy was launched in 2009, renewed in 2015, and defunded in 2018. A key component of the document was a focus on enabling equity financing for co-operative models, and how government could support community lending organizations to better support co-operatives. Recommendations included strengthening the CED Tax Credit, and maintaining the Co-operative Development Tax Credit, which enabled co-ops to pool their own funds for small development grants to other emerging co-ops. That tax credit was also defunded in 2018. Both strategies included a strong focus on increasing the financial acumen and business development support available to community models, so practitioners would be easily able to consider different finance tools.

Counterbalancing declining regulatory support from the Manitoba government is recent federal interest in this work, with the result that there is growth toward community and impact investing models. One innovative approach has been community-driven outcomes-purchasing, prototyped by Aki Energy with Raven Indigenous Capital Partners. This model combines elements of social impact bonds with stronger autonomy and direction given to the community entity delivering the social impact, and it shows a lot of promise. The Manitoba Social Finance Working Group is meeting regularly to explore development of a new intermediary, and the Canadian CED Network (CCEDNet) continues to play a convening role, including advocacy efforts with the provincial government for policy measures supporting social finance.

Overall, these and other trends suggest these regions will benefit from the development of social finance intermediaries, though actors in these ecosystems will have to understand demand from social purpose organizations and potential investment sources.

In Manitoba, a few key players have begun the work of developing the regional social finance landscape.

The Assiniboine Credit Union is a leader when it comes to social finance and supporting communities. In Winnipeg, they provide finance to social purpose organizations, and show strong leadership as a values-based financial institution and Certified B Corporation. Across the Prairies, credit unions are an essential piece of the financial system, often serving as the only financial institution in smaller communities.

The Jubilee Loan Fund itself is at the forefront of social finance in Manitoba, being one of the only dedicated social finance intermediaries in that province. The Winnipeg Foundation has been actively exploring the role of foundations in this work, investing a significant amount in the Jubilee Fund to incentivize more purchases of JIC’s. The Winnipeg Foundation has also assembled a strong advisory group to guide the Community Foundations of Canada in distributing the province’s portion of the Investment Readiness Program funding to Manitoba enterprises.

In partnership with Assiniboine Credit Union, SEED Winnipeg Inc. created an innovative loan fund focusing on newcomer credentialing. Funding came from various sources, including all levels of government. SEED supported the intake of newcomers to the program, while Assiniboine Credit Union arranged financing details. The program enables newcomers to either upskill, or receive recognition for professional credentials from other countries, and boasts an impressive repayment rate. This kind of community finance is an essential part of the social finance ecosystem, and particularly important in neighbourhoods, towns, or regions with high levels of poverty and economic exclusion or inequality.

A significant proportion of the Prairies social innovation ecosystem focuses on urban and First Nations poverty, whether through training and workforce development, early childhood development, child and family services, food banks, and housing. Sometimes this means that local economic development efforts of co-operatives or social enterprises in other impact areas have little support. Enthusiasm for for-profit entrepreneurial ventures in this ecosystem is limited, and even contested, given the historical importance of co-operatives and other charitable social enterprises. There is also a divide between urban and rural or northern enterprise development. With a more granular regional focus, finance efforts could expand into agriculture, environmental remediation, First Nations housing and energy development.

Successes

[SEED’s] program enables newcomers to either upskill, or receive recognition for professional credentials from other countries, and boasts an impressive repayment rate.

Social Finance as Leverage

With an active ecosystem of stakeholders engaged with the provincial government in Winnipeg, there are a number of regulatory and government initiatives in place to support social purpose organizations, and this includes the Community Enterprise Development Tax Credit. The community-driven, outcomes-purchasing model we saw with Aki Energy was only possible because of Aki Energy’s prior geothermal retrofitting work. This was financed through an innovative public funding model — “Pay as You Save” — which allowed Manitoba Hydro to finance the retrofitting work via bill repayments linked to the building, rather than the customer. This enabled public housing, First Nations housing, and even private housing to afford the up-front cost of an environmentally sustainable heating system without undue financial burden.

Opportunities, Diversification, and Focus

The Jubilee Loan Fund itself is at the forefront of social finance in Manitoba...

A significant proportion of the Prairies social innovation ecosystem focuses on urban and First Nations poverty, whether through training and workforce development, early childhood development, child and family services, food banks, and housing. Sometimes this means that local economic development efforts of co-operatives or social enterprises in other impact areas have little support. Enthusiasm for for-profit entrepreneurial ventures in this ecosystem is limited, and even contested, given the historical importance of co-operatives and other charitable social enterprises. There is also a divide between urban and rural or northern enterprise development. With a more granular regional focus, finance efforts could expand into agriculture, environmental remediation, First Nations housing and energy development.

Such efforts could enable better integration of the Community Futures and Indigenous capital corporation groups with urban-focused development. There are opportunities for diversification and growth on both the innovation side, and in the provision of financing tools. Exploring these new sector opportunities and building bridges across rural – urban – First Nation divides would help produce new models, new partnerships, and new ideas. Given the preponderance of examples and data from Manitoba, it is important to note that comparisons between the Prairie provinces can fail to illuminate the unique characteristics — and opportunities — in a distinct jurisdiction such as Saskatchewan. The Prairies are often grouped together in national efforts due to regional similarities, but this doesn’t always make strategic sense. Few sectors or stakeholders collaborate strongly and regularly across the Provinces, nor do Manitoba and Saskatchewan share a regulatory environment. Future mapping or data collection efforts will benefit from a provincial focus, given the regulatory implications present in finance. This will require further work to identify and forge relationships with emerging Saskatchewan social finance intermediaries.
Alberta’s social finance system has a short history relative to some parts of Canada. Nevertheless, the impulse to use a grassroots, locally controlled approach to solve community needs has always been fundamental to the provincial psyche. This impulse is reflected in the evolution of the province’s social finance sector.

The Co-operative Movement

The co-operative movement is a long-standing driving force for rural economic development in Alberta. Along with the credit union system, retail grocery, and agricultural producer co-operatives Albertans used the co-operative model to invest in rural infrastructure. The distribution of water, natural gas, and electricity are a result of this model of social finance. Today, co-operatives such as EQUUS are investing in renewable energy and distributed energy solutions that could modernize rural economies.

Building from this, the co-operative business strategy has been applied to raise and deploy private capital into social enterprises and local business development. Opportunity Development Co-operatives (ODC) emerged in 2009 to meet a financing gap in rural economic development. Twenty-two residents in the hamlet of Sangudo, Alberta, pooled $220,000 to purchase an abattoir. They have also invested in other local businesses and purchased property to ensure wealth is retained and invested in their community. These investments have created stable jobs, value-added processing, and supported the organic meat industry. Another example of local communities deploying private capital is the recently formed McCauley Development Co-operative launched by residents determined to improve their Edmonton neighbourhood through redevelopment of a small commercial space.

The co-operative-inspired ODC model has developed exciting partnerships with the private sector as well. One such initiative is with Peavey Industries, the Alberta-based parent company of rural retailers Peavey Mart, MainStreet Hardware, and TSC Stores. Starting with ODCs in the rural communities of Stettler, High River and Vermillion, these investment entities will harness local knowledge and entrepreneurship to guide their investments, in an effort to ensure the health and longevity of the communities in which they operate. The idea is to create a network of ODCs across Alberta and other provinces. Capital raised in the community will be matched by capital from Peavey Industries, with investment decisions made by local co-op members. Peavey Industries intends to provide back-end administrative support and customized software to ensure consistency and knowledge transfer between communities.

Unlocking Capital with a Credit

Local Investing YYC is a Calgary-based co-operative founded in October 2017, aiming to bring together a community of individuals wanting to invest their cash (the fund is RRSP eligible) in sustainable local businesses generating financial returns and measurable positive impact (whether it be social, environmental, cultural, or another positive impact). They focus on early-stage growth financing using both debt and equity investments.

Local Investing YYC was the first (and only) impact investor to take advantage of the provincial government’s short-lived Community Economic
Development Corporation (CEDC) tax credit to support its initial capital raise. The 2019 change in Alberta’s political climate brought the fledgling program to an end, the loss of an incentive that might have served to unlock the predicted pool of private impact capital. In the words of one co-operative member, the 30% tax credit proved a ‘massive incentive’ to de-risk the investment, and thereby remove a significant barrier for many investors who previously had not considered investing in local private opportunities.

As Alberta looks to advance energy transition and reduce its greenhouse gas emissions, a group of CDCs have been incorporated to empower Albertans to invest directly into local renewable energy projects. These co-operators, including Bow Valley Green Energy Co-operative, Southern Alberta Renewable Energy Co-operative, Solar Power Investment Co-operative of Edmonton, and Alberta Solar Co-operative are in the development process, and poised to invest in a broad range of projects from micro-generation to small-scale generation.

Government as Investor

Government policies and programs at all levels have influenced social finance and the social economy in Alberta with a variety of interventions. In some cases, these interventions have been direct community economic development through crown corporations such as Community Futures. Both the federal and provincial governments, for example, support the Alberta Women Entrepreneurs (AWE). This organization works with women to build successful businesses through a range of training and mentorship services, including a loan program for women-owned and -led businesses.

The Alberta government played a key role in the growth of the Immigrant Access Fund, which has now evolved into the pan-Canadian intermediary, Windmill Microlending. Established in 2004, Windmill provides loans to skilled immigrants so they can become accredited in their new country. The organization is the brainchild of Dr. Maria Eriksen, a Calgary-based clinical psychologist, who was frustrated that among the janitorial staff at the hospital where she worked were internationally-trained health professionals. Together with friends, she organized the first six loans to support the costs of training and re-accreditation. While the initial loan capital came from private or institutional investors, the provincial government supplied operations support.

Since its beginnings, Windmill Microlending has made over $35 million in loans and has supported over 5,000 skilled immigrants and refugees.

Windmill Microlending now invests across Canada and continues to demonstrate outstanding results. Clients from 137 countries have taken loans for training, and report income increases of 3.6 times, with unemployment dropping from 40% before the loan, to 7% after. Repayment rate of the loans is an impressive 98%. Since its beginnings, Windmill Microlending has made over $35 million in loans and has supported over 5,000 skilled immigrants and refugees.

Beyond Capacity Building

Sometimes, entities focused on providing training for entrepreneurs develop an additional role as a social finance intermediary in the process. Calgary’s Momentum is a good example.

Momentum defines itself as a change-making organization, taking an economic approach to poverty reduction and adding a social perspective to economic development initiatives. They use a variety of programming for low-income individuals to increase their ability to manage money, train for good jobs, or start their own business. Part of this work includes a small loan facility, the source of that rare commodity for new entrepreneurs – initial financing. Some of the capital originated from federal government sources (recycled now many times over), and some from private donations.

The Challenge of Small

The theme of a small fund created by concerned Albertans is often repeated in the province’s social finance evolution. The Edmonton Community Loan Fund, launched in the late 1990s is one example. Aimed at making small, character-based loans of a few thousand dollars each, the Fund met the same fate of similar experiments across the country, ultimately challenged by low demand for loans during good times, and too many people desiring loans for self-employment when times were tough. Critically, initial volunteer enthusiasm rarely transitions smoothly into successful long-term fund management. Small loan funds face the challenge of covering business costs from small revenues. Operating grants are difficult to find and at odds with an ethic of self-sustaining solutions.

In the case of the Edmonton Community Loan Fund, the experience gained from the initial experiment was applied to a new project, aimed at creating a sustainable social finance intermediary. After a stalled attempt in the 1990s to convince Ralph Klein’s Progressive Conservative government to introduce an Alberta-wide tax credit to entice local investors to invest in local entrepreneurs, efforts turned to building an emerging partnership between the City of Edmonton and the Edmonton Community Foundation. The eventual outcome was the Social Enterprise Fund.

The Potential of Anchor Institutions

The partnership between the City of Edmonton and the Edmonton Community Foundation was motivated by a desire to address the fact that many community and civil society organizations were unable to access basic financial tools. Both the City and the Foundation agreed to match an initial capital pool contribution, as well as initial operating costs for a non-profit company that would make loans to social enterprises focused on community economic development.

Social Enterprise Fund (SEF) now invests in social entrepreneurs delivering a high level of mission impact across a broad range of sectors such as food security, the environment, culture, affordable housing, and job creation for individuals facing barriers to employment. Originally focused on Edmonton, SEF now invests in social enterprises across Alberta. The fund is structured to employ either loans or equity as investment tools, but experience has shown that loans are most useful, as
non-profit entities and social entrepreneurs tend to face difficulties in accessing standard banking products. In its first full decade of operations, SEF made more than eighty loans valued at more than $67 million\(^3\). Since 2014, the Fund has covered its operating costs in addition to a modest financial return. The original $1.2 million capital pool invested by the City has produced more than $5 million in loans to date.

Crucial to SEF’s growth has been the commitment of Edmonton Community Foundation. In 2010, the Canada Task Force on Social Finance challenged all private and community foundations to devote at least ten percent of their endowments to impact investments. Edmonton Community Foundation was the first Canadian foundation to accept the challenge and uses SEF as the means by which it invests the majority of its mission focused capital.

Similarly, the Calgary Foundation has also taken on the challenge of impact investing, initially by the means of a specific bequest, and more recently through commitment of existing endowment investments. The Calgary Foundation and Edmonton Community Foundation recently partnered to deliver the Investment Readiness Program through Community Foundations Canada across the majority of Alberta.

Growing the Future: AB SEED
Alberta’s two largest community foundations have taken their commitment to the use of social finance tools as a means to building community economic development capacity to the next level through participation in the creation of the Alberta Social Economy Ecosystem Development, better known as AB SEED.

Prompted by the release of the federal Social Innovation and Social Finance Strategy, approximately fifty organizations working in Alberta’s social economy came together in April 2019. The outcome of that meeting was an agreement that organizations in the ecosystem take responsibility and initiative for the future of the ecosystem itself. Through enhanced collaboration, improved understanding of roles, and better communication, AB SEED aims to support the development of the social economy. Thirteen organizations provided initial financial resources to engage professional staff, with the result that even in its earliest days, AB SEED was able to play a key role in delivering the communications for the Investment Readiness Program by leveraging the connections of its member organizations throughout Alberta. AB SEED is now focused on identifying gaps and building capacity, with the ultimate goal of improving the effectiveness of Alberta’s social purpose organizations.

One aspect of AB SEED’s work is creation of a social finance intermediary community of practice. So far bringing together eight funds\(^4\), from those in their earliest iterations to those with many years of experience.

A Government Re-engaged
As already seen, the Province of Alberta has periodically demonstrated interest in social innovation and social finance tools. In 2014, then interim Progressive Conservative Premier Dave Hancock announced a plan to use dollars from the Heritage Trust Fund to create a Social Innovation Endowment, but political events overtook the initiative. A Community Economic Development Corporation tax credit (modelled on the Nova Scotia example) was briefly available during the period of the NDP government, providing a 30% tax benefit to investors of some social finance intermediaries. The credit was not widely used, and discontinued in 2019 with a change in government.

The new government under the United Conservative Party included reference to social innovation and social finance in its 2019 election platform. The first tangible action was the appointment of a Premier’s Council on Charities and Civil Society in February 2020. Identified as part of the government’s “commitment to harness the power of civil society to help address social challenge”, the Council moved quickly to focus on the effects of the pandemic on this sector. One strategy in the Council’s October 2020 report, Moving Forward: Charting a Path to Civil Society Recovery, identified strengthening social enterprise and social finance as a priority for provincial economic recovery. Ecosystem organizations have recently received first results from the initial call for proposals to the $20 million Civil Society Fund, introduced as a response to the Council’s report.

In recent months, a working group within the Ministry of Culture, Multiculturalism, and Status of Women has been mandated to explore how the province might support Alberta’s social finance ecosystem. The Minister hosted a March 2020 sector roundtable, and those working on the ground are cautiously optimistic of effective collaboration for the good of the sector as a whole.

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\(^3\) At December 31, 2020.

\(^4\) The Indian Business Corporation is a founding member of AB SEED, and is just one of a number of Indigenous social finance intermediaries active in Alberta. The role of these social finance intermediaries are addressed in the Indigenous Chapter.

\(^5\) Moving Forward: Charting a Path to Civil Society Recovery, October 2020
In 2014, the National Impact Practitioners Table (now TIIP) published a report that usefully examined formative sources of repayable capital for social finance intermediaries, including case studies in British Columbia (BC). The report identifies capital originating from the government, philanthropic, and co-operative sectors. Each of these sectors engages with BC social finance intermediaries in distinct ways.

The Co-operative Sector

As might be expected, the co-operative sector has been an influential source of formative support for BC social finance intermediaries. Credit unions took root in the province in the 1940s with a focus on meeting local financing needs through a collective approach. They were among BC’s earliest providers of social finance, supporting a range of community initiatives including housing, food production and distribution, and fisheries. Over time regulatory pressures have led financial co-operatives to shift their focus to conventional banking services and away from social finance. Notwithstanding this general pattern, a number of credit unions have worked to provide leadership in community and social finance ecosystems. Sunshine Coast Credit Union, First Credit Union, Summerland Credit Union, Aldergrove Credit Union, and Interior Savings Credit Union, as well as Vancouver City Savings Credit Union (Vancity), have actively supported the development of the social finance sector in BC.

Vancity — with the economic power and reach conferred by well over 500,000 members — has played a key leadership role in the growth and development of BC’s social finance ecosystem. With over $3.1 billion in business lending counting towards its “triple bottom line assets”, Vancity’s social finance activity includes extensive impact-guided business and community-focused lending, in addition to grant-making, mostly through its community foundation. Vancity also has an active fund-of-funds with a social impact focus. Areas of community impact investment include affordable housing, social purpose real estate, cleantech, Indigenous businesses and communities, sustainability and emissions reductions, microfinance and co-operatives.

The Government

Federal government capital was critical to the establishment of the BC-based Aboriginal Financial Institutions (AFIs) and Community Futures (CFs) network. The CFs network, comprising locally
governed and federally endowed lenders, was established in 1985. With both patient investment capital and ongoing operating contracts from federal sources, CFIs have been providing community-centric small business and social enterprise financing for more than four decades, with varying results. Other government funding has come from the provincial government’s Venture Capital Tax Credit program, though this has been put to limited use by social finance intermediaries. To date, Rhiza Capital is the only impact intermediary known to be actively using this program, although a number of social purpose organizations have used the program to raise capital. The bulk of the program’s work has been used to support investment in the tech sector, as well as for rural and remote regions in the province.

Aboriginal Financial Institutions (AFIs) have played a critical role in investment in indigenous communities, supporting both community-sponsored initiatives as well as small and medium size indigenous enterprises. Although constrained by lending limits and available capital, the AFI lending has been instrumental in providing capital for economic development in these communities.

The Philanthropic Sector

With a few notable exceptions, British Columbia’s foundations have not been leaders in impact investing or in the development of the impact investment sector through sponsorship and grant support. Only four BC foundations belong to Philanthropic Foundations of Canada (PFC), where discussions about impact investment are only one of a number of key membership concerns. With few members, BC is under-represented in these conversations, and it does not appear that the PFC discussions have resulted in foundations taking action in the province. There are, however, encouraging signs of a growing awareness and interest in social finance among community foundations. The Victoria Foundation, for example, has allocated a portion of its funds for impact investing. While many small foundations are interested, they have limited assets available for investment purposes. BC-based social finance intermediaries have much work to do to create pathways for impact investment by these foundations.

Successes

Rhiza Capital’s success can be seen as emblematic of the province’s financial intermediary sector as a whole. As this organization has evolved, it has shifted from a focus on place-based investment on the Sunshine Coast, to broader impact venture investing, as well as to building a network of place-based funds with local partners on Vancouver island, in the Okanagan, and in Whitehorse, Yukon. In sourcing capital for this evolution, Rhiza Capital has been an innovator in building a deposit program with the Sunshine Coast Credit Union, in addition to developing an Impact GIC in conjunction with Canaccord Genuity and five different credit unions.

A notable success arising from a vibrant network of place-based social finance intermediaries is the BC Community Impact Investment Coalition and its members. The Coalition’s Investment Co-ops and Community Loan Funds use provincial and national securities exemptions to allow local residents, businesses, and governments to invest in the places they live. Strong partnerships with the Community Futures and credit union networks allow these place-based intermediaries to drum up local deals, complete due diligence, and leverage and deploy funds in collaboration with additional financiers. Current areas of investment focus are small business, renewable energy, local food resiliency, affordable housing, and business succession. Such developments are exciting to the ecosystem, in demonstrating that community investment organizations can be established to serve a unique region or demographic.

The social finance intermediary ecosystem in BC includes several thematically focused fund managers investing both in and beyond the province. Complementing the longstanding lending activities of the Aboriginal Financial Institutions (AFIs) in BC is Raven Indigenous Capital Partners. A ground-breaking Indigenous-led and -owned social finance intermediary, Raven Indigenous Capital Partners closed a $25 million inaugural fund in early 2021, with a goal of providing late seed- and early-stage equity to innovative, scalable and purpose-driven Indigenous enterprises across Canada.

Relentless Venture Fund targets chronic disease prevention and proactive chronic disease management that directly impacts an aging population.

Another successful thematic fund manager is the Relentless Venture Fund, one of a very few Canadian female-founded venture funds. This fund takes a preventive health-based approach to impact venture investing. For example, Relentless Venture Fund targets chronic disease prevention and proactive chronic disease management that directly impacts an aging population. In addition to investing in preventing the most common conditions associated with aging, Relentless Venture Fund specifically invests in mental healthcare, an expanding area of care during the COVID-19 pandemic.

Quebec-based Inlandsis Fund has a strong BC presence, and is the first Canadian fund to invest exclusively in projects that reduce greenhouse gas emissions across North America. Established

in 2017, it has already supported 36 projects tied to regulated carbon markets in Alberta, California and Quebec.

New Commons Development and New Market Funds (NMF Rental Housing Fund) with offices in Vancouver and Toronto, make investments in affordable housing using a staged continuum approach, the former at the development stage, and the latter after stabilization. Combined, the funds have played a key role in the current and planned delivery of over 2,500 units of permanently affordable housing. New Market Funds has also provided support to other actors in the social finance ecosystem, both in BC and nationally. New Commons Development and NMF rental Housing Fund are raising second funds in 2021.

Veteran Renewal Funds is currently deploying its fourth fund focusing on environmental and climate solutions, technology, and sustainable consumer products. The group intends to raise its fifth fund in 2021, with investments in Canada and the United States of America. Renewal Funds currently has over 300 LPs from around the world, with a mix of individuals, pension funds, charitable foundations, family offices, and funds of funds. In the same sphere, fast-growing Active Impact Investments has recently raised $41 million, with commitments for more, for a second fund focused on seed-stage investments into software services. For example, there are gaps in place-based investing in remote locations such as northern BC, where there is a need for investment capital to meet community demand for health and dynamism of its social finance intermediaries.

BC benefits from a strong venture capital sector with noteworthy depth in cleantech and life sciences, and both have delivered measurable impacts for nearly two decades. Cleantech fund managers include Pangaea Ventures, Chrysalis Venture Capital, and Business Development of Canada’s (BDC) Industrial, Clean & Energy (ICE) Fund, while in the life sciences, Amplitude Ventures (formerly BDC’s Life Sciences team), Lumira Ventures, Quark Venture, and Versant Ventures have all made a significant difference in the province. With the demand for digital health technology funding in recent years, former industrial park heavyweight Discovery Parks, launched Nimbus Synergies, a dedicated BC digital health fund. Cleantech has other sources of funding in BC, by virtue of the province’s robust ecosystem of angel investment and mentorship programs (e.g., Creative Destruction Lab, VANTEC Angel Network, WUTIF Capital, eFund, etc.). Finally, Pangaea Ventures’ release of their first impact report is an additional sign of how lines between cleantech and impact funds are being productively blurred.

**Opportunities**

Although notable in many respects for the overall health and dynamism of its social finance intermediaries, there remain important challenges for BC’s ecosystem.

Despite the work of Vancity and other impact-focused credit unions, not to mention the efforts of Rhiza Capital and the BC Community Investment Co-operatives to provide significant place-based investment coverage, notable gaps persist in key sectors such as agriculture and energy retrofits. More access to patient, start-up, and equity capital is required to meet community demand for services. For example, access to early-stage investment in remote locations such as northern BC, where there is a need for investment capital to address community needs.

Access to high risk and non-securitized — often pre-seed — capital remains a significant barrier for Indigenous entrepreneurs across the province, primarily because of restrictions contained in the Indian Act, and also owing to the absence of inter-generational savings, friends and family rounds, and angel forums.

In the affordable housing sector, New Market Funds’ first fund was restricted to the largest markets in BC – Metro Vancouver and the Capital Region. Given the equity gap in markets like Penticton, Nelson, Port Alberni, and Powell River, its second fund will include a carveout for investing in smaller markets. While important, these regions remain underserved, and constitute a large gap for the market to fill. Similarly, New Commons Development’s work initially focused on Metro Vancouver, but through its partnership with the Federal Government’s Investment Readiness Program, it continues to broaden its mandate, investing in small and rural centres in BC.
Challenges

Among key challenges identified by intermediaries on the ground was the difficulty posed by ongoing competition for professional staff, for deals, and for capital, with some foundations pursuing direct investing approaches even when these may lack the depth and ‘value-add’ expertise required to optimize investment potential, and drive expansion. While such investments are beneficial to recipients of capital, this does not always support the strengthening of intermediaries and the growth of the social finance sector as a whole. Overall, while growing rapidly, capital dedicated to impact investing remains a small proportion of total investment.

At the same time, foundations largely remain on the sidelines. Among the reasons for this is that portfolio allocation for venture capital or private equity placement continues to be deemed too high-risk. There is limited participation from BC-based private foundations in fund offerings from BC-based social finance intermediaries. There is also limited participation by BC community foundations, most notably including Canada’s largest – the Vancouver Foundation. The more recent entry of the Victoria Foundation into the impact investment space is most welcome and may be a hopeful sign of further foundation attraction to the ecosystem.

Intermediaries also voiced frustration with the fact that provincial tax-credits restrict managers to investing in BC, giving rise to the related challenge of portfolio construction.

And finally, it remains the case that there are few non-publicly traded impact investment opportunities for non-accredited investors. Social impact investing remains accessible only to institutional and accredited investors, reducing the potential market for social investment in the province. This issue has creatively been addressed in Nova Scotia and New Brunswick, with the creation of tax incentives and elimination of securities-related constraints for capital attraction for community investment initiatives.

BC has a healthy and growing social finance sector – rich and diverse. There are many successes, both on a large and smaller scale. BC-based intermediaries are pioneers in many respects, providing examples of thoughtful, well-executed fund offerings. The paradox is that the sector has largely been supported by capital from outside the province. This is a testament to the strength of the investment opportunities and the social impact being generated. It also points to the need to build greater awareness of the opportunities, understanding of the actual investment risks, and support within the province for strengthening the social finance ecosystem. In this regard there are high hopes among BC’s impact investment fund managers for the potential role of the BC government’s brand new InBC Investment Corp.

In BC, as elsewhere, finding the keys to unlocking new sources of capital, increasing the capacity and diversity of social finance intermediaries, and supporting new social finance initiatives remain primary challenges for the sector.

Conclusion
Pan-Canadian Themes

Indigenous Grassroots Inclusion, Diversity, Equity, Access (IDEA)
The concept and ideas of social finance are expressions of beliefs found at the core of Indigenous epistemologies. These beliefs reveal themselves in Indigenous ways of knowing, and in words such as “Numwayut” (We are all one), and “Tsawalk” (we are all related). This ethic is a reflection of Indigenous-centric values we hold collectively as Canadians: that ultimately, we are all relatives, with a shared responsibility for the well-being of our collective society, and the public good.

In the pre-confederation era of Canadian society, economic systems were dominated by Indigenous Nations, and informed by Indigenous values such as sustainability, reciprocity, and communal well-being. These early Indigenous developmental influences and values not only lie at the heart of the re-emerging social economy, but may be traced in a range of aligned and complementary characteristics in modern Canadian society.

In an Indigenous context, social finance includes any investment in the Indigenous economy for the purpose of improving the well-being of Indigenous Peoples and/or the Indigenous territories of Turtle Island, or North America. This definition is consistent with contemporary Indigenous and non-Indigenous literature, and reaffirms the importance of increasing access to purpose-driven capital within the Indigenous economy.

The term “Indigenous” is the current broadly accepted term used in Canada to refer to First Nations, Metis, and Inuit Peoples. It is also found in the UN Declaration on the Rights of Indigenous Peoples (UNDRIP). It displaces the term “Aboriginal," “Native," or “Indian”.

The Indigenous Context Now

The re-emergence of the Indigenous social economy in Canada is linked to a broader resurgence of cultural, economic, and political life among Indigenous Peoples and communities. It is also part of a broader national response to the work of the Canadian Truth and Reconciliation Commission (TRC) and the 94 Calls to Action contained in the TRC’s final report. For over five years, public hearings across the country witnessed over 6,750 residential school survivors share difficult and painful stories. Mainstream media covered these hearings at unprecedented levels, and they helped create moments of truth, reflection, and often guilt for a large number of Canadians. This cultural moment signalled a new understanding of the country’s history, marking a shift in the dominant narrative about Indigenous Peoples from one of deficit, to one of asset and wealth.
As levels of societal racism abate, and as limiting policies, legislation, and regulations are either removed or replaced with more enabling frameworks, there is a growing recognition and appreciation of Indigenous Canada and its potential. In the wake of the closure of Indian Residential Schools, there have been significant improvements in Indigenous education outcomes at the k-12 and post-secondary levels. A shift in federal thinking has brought progressive amendments to the Indian Act legislation and its associated regulations. Meanwhile, a number of significant rulings by the Supreme Court of Canada favouring Indigenous Peoples mean that resources and assets are finally available to Indigenous communities. These and other shifts have led to an increase in the number and range of Indigenous-owned and -run organizations.

All of these developments and trends have helped deepen the conversation about social finance and widen the view of the ecosystem. It is helpful to reflect on framings of this transition in public perception and public policy in documents such as the 2017 Recommendations Report on Improving Access to Capital for Indigenous Peoples in Canada.

"Government has committed to a renewed, Nation-to-Nation, government-to-government and Inuit-Crown relationship based on the recognition of Indigenous peoples’ right to self-government and self-determination. First Nations, Inuit and Métis community practitioners told us that, to give effect to this commitment, Indigenous social innovation and social finance initiatives should be Indigenous-led and should not duplicate those that already exist or are being advanced in mainstream Canadian society."

Development Lending

Historically, investing in the Indigenous context was thought of as “development lending,” with the Indigenous economy understood as an emerging market within Canada. There is a deeply colonial aspect to this approach, but it is important to keep in mind when evaluating Indigenous social finance intermediaries. After all, it helps explain the focus on debt products, which are often less risky and more easily brokered, managed, and replicated. It also helps to explain why the amount of lending is so low, with few intermediaries willing to finance seed-stage enterprises. All too often there has been a focus on simply closing the access-to-capital gap, particularly where there is little investment from insurance companies, pension funds, and other supply-side actors.

Whereas mainstream social finance aims to create innovative solutions to problems, social finance approaches in the Indigenous context have focused on simply contributing to the Indigenous economy, whether through activities such as agriculture, or by meeting needs like housing. From an historical perspective, this is understandable. However, the new Indigenous social economy presents a wide range of opportunities, not just for Indigenous Peoples but for all Canadians.

Ultimately, there is an opportunity to finance Indigenous-led and/or -owned solutions to Indigenous problems. The goal is not simply to close the gap with the rest of the country, but to enable the Indigenous economy to progress along its own path, and lead the way to a healthier society and a healthier land.

Successes

The Aboriginal Financial Institution (AFI) network has a proven record of successful lending to Indigenous businesses and social purpose organizations, as well as providing services, including counselling, technical support, risk assessment, business plan development, and networking assistance. As an Indigenous led network, they understand the needs of Indigenous communities. However, due to a consistent lack of adequate capital from the Government of Canada, many AFIs are fully extended, which results in more cautious lending, with less funding for new businesses and social purpose organizations. The Government of Canada’s recent $100 million investment commitment into the National Aboriginal Capital Corporations Association (NACCA) for leveraging capital for AFIs is a good start, but more needs to be done.

The Reconciliation and Responsible Investment Initiative (RRII) is a partnership between the Shareholder Association for Research and Education (SHARE) and the National Aboriginal Trust Officers Association (NATO). The RRII supports Indigenous trustees and decision-makers align governance of collective financial assets with community values. RRII is working with Indigenous decision-makers to ensure their rights, values, and aspirations are reflected and upheld in their investment policies and practices, including in their relationships with advisors and asset managers. The group also works with Canadian institutional investors to promote responsible investment policies and practices that include reconciliation goals, so that capital markets can better integrate and align with Indigenous ways of knowing and being.

Raven Indigenous Capital Partners was established in 2018 as Canada’s only Indigenous-led social finance intermediary offering a sustainable, values-driven approach to building community resilience and advancing economic reconciliation. The Raven Indigenous Impact Fund began...
in 2019 with an initial goal of a $5 million demonstration fund to deploy to innovative, scalable, and purpose-driven Indigenous enterprises. Ultimately, the fund secured investment from 38 private investors in Canada and the United States of America, totalling $25 million. The success shows that investors and Indigenous entrepreneurs are ready for Indigenous-led social finance.

Raven Indigenous Capital Partners is currently building the Raven Northern Lights Fund in partnership with EntrepNorth and MakeWay to provide innovative solutions finance and capacity building support for Indigenous entrepreneurs in the Yukon, Northwest Territories, and Nunavut. In addition, Raven Indigenous Capital Partners has also pioneered the Community-Driven Outcomes Contract (CDOC), which is a community-level social finance tool (similar to an impact bond) empowering Indigenous communities to design and implement solutions to systemic challenges.

Success in Action – Cheekbone Beauty

Social finance investments have significant multiplier effects in the economy and in the community.

In 2019, Indigenous entrepreneur Jenn Harper launched Cheekbone Beauty, a sustainable cosmetics brand that prioritizes innovations in eco-friendly products. Appearing on CBC’s Dragon’s Den, she received a hostile offer that devalued her company, and turned it down. With few other sources of venture capital for Jenn, Raven Indigenous Capital Partners stepped in with an initial investment of $350,000 into Cheekbone, when her company had sales of only $8,000 per month. Today, with the support of an additional equity investment from Raven, Cheekbone is averaging $130,000 per month in sales.

Now, Cheekbone gives 10% of profits to the Child and Family Caring Society, and Jenn donates her time as a female leader to help other Indigenous businesses and women. The environmental and social impact is extremely high. Cheekbone offers a transformative Indigenous presence within the beauty industry, generates wealth for Indigenous People, and helps meet the United Nations Social Development Goals (SDGs) and United Nations Declaration of Rights of Indigenous Peoples (UNDRIP) goals. Cheekbone is now being courted by large corporations in the cosmetics industry, interested in retail distribution and acquisition.

Disconnect Between Supply and Demand

Indigenous communities, entrepreneurs, and innovators often speak about a lack of access to capital, even while investors cite a lack of investment-ready opportunities and products. This disconnect has been attributed to several factors, including a lack of trust, legislative hurdles, issues of scale, lack of capacity, and both overt and covert racism. This disconnect is borne out in the data collected, where despite the relatively high number of lending organizations, the amount of financing available remains relatively low. Furthermore, much of the supply-side funding comes from government bodies and own-source revenue, rather than from accredited investors, foundations, pension funds, or venture capital.

Focus on Entrepreneurship and Commercial Lending

There is a significant need for Indigenous-led entrepreneurship programs that focus on investment readiness at different points in the entrepreneurship journey. The recent emergence of the Indigenous Innovation Initiative as a pre-seed platform, Fireweed Fellowship as a seed and early growth stage accelerator, and EntrepNorth, a northern-focused entrepreneurship accelerator, are promising but limited in scale. In comparison to the broader financial ecosystem this is a gap that must be filled.

Focus on Private Debt

Most of the products currently available are loans and other forms of private debt. Few intermediaries offer equity options, and fewer still offer other lending products. Most of this lending occurs in the $0 to $250,000 range, and while there are some lenders willing to finance up to $500,000, there are few lending more. This is one of the ceilings Indigenous business leaders struggle with — access to growth capital without adequate security. Historically, many Indigenous Peoples living on reserve have had a hard time collateralizing debt, and/or leveraging on-reserve assets.

It is clear that more robust measures of success are needed in the sector, and would better connect investment to the empowerment of Indigenous Peoples and communities.

Measures of Success

Organizations that measure and publish their impact often do so in terms of numbers and amounts of loans provided, or number of jobs created, and even loan loss numbers. However, these and other measurements have less to do with social outcomes than with lending performance. It is clear that more robust measures of success are needed in the sector, and would better connect investment to the empowerment of Indigenous Peoples and communities. A clear line of sight between investment and impact would encourage a great deal more investment from the financial ecosystem. That being said, Indigenous impact...
must be measured through an Indigenous lens, and the values driving it connected to epistemologies of Indigenous people.

**Social Innovation Lexicon**

The language of social innovation does not fit easily into the Indigenous context. The Western worldview tends to divide the government, social, and business sectors into their own spheres, with their own distinctions, responsibilities, and influence. These lines have never existed for many Indigenous People, whose worldview is more holistic and whose institutions and entities, even when primarily profit-driven, incorporate broad social objectives. Mainstream definitions of social innovation and social finance are often unfamiliar in Indigenous communities, but Indigenous ideas, words, and concepts in this space are gaining recognition and traction.

**Opportunities**

Considering the size and investment potential within the Indigenous economy, as well as the ongoing need for more access to capital, there is still plenty of space for intermediaries, particularly in the areas of business development, food sovereignty, renewable energy, housing, and technology.
Grassroots

The term ecosystem is used as a metaphor to picture how the various elements of social finance fit together. In order to understand this ecosystem better, it is helpful to map the current environment more concretely, with a particular emphasis on what we are calling grassroots intermediaries. These approaches use innovative models that raise retail capital for community economic development, or that serve excluded demographics. In contrast to more conventional social finance models that source capital from high-net-worth, accredited investors or institutional investors there are newer, exciting models initiated by grassroots entities realizing the economic agency they have in savings and small investments. The efforts by ‘ordinary people’ can empower local and diverse economies, and help maintain local economic activity in small or economically declining regions.

Of particular interest are collectively owned intermediaries, or funds governed by investors who are community members, with some of control over investment. This is an emerging model that aims at both closing the access-to-capital gap in key local economies, and retaining local capital for local economies. Often, the success and sustainability of local economic activity is what drives investment action, rather than seeking particular social returns, as in some social finance models. At this level, though many grassroots finance models do support social innovation, the finance model itself is the focus of innovation.

The definition of “grassroots” used here revolves around three core principles: community-based, democratic, and local. Not every intermediary noted fits these three principles perfectly, but this general lens helps identify what entities should be included in this research. Since some of these models are significant in their regions, they will probably also be covered in the regional chapters. Let’s look a little more carefully at our three principles.

Core Principles

- **Community-based** refers to the ownership or leadership of the financial intermediary. Grassroots intermediaries should be developed and led by people experiencing the problems an intermediary is there to solve. The intermediary grows out of the leadership and connection with these community members.

- **Grassroots intermediaries should be democratic and engaged with their membership or local community.** Democratic engagement might be formally mandated through a non-profit organization or co-operative legal structure, or informally, through broad participation.

- **Perhaps the most important principle is that grassroots intermediaries should be local and situated in the communities they serve.**

Grassroots models such as savings circles, micro-loan programs, and even credit unions have a long history. There are roots and antecedents found in African-Canadian communities,
Indigenous communities, and rural communities. Formalized grassroots community finance models have been developing for several decades, with a historic concentration in eastern provinces, emerging strength in Alberta and British Columbia, and nascent or emergent models across other regions. As noted in the chapter on Atlantic Canada, Community Economic Development Investment Funds (CEDIFs) are a particularly strong model and one incentivized by the provincial government.

Some primary models to consider are Community Investment Co-operatives in BC, Opportunity Development Co-operatives in Alberta, community bond programs in Ontario and Quebec, and CEDIFs and similar models across Atlantic Canada. Many are structured to enable participation of investors. Some are widely available to local business, but many are set up to help capitalize a particular business or industry. They all share a local or community focus.

Other models are centred around loan funds offered by Community Futures or Community Business Development Corporations (CBDCs). There is also the nationally scaled Canadian Co-operative Investment Fund, or the many funds now networked as CAP Finance in Quebec, and one-off models like the Jubilee Loan Fund that sells Jubilee Investment Certificates and uses funds to guarantee loans to social enterprises and anti-poverty initiatives.

It is important to include these different kinds of models when considering the state of social finance in Canada, as this demonstrates the wide and diverse range of investors into the social finance ecosystem. Grassroots models face the challenges of scale, replicability, and government regulation, like other initiatives, but they have the power to unlock important pockets of financial support and build local economies and communities.

**Atlantic Canada**

There are strong grassroots in the Atlantic provinces, where the ecosystem is led by the Community Economic Development Investment Fund (CEDIF) program in Nova Scotia, along with newer provincial tax credit programs in Prince Edward Island and New Brunswick. Community Business Development Corporations (CBDCs) in all four Atlantic provinces also play an important role. Alongside the local economic development focus of many CEDIFs, the model is investing in Afro-Nova Scotian-owned businesses across Nova Scotia, in addition to renewable energy systems.

**Quebec**

In Quebec, grassroots social finance intermediaries are part of CAP Finance. Some longer-standing entities grew out of the labour movement and its efforts to repatriate retirement savings for development across Quebec. These funds are among the largest grassroots funds in Canada and owe their longevity to integration with the broader social economy, discussed further in the chapter on Quebec. The province has also been using community bonds, and the City of Montreal recently committed $500,000 to promote and support the model. The provincial government is planning to support grassroots models through an additional $500,000 of community capitalisation projects, supported by the Chantier de l’économie sociale and Conseil québécois de la coopération et de la mutualité (CQCM): The strategy is based on an ecosystem approach, with financial incentives such as matching grants or bursaries to promote good grassroots practices.

**British Columbia**

There is a nascent but fast-growing community investment co-operative ecosystem developing in British Columbia. In BC, the community investment co-operative network is co-ordinated through the BC Community Impact Investment Coalition (BC CIIC) which allows for resource sharing between community investment co-operatives in small communities across BC. Many of these community investment co-operatives work to attract retirement savings into entities that support local businesses. There are also investment co-operatives working towards community-owned food systems and renewable energy in Vancouver and Victoria. The majority of co-operative funds in BC are member-owned and operated, with investment portfolios smaller than $250,000.

**Alberta**

There is a developed network of community investment funds in Alberta. In partnership with rural and urban communities, the Alberta Community and Co-operative Association (ACCA) developed the Opportunity Development Co-operative (ODC). Through this entity, community investment funds have been launched in over ten rural communities, as well as in Edmonton’s McCauley neighbourhood. These funds are all owned and operated by local members and make investments below $250,000. Opportunity Development Co-operatives have facilitated the purchase of a local butcher and newspaper in the town of Sangudo.

**Successes**

**Quebec**

In Quebec, grassroots social finance intermediaries are part of CAP Finance. Some longer-standing entities grew out of the labour movement and its efforts to repatriate retirement savings for development across Quebec. These funds are among the largest grassroots funds in Canada and owe their longevity to integration with the broader social economy, discussed further in the chapter on Quebec. The province has also been using community bonds, and the City of Montreal recently committed $500,000 to promote and support the model. The provincial government is planning to support grassroots models through an additional $500,000 of community capitalisation projects, supported by the Chantier de l’économie sociale and Conseil québécois de la coopération et de la mutualité (CQCM): The strategy is based on an ecosystem approach, with financial incentives such as matching grants or bursaries to promote good grassroots practices.

**Central**

The central provinces of Manitoba and Saskatchewan, as well as Ontario, were found to have smaller grassroots ecosystems relative to their western and eastern neighbours. No grassroots intermediaries were found in Saskatchewan, while Manitoba featured two intermediaries, one working in northern Canada, and the other with a relatively large investment portfolio. The community economic development ecosystem in the prairies is rich in innovative models addressing poverty, but is less developed in terms of finance

**Opportunities & Challenges**

Intermediaries, which is discussed in the Manitoba and Saskatchewan chapter of this report. Finally, the Community Economic Development Tax Credit in Manitoba enables individual co-operatives to sell investment shares with a tax credit, however, no investment intermediaries or pools have emerged to help scale that model beyond individual enterprises.

In Ontario, the community investment co-operative model has been used in both rural and urban communities to develop locally owned renewable energy systems. At the same time, a number of
organizations are mobilizing to utilize the community bond model to bring real estate assets into community control.

**Northern Canada**

Grassroots intermediaries were identified in both Nunavut and the Northwest Territories. Definitions of what is or isn’t grassroots are more complicated when it comes to northern social finance intermediaries. The vast majority of intermediaries in the North work for community economic development, fitting well with this key part of our definition. However, although intermediaries are for the most part investing in grassroots enterprises, it is not clear if investment comes from local sources. More work needs to be done to create a definition of what grassroots means in the North.

**British Columbia Community Impact Investment Coalition (BC CIIC)**

The BC CIIC was launched in 2015 to facilitate development of community investment co-operatives across BC. The coalition now has fourteen members across the province, and supports communities launching their own investment co-operatives, as well as advocating to the provincial government. BC CIIC is a young network, and faces barriers to scaling operations. Injecting relatively small amounts of grant funding could go a long way in growing the network. One proposal is launching a federated model for sharing key staff roles. With some dedicated administrative support and an executive, the coalition could dedicate more time to attracting institutional and accredited investors to capitalize funds. A shared marketing campaign for the BC CIIC would increase the profile of community investment co-operatives, and introduce more British Columbians to the investment co-operative model.

Use of catalytic first-loss capital provided by federal or provincial governments could go a long way to helping BC CIIC investment co-operatives attract both institutional and accredited investors. Involvement of these investors would allow BC CIIC investment co-operatives to partner on large, stable projects such as affordable housing, renewable energy production, and local food-system development.

**New Dawn Enterprises – Sydney, Nova Scotia**

Through the CEDIF program, which offers a 35% tax credit for CEDIF investments, New Dawn has expanded into local economic development. Recent investments include a cidery, a biotech firm, and computer equipment manufacturers in Cape Breton. While it is true that investors would have invested even with a smaller tax incentive, investors were attracted by the chance to support the local community through a trusted organization. One impediment to expanding New Dawn’s community investment fund is a lack of risk sharing between provincial or federal governments. This lack means that New Dawn is cautious about moving beyond five-year loans to larger investments with longer maturation periods. The close relationship of these models to governments can sometimes create pressure. For instance, Nova Scotia’s tax credit program is up for renewal soon, and if that incentive were to significantly change, it would have large implications for community investing in that province.

**Community Investment Organization Project**

As part of the federal Investment Readiness Program, the Canadian CED Network (CCEDNet) has convened partners around small projects to build connections and resources for grassroots models. In particular, they have focused on equity models for community investment organizations in BC and Atlantic Canada. As part of this project, Pan-West and Atlantic Learning Communities have been mobilized, while a start-up guide developed by BC CIIC is being replicated in other provinces. Meanwhile, a national group is meeting to connect across regions. “The Economic Impact of the Nova Scotia Community Economic Development Investment Fund (CEDIF)” has also been recently released, showing a $2 million investment by Nova Scotians in just 2019 with investments in local businesses returning $118 million annually in GDP value-add and $52 million in annual wages and salaries. At the same time, a back-office platform to automate complicated administrative functions is being explored.

All this activity has generated more visibility for grassroots intermediary models within the social finance ecosystem, including among the partners of the Table of Impact Investment Practitioners. New connections and resources will lead to greater activity and future support, so that these models will continue to grow.

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Diversity is Canada’s brand. With the adoption of the Canadian Multiculturalism Act in 1988, Canada asserted itself globally as a country that valued both equal opportunity and vibrant civic and cultural diversity. Beneath this significant moment for the country, there are other histories and struggles for inclusion that are relevant to social finance, and for the country as a whole. Despite broad acknowledgment that serious inequities persist across lines of race, gender, and sexuality, there remains a long path to equity for Indigenous Peoples and other groups defined along lines of race, gender, and sexuality. From here, it is a short step to recognizing that many people face barriers when it comes to access to capital. Social finance offers an opportunity to address that gap.

Since March 2020, Canada has experienced the disproportionate impacts of COVID-19 on women, Black people, Indigenous Peoples, People of Colour (BIPOC), and other vulnerable communities. We know that women are exiting the workforce at record numbers, while venture capital flowing to women has declined. Black, Indigenous, and People of Colour (BIPOC) women have experienced magnified impacts, inequality, and economic hardship due to the impacts of COVID-19. As videos of police brutality against Black Lives have come to light and cannot be ignored, it is now impossible to deny systemic racism in our institutions. It is also true that more and more Canadians are ready for tangible action. Prompted by demands for the post-pandemic future, it is possible to discern a broad recognition that maintaining the status quo in capital flows will only amplify the current trends of increasing inequality. As we build for an equitable future, Canada can no longer ignore the racism and sexism that exists across our existing financial infrastructure. The communities most in need of capital are the same as those that are excluded. The need – and opportunity – to build an equitable social finance ecosystem has never been so dire.

Background

... more and more Canadians are ready for tangible action.

History

As for Canada’s Indigenous Peoples, the history and values of social finance resonate with many cultures. The Habesha people in what is now Ethiopia may have developed the first-known system of credit, by way of Equub, Indir and Iqib, informal traditional practices of credit and savings1,2. India had an ancient system of Chits that helped people access funds in a collective setting. Laws regulating these Chit funds date back to the 1800s, and the practice certainly predates colonization3.

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In Canada, the story of social finance and social innovation is often told from a Eurocentric perspective, ignoring the experience of other, marginalized communities. Benevolent associations and similar organizations pioneered systems of credit that helped immigrant communities. Members of Canada’s diasporic African communities, for example, have long-established practices of investing through various informal community models, either directly, with personal wealth, or collectively, through associations, faith organizations, and community networks for social, environmental, and cultural impact. There are clear parallels across other communities of colour in this country.

How we tell a story, and the stories we choose to tell, reveals a lot about where we are. A review of Canada’s social finance landscape highlights significant gaps as well as remarkable opportunities. This blind spot in impact investing means that we continue to prioritize placing capital into energy and other high-impact sectors without considering how implicit biases may exclude people of colour and women from those strategies.

Lens Investing

One strategy for overcoming bias and seizing opportunity is through lens investing. This simply means using a particular social outcome as a guide for investing.

As we have seen, social issues tend to divide along racial lines. When we use race as a lens, for example, we focus our investment activity on communities where it really matters. Without this lens, the depth of impact investments is limited. Moving beyond representation unlocks deeper impact approaches by investing in products and equitable business operations that serve marginalized communities. Though rarely applied in Canada, using race as a lens for investment also helps fund managers avoid companies that exacerbate racial inequities.

There has also been a growing awareness of gender lens investing (GLI), a strategy that considers gender as a key factor in investment decision-making. Often, the mainstream application of gender lens investing focuses on companies with a higher number of women on boards or in senior management. A deeper and more impactful application of gender lens investing continues past representation. This often includes investing in companies that make products that impact women’s lives, or provide services that benefit women directly, or in companies that advance women and that have equitable business operations and policies. A deeper impact approach to gender lens investing applies what we have come to know as the concept of intersectionality.

A Path Forward

The reality is that investing with a view to equity drives improved business, while enhancing social, environmental, and investment outcomes. At some level, we know that this has always been the ethos driving the growth of social finance ecosystem. Practitioners understand that meeting community need helps mitigate risk and reveals new investment opportunities. The challenge now is to move our definition of community forward.

As interest and activity around social finance and impact investing scales across Canada, so does the demand for more equitable deployment. Over the last decade, Canada has made great strides building social finance and impact investment, and the sector is now in a position to establish itself as a major component of the economic landscape. This work should reflect the diversity and multiculturalism that Canada so boldly communicates as a global actor.

“...While women and BIPOC continue to be seriously underrepresented in fund management, what is new is that there are key players in the Canadian impact investing ecosystem that desire systemic change, and have the insight and passion to advance diversity work.”

— Victor Beausoliel, Executive Director, Social Economy through Social Inclusion (SETSI)

Successes

Marigold Capital is Canada’s only impact investing firm with both gender and social equity lenses. They connect Canada’s most visionary investors to the best women and BIPOC-led technology companies addressing the world’s greatest social challenges. Marigold believes that social and economic prosperity should be enjoyed by all citizens and communities and that they can create a financial and social return for investors, while radically reducing social and economic barriers.

Marigold Capital operates by directing capital to underrepresented and undervalued teams, markets, companies, and communities. Marigold Capital’s mission is reflected in its structure. It is Canada’s only impact investment fund that is 50% women- and minority-owned. The company applies a deep impact thesis that goes well beyond representation.

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While women and BIPOC continue to be seriously underrepresented in fund management, what is new is that there are key players in the Canadian impact investing ecosystem that desire systemic change, and have the insight and passion to advance diversity work.

“...We need to see massive systemic change to address the inequality that exists across Canada. Capital is a tool for justice.”

— Victor Beausoliel, Executive Director, Social Economy through Social Inclusion (SETSI)

Dragonyll Ventures is a private family office investing in the unique gifts and capacities of people and communities who share a common

vision for the health of humanity and our planet. Dragonfly Ventures uses a creative, holistic, and integrated capital approach to bring their vision and mission to life. Using a wide spectrum of financial and non-financial tools, the company makes direct private investments, in addition to providing charitable grants, sponsorships, financing research, and hosting strategic convenings.

In 2020, the Government of Canada provided The Equality Fund with a $300 million contribution to build a new collaborative global funding mechanism to help leverage more resources for gender equality around the world. This capital will be both invested in impact opportunities and deployed through philanthropy, and is designed to deliver new momentum for women’s movements. The social finance objective is to create a long-term and self-sustaining source of funding for women’s rights organizations and movements in developing countries.

**Social Economy Through Social Inclusion (SETSI)** is an organization laying the groundwork for a more inclusive, diverse, equitable and accessible ecosystem. SETSI works for meaningful engagement with members of the BIPOC community, establishing and deploying anti-racist practices, especially anti-black racism. It also works to diversify board governance, deepening conversations on equity and establishing new social contracts that enable shared prosperity.

The **Black Business Initiative** was the force behind the creation of Nova Scotia’s fourteenth Community Economic Development Investment Fund (CEDIF), the first built for a cultural community or community of interest, rather than a geographic district. The Black Business Community Investment Fund Ltd. is designed to help investors reap economic benefits while stimulating black businesses in Nova Scotia. The CEDIF provides Nova Scotians with tax incentives and other benefits while raising venture capital for local entrepreneurs.

**SheEO** provides zero percent loans to women-led ventures. The SheEO network unlocks thousands of women who share their expertise, networks and connections. In addition to the above, as reflected in the other chapters, there are many community loan funds that support diverse founders and entrepreneurs across the country.

Despite these and other important successes, there is still too little investment directed to Canada’s diverse founders, entrepreneurs, and organizations. As a result, there is ample opportunity to improve and advance equity. Where do we begin?

Broadly speaking, we can start by transforming governance models, democratizing pipelines to capital, collecting disaggregated data on capital flows, investing in BIPOC-led funds, and implementing anti-oppressive, anti-racism-racist, and anti-racist approaches. Let’s look at some other strategies for change in our social finance ecosystem.

It seems obvious, but fund manager and asset allocators need to reflect the demographics of Canada and its many communities. Structural bias within the world of access capital remains a challenge. Studies show that white male fund managers overwhelmingly invest in white male founders. Diversifying who makes decisions about assets and investment will accelerate building a more diverse and equitable sector.

Social finance actors must invest in funds led by BIPOC. Institutional capital needs to flow into funds led by BIPOC. SETSI is currently designing a BIPOC fund in partnership with SISF ecosystem stakeholders. Marigold Capital is the only impact fund in Canada that is 50% minority and women owned.

History matters. When we take the time to understand why racialized Canadians are excluded from access to capital and opportunity, we can begin to question some of the subtle and structural inequities that persist, even in the world of social finance. Understanding historical context, racism and colonization is everyone’s responsibility, and a commitment to allyship seeks to remove burdens of work shouldered by BIPOC stakeholders.

Building technical capacity for women and Black, Indigenous, and People of Colour (BIPOC) is critical to diversify deal flow and establish pipelines to meaningful opportunities. Non-dilutive capital from governments and foundations can unlock this work.

Collecting and understanding data related to inclusion, diversity, equity, and access is imperative. Funding and capital must be audited through these critical lenses to identify to whom, and where impact investing capital is being allocated.

Government can unlock capital to underserved communities. Various underserved communities have been supported through social finance with government backing. Here are just a few examples:

- The Community Futures Network of Canada was founded in 1983 due to a lack of voice and acknowledgement amongst rural constituents. There are currently 267 locations across Canada that deliver small business loans, tools, and training for Canadians who want to scale, expand or franchise their business.
• The catalyst for Aboriginal Financial Institutions (AFIs) as autonomous community-based financial institutions was reconciliation and public policy reform to ensure access to capital and infrastructure resources for Indigenous people. AFIs provide developmental lending, business financing, and support services to First Nations, Métis, Inuit business in all provinces and territories of Canada. They play a key role in closing financing gaps and unmet needs for Indigenous entrepreneurs. AFIs make loans that traditional financial institutions choose not to.

• The social finance sector scaled exponentially in Quebec in 2006 with the creation of the Fiducie du Chantier de l’économie sociale in Quebec, which supports the capitalization of social economy enterprises. Leveraging an additional $30 million, over the next decade 212 investments were made, creating or maintaining 3,183 jobs and mobilizing an additional $374 million. This work was accomplished through the efforts of the francophone community, who came together to demand access to capital and finance models to serve their communities.

• In 2020 the Federal Government of Canada and philanthropic foundations together invested $300 million towards the Equality Fund to support gender-lens investing.
Seven years ago, Eight Tracks / Huit Pistes captured a snapshot of the state of social finance in Canada at that time. Describing eight impact investment funds from across Canada, the volume provided insights into a then-nascent sector. At the time there were few examples of robust, well-capitalized funds. The most discernible social finance ecosystem was in Quebec, supported by institutional and government capital, and an increasingly cohesive public policy framework. Across Canada, the challenges to sector growth, as identified by the contributors, were significant.

Since then, the social finance landscape has grown and evolved significantly. Social impact funds are currently directing close to $1 billion to social purpose organizations and initiatives that support communities and drive outcomes advancing the inclusion of marginalized people, skills development and training, affordable housing, renewable energy, food security and healthy food production, supporting cultural activities, social enterprises, and much more.

The 2021 State of Social Finance report presents a diverse and evolving sector. There have been many significant successes over the past seven years. Raven Indigenous Capital Partners, Canada’s first Indigenous-owned and led fund manager, is supporting boldly innovative enterprises and capacity-building in Indigenous communities. Launched in the summer of 2019, Marigold Capital is Canada’s only impact investing firm with both gender and social equity lenses. The fund connects visionary investors to the best women- and BIPOC-led technology companies, addressing complex and critical social challenges. The Afro-Caribbean Business Network Foundation MicroLoan Fund, working in partnership with Alterna, helps ground-breaking entrepreneurs of African and Caribbean Heritage access low interest loans. The first and only fully independent community loan fund in Atlantic Canada, the Saint John Community Loan Fund, has grown from a single-purpose microfinance organization to one that delivers training and social finance, in addition to developing and managing social purpose real estate.

Social finance intermediaries are driven and supported by a network of dedicated leaders, individuals and organizations that are committed to raising and deploying capital to the benefit of communities and sustainable development, and values-based investors seeking purposeful investments that generate both financial and social returns. There is a growing social enterprise sector that creates investment opportunity, and increasingly sophisticated non-profits and for-profit companies seeking investment capital to generate impactful outcomes. The achievements in the sector are remarkable, and in reading the contributions to the report there is a palpable sense of optimism about the future of social finance.

This outlook is also tempered by some realities.

There are few social impact funds with more than $5 million in assets under management (AUM). There are notable successes, such as Investeco and Renewal Funds, that have pierced the $100 million AUM barrier, and several that are above the $50 million mark, such as Co-Power and New Market Funds. Most funds surveyed manage less than $1 million. Being large does not mean proportionately greater or better impact. It is, however, an assurance that the funds can be sustainable, and enhances confidence among investors of the social and financial returns they are seeking.
Operating small funds is costly, relative to revenues, and requires sources of operating support, host organizations willing to shoulder the overheads, or an ability to forego income in favour of achieving the desired impacts. To grow funds requires access to capital, which in turn requires investor knowledge of the investment opportunities, sufficient fund manager track record to demonstrate viability and capacity, and robust and agile intermediaries capable of delivering on their mandates and supporting the growth and increased inclusion of the sector.

The much-anticipated announcement of the first tranche of the federal Social Finance Fund (SFF) is welcome news and can be a critical lever in overcoming the challenge of access to capital faced by many intermediaries and funds. While the details of the delivery remain to be developed, there is optimism that its design will achieve three important objectives drawn from the experience of impact investment practitioners in the field to date. It should:

- attract and leverage new private capital through a combination of low-cost repayable capital and de-risking measures (first loss, deferred repayment, etc.) The notional target is $1.5 billion over 10 years, but this should be surpassed with an appropriate fund design. Increased access to capital will result in stabilizing existing intermediaries, encouraging additional capital flow from committed investors, and expand the range of investors to include larger institutions (able to overcome fund size limitations with the increased deployment of capital), and a broader range of advisor-led accredited and non-accredited investors.
- assist in overcoming the economic hurdles of fund inception that limit social finance entrants, and that has constrained the development of BIPOC-led funds that more specifically address issues of social inequity and marginalization. Most funds and fund intermediaries climb a steep hill in the first years of operation. Income is directly related to capital deployed, and it takes time to aggregate and place capital into investments. For most high social impact funds, the yields from investment are back-ended, and this requires investors able to be patient and understand the risks of achieving the goals of the fund. A source of higher risk, more immediate capital can reduce the challenges faced by fund managers. A source of higher-risk capital can allow for increased diversity in social finance intermediaries and funds.
- on increased understanding, among policymakers and regulators, of the potential of social finance to assist in achieving the Sustainable Development Goals, and a willingness, by Federal, provincial, and territorial governments, to support the growth of the sector through complementary measures. The experience in Quebec of government, private sector and philanthropic support for the social economy is compelling. It has strengthened communities and provided access to goods and services in a rapidly shifting economic landscape, and it assists in bridging the social inequities at the individual and community level. This is a product of more integrated and targeted policies that link government and non-government institutions, civil society, and capital. The role of government extends beyond the supply of at-risk capital.

The expansion of social finance, and the growth of intermediaries and funds is dependent on access to capital. Resources to build organizational and institutional capacity are also required. The chapters in the report on Indigenous, grassroots and provinces all identify the anchors that have assisted in building social finance. These include credit unions, co-operatives, and -importantly - social finance intermediaries. Federal capitalization of Aboriginal Financial Institutions has been critical to the growth of indigenous enterprise. Rural economies have been directly and indirectly enriched by the federally-supported Community Futures organizations. These institutions have also been constrained by policy, capital availability and mandate. New sources of low-cost capital can be similarly catalytic. Augmenting the investment capacity of intermediaries will increase the flow of private social finance capital. This capital can support social innovation and take measured risk that will increase the ability of intermediaries, and the enterprises and organizations they invest in, to address the challenges faced by communities. Building these intermediaries takes time and resources. The objectives of the Investment Readiness Program (IRP) are laudable, and the support provided to social enterprises and organizations have assisted in identifying potential investment targets. For capital to reach these targets there is a need to ensure that there is intermediary capacity to link investors and social and environmental outcomes. This means ensuring a sufficient range and diversity of capable intermediaries to achieve a more comprehensive set of outcomes. The Federal, provincial, and territorial governments should be encouraged to look at other enabling policy measures – whether tax-based or regulatory – that can assist in the growth and development of social finance opportunities. These are not new approaches to the encouragement of capital formation for shared objectives. The experience in the development and continued support for venture capital is a clear example of how integrated approaches can assist in strengthening a facet of the investment ecosystem.

The social finance sector will continue to grow, as its leaders and current actors pursue generative solutions to our most pressing social and environmental challenges. The foundations for a thriving sector are in place, and there are compelling demonstrations of how capital can be transformative. Social finance is not the solution for all social investment, and care should be taken to not place an undue burden on social finance intermediaries to tackle issues that rightfully are the direct responsibilities of governments. Social finance does, and increasingly can, mobilize capital to achieve intentional positive outcomes and enrich communities, reducing inequalities and promoting inclusion.

To fulfill the promise of social finance the sector is building the infrastructure needed to enhance the collective capacity of existing and exciting new intermediaries. The TIIP is both a product and an example of this convergence of efforts. Critical to realizing the full potential of catalytic capital effectively mobilized to achieve triple-bottom line returns will be the proper alignment of complementary policies and supports, starting with the activation of the long-awaited Social Finance Futures organizations. These institutions have also enriched by the federally-supported Community Futures organizations. The foundations for a thriving sector are in place, and there are outcomes. The report illustrates the critical role that intermediaries play and the solid foundations of the infrastructure that has been created. There is a breadth of experience and flourishing, dynamic diversity in the social finance marketplace. In 2021 the state of social finance in Canada is one of impatient readiness.
**Aboriginal Financial Institutions (AFIs)**

Aboriginal Financial Institutions (AFIs) are autonomous, indigenous-controlled, community-based financial organizations. AFIs provide developmental lending, business financing and support services to First Nations, Métis, and Inuit businesses in all provinces and territories. Support includes business loans, non-repayable contributions, financial and management consulting, and business start-up and aftercare services.

*Source:*

**Accredited Investors**

A class of investors determined under securities regulations to have sufficient knowledge and level of sophistication to merit reduced restrictions on their investment activities. In Canada, the details of the official definition of an accredited investor and who qualifies as one can be found in section 11 of the National Instrument 45-106. There are over 20 situations in which a person or entity is considered an accredited investor, but the most commonly used cases include:

- An individual, alone or with a spouse, who has net assets of more than $5 million
- An individual who has a before tax income of over $200,000 for at least two years in a row ($300,000 if combining income with a spouse) and expects to exceed that income the current calendar year – A person registered in Canada, under securities legislation, as a dealer or an adviser
- Many types of investment funds distributing funds to, or advised by, accredited investors

*Sources:*

**Community Futures (CFs)**

Community Futures are Community Futures Development Corporations and Community Business Development Corporations (CFDCs/CBDCs) that provide their communities with a variety of services including business development loans, technical support, training and information. In addition to the business development component, CFDCs/CBDCs involve themselves in a wide array of community initiatives, including strategic planning processes, research and feasibility studies, and the implementation of a diverse range of community economic development (CED) projects.

*Source:*

**Development Capital**

"In Quebec, development capital refers to investment in job creation, local and regional development, protection of the environment, and worker participation. Development capital uses more traditional venture capital instruments but distinguishes itself from traditional venture capital through its social or environment objectives. Financial return is important but must be weighed against economic and social aspirations."

**Environmental, Social, and Governance (ESG)**

The consideration of environmental, social and governance factors alongside financial factors in the investment decision-making process.

*Source:*
**Gender Lens Investing**

“Investing with the intent to address gender issues or promote gender equity, including by: Investing in women-owned or -led enterprises

- Investing in enterprises that promote workplace equity (in staffing, management, boardroom representation, and along their supply chains); or
- Investing in enterprises that offer products or services that substantially improve the lives of women and girls

And/or investing with the following approaches to inform investment decisions:

- a process that focuses on gender, from pre-investment activities (e.g., sourcing and due diligence) to post-deal monitoring (e.g., strategic advisory and exiting); or
- a strategy that examines, with respect to the investee enterprises:
  1. Their vision or mission to address gender issues
  2. Their organizational structure, culture, internal policies, and workplace environment;
  3. Their use of data and metrics for the gender-equitable management of performance and to incentivize behavioral change and accountability; and
  4. How their financial and human resources signify overall commitment to gender equality.

**Impact Investing**

“Impact investment embodies three key characteristics:

- **Investor intention:** Investors seek to allocate capital (debt, equity, or hybrid forms) to investments from which they expect to receive a financial return (ranging from return of principal to market rate returns) and a defined societal impact.
- **Investee intention:** Business models for investees (whether they are for-profit or non-profit enterprises, funds or other financial vehicles) are intentionally constructed to seek financial and social value.
- **Impact measurement:** Investors and investees are able to demonstrate how these stated intentions translate into measurable social and environmental impact.”

**Grassroots**

Social finance in the grassroots context includes social finance intermediaries that align with three core principles: community-based, democratic and local.

**High-Net-Worth Individuals**

An individual or family considered by Canadian securities commissions to be an accredited investor, defined by having a certain amount of assets and wealth.

**Inclusion, Diversity, Equity, and Access (IDEA)**

Social finance in the context of the focus on Inclusion, Diversity, Equity, and Access includes investments in marginalized and underserved communities. This theme considered communities of people experiencing barriers due to elements of their identities including, but not limited to sexuality, race, nationality, gender identity, ability, and age.

**Indigenous**

“The term “Indigenous” is the current broadly accepted term used in Canada to refer to First Nations, Metis, and Inuit Peoples. It is also found in the UN Declaration on the Rights of Indigenous Peoples (UNDRIP). It displaces the term “Aboriginal” “Native,” or “Indian”.

Social finance in the Indigenous context includes investments in the Indigenous economy to improve well-being in First Nations, Inuit, and Metis communities and Indigenous peoples across Turtle Island (North America).”

Source:


**Institutional Investors**

Professional asset management firms that invest financial assets on behalf of other individuals or organizations for a fee.


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**Retail Investors**

Individual investors that purchase investment products for their own personal accounts and that do not meet net worth requirements to qualify as accredited investors.


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**Social Finance**

Social finance is an approach to mobilizing private capital that delivers a social dividend and an economic return to achieve social and environmental goals. Mobilizing private capital for social good creates opportunities for investors to finance projects that benefit society and for community organizations to access new sources of funds.


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**Social Finance Intermediaries**

Consistent with the criteria employed by the Table of Impact Investment Practitioners, this report defines social finance and impact investing intermediaries as those: i) with an existing capital base, whose primary purpose is impact investing; ii) who are actively deploying capital to generate measurable social and/or environmental returns, as well as patient, concessionary or market-based financial returns; iii) are investing primarily in non-publicly traded Canadian enterprises; and iv) producing publicly accessible reports, encompassing robust impact measures.

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**Social Impact Bonds**

A social impact bond is a financial instrument that raises private capital, and links financial returns to the achievement of a social outcome. In a successful SiB model, these outcomes will create improvements in the system that create cost savings as well as social benefits, and so fund financial returns to the private capital.


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**Social Impact Funds**

Social impact funds are similar to traditional investment funds, but at their core, expect to generate positive financial, social, and environmental returns for investors.

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**Social Purpose Organizations**

A social purpose organization can be a charity, nonprofit, social enterprise, co-operative, or for-profit social enterprise. In all cases, a social purpose organization is advancing a social, cultural, and/or environmental mission.


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**Solidarity Finance**

In Quebec, solidarity finance refers to investment in the social economy, either through co-operatives, non-profit organizations, mutuals, or community trusts. This kind of investment is made with the goal of generating sustainable socio-economic or community economic development. Solidarity finance instruments bring together diverse community actors, and can take many forms, including guaranteed and non-guaranteed loans as well as patient capital. It is important to see that solidarity finance aims at reconstructing social capital within communities.
Triple Bottom Line (TBL)

The triple bottom line (TBL) is a sustainability-based accounting method that focuses on people, profit, and planet. The triple bottom line differs from traditional reporting frameworks because it includes ecological and social aspects that are often difficult to measure. The TBL pillars are also commonly called the three P’s: people, planet and profits.

Source:

Turtle Island

Turtle Island refers to the continent of North America. The name comes from various Indigenous oral histories that tell stories of a turtle that holds the world on its back.

Source:

United Nations Sustainable Development Goals (SDGs)

The 2030 Agenda for Sustainable Development, adopted by all United Nations Member States in 2015, provides a shared blueprint for peace and prosperity for people and the planet, now and into the future. At its heart are the 17 Sustainable Development Goals (SDGs), which are an urgent call for action by all countries – developed and developing – in a global partnership. They recognize that ending poverty and other deprivations must go hand-in-hand with strategies that improve health and education, reduce inequality, and spur economic growth – all while tackling climate change and working to preserve our oceans and forests.

Source:
Bibliography


