

BUDGET 2021
SOCIAL FINANCE FUND PROPOSAL

Recommendation 1: That the Government of Canada activate the Social Finance Fund, originally announced in the 2018 Fall Economic Statement, for the biggest bang-for-buck investment it could make in a robustly green, inclusive, and resilient recovery;

Recommendation 2: That the Government advance, over the next 24 months, a total of \$400 million of the \$755 million originally budgeted for a catalytic Social Finance Fund, for its intended purpose: to leverage additional private and philanthropic capital into impact investment - intended to create demonstrable social and environmental as well as financial returns;

Recommendation 3: That, of this amount, the Government expedite its commitment to flow \$50 million through the National Aboriginal Capital Corporations Association (NACCA), for the Indigenous Growth Fund; and

Recommendation 4: That a minimum of \$50 million of the \$400 million, including additional readiness and operational supports, be specifically allocated to new social finance intermediaries emerging to serve underserved, remote and racialized communities;

Recommendation 5: That the deployment of the balance of the \$755 million be deployed at an accelerated pace and in proportions reflecting the most striking advances and outcomes of the initial 24 months, emergent funds led by and focused on equity-seeking communities are supported to effectively mobilize the tools and capital of social finance.

Recommendation:

That the Federal Government - recognizing the powerful contribution of social innovation and social finance to a green, inclusive and resilient recovery - activate the catalytic Social Finance Fund, first announced in the 2018 Fall Economic Statement and described in Budget 2019.

A proven tool, mobilized in the service of a robust, regenerative, resilient recovery: The launch of a catalytic Social Finance Fund was a key recommendation of the Social Innovation and Social Finance Steering Group, appointed in 2017 to advise on a federal strategy for mobilizing the social economy in the service of more economically inclusive, socially resilient and environmentally sustainable communities. Representing the financial, non-profit, philanthropic, cooperative, research and community economic development sectors, and drawing from in-person and online consultations with thousands of Canadians, the Steering Group's [report](#) recommended the launch of a made-in-Canada-for-Canada Social Finance Fund to support social purpose organizations *“by making repayable capital available to newly created and existing funds in the social finance market, as well as attract new private sector investment to the social finance sector.”* The first of the 12 recommendations to be formally adopted, the Social Finance Fund was announced in the [2018 Fall Economic Statement \(FES\)](#) accompanied by a \$50 million, two-year Investment Readiness Program, intended to build the capacity of social purpose organizations and expand the existing marketplace of investable social purpose ventures.

Described in the 2018 FES as a “new tool to help solve big challenges,” it was anticipated that – as it had in other jurisdictions - the establishment of a pioneering Social Finance Fund would encourage investors to partner with social purpose organizations to support communities facing “persistent and complex social challenges – including Indigenous Peoples, seniors, youth, immigrants, persons with disabilities, members of LGBTQ2+ communities and women fleeing violence - to succeed and reach their full potential.”

To help close the capital gap in connecting social purpose organizations with private investors looking for double- and triple bottom-line projects driving positive change, the Government committed to making available up to \$755 million of repayable capital over the following 10 years to establish a Social Finance Fund. The FES projected “that a Social Finance Fund like the one the Government is proposing could generate up to \$2 billion in economic activity, and help create and maintain as many as 100,000 jobs over the next decade.” Additional details on the Social Finance Fund were promised in early 2019.

Focus on recovery: TIIP and CAP members recommend accelerating the deployment of the ground-breaking Social Finance Fund for its original intent, still more vital as an investment in a robust recovery. It recommends advancing \$400mm of the \$755mm in capital earmarked in the 2018 Fall Economic Statement, for purposes consistent with the vision of the SISF Steering Group in its report, [Social Innovation and Social Finance: Inclusive innovation: New ideas and new partnerships for stronger communities.](#)

Informed by successful initiatives in other jurisdictions, such as the Obama-era [American Recovery and Reinvestment Act](#)ⁱ following the 2008-09 financial crisis, it was envisaged that the SFF would play a catalytic role in attracting new private and philanthropic capital to triple bottom-line investment in the social

economy -- an even more critical function at this time of magnified need. Closer to home, we see many compelling examples of the local multiplication and amplification effects of such capital, from Salish Soils on BC's Sunshine Coast to the Saint John Community Loan Fund in New Brunswick. The precedent of the catalytic \$23.8 million investment by the Paul Martin government, which leveraged an additional \$30M to establish the Fiducie du Chantier de l'économie sociale is a case in point. Since 2007 the trust has invested more than \$80M in some 300 projects, creating and maintaining over 5,000 jobs, and generating \$586M of economic activity, as repayable capital is invested and reinvested in the social economy.¹ TIIP's calculations² suggest that the ESDC projection that a \$755 million investment might generate \$2B in economic activity across Canada over 10 years is a conservative estimate.

Strong existing capacity and robust pipeline, ready to put investment to work: While the complementary capacity-building supports described in the [Steering Group recommendations](#) are important to the continuing growth of the social finance marketplace within a strong and expanding social economy, **there is more than enough existing capacity and infrastructure to fully leverage the accelerated flow of catalytic capital from the Social Finance Fund**, in time to access a critical window of opportunity with private investors ready to invest in a more inclusive and resilient recovery.

There is currently a \$500+ million pipeline of investable "shovel ready" social enterprises and social purpose initiatives. The sooner the activation of the of the SFF, the greater the short and longer-term returns on investment, and the more extensive the multiplication, regeneration and amplification effects, as Canada turns its full attention to recovery.³

Convergence and consensus within the social finance sector:

The recommendation to accelerate the deployment of the Social Finance Fund represents the best advice of Canada's most experienced and emerging social finance intermediaries and experts, echoed in a unanimous letter by the former SISF Steering Group, the 2020 public campaign and 2021 pre-Budget submission of the People-Centred Economies Group, social finance-focused stakeholder meetings with lead Ministers, regional caucuses, individual MPs and policy-makers across government.⁴ Activating the

¹ The Trust has also contributed to the creation and management of sectoral funds for community housing (33,5M\$ in 2015) and for student cooperative housing (11M\$ in 2018). In January 2021, a collaboration among the Fiducie du Chantier and RISQ, community partners, the United Way and the City of Montreal launched a fund to enable community organizations to stabilize their infrastructure costs in a speculative real estate market by becoming owners of their own buildings. Capitalization was provided by foundations, labor funds and private investors who collectively invested just under \$19M.

² [Leveraging Canada's Social Finance Impact Funds: Implementing the recommendations of the Social Innovation and Social Finance Strategy for Canada](#), 2018.; [Social Finance Fund: Leverage and Impact Case Studies 2020](#), 2020.

³ The Edmonton-based Jasper Place Wellness (referenced in *Budget 2019*) provides supportive housing, living-wage work, medical services and food security programming for the most challenged members of the community. Plans before the pandemic included new affordable housing units, a new centre to house a growing medical clinic, a community kitchen, garden and food market, all co-located with one of Edmonton's largest immigrant support agencies. JPWC's social enterprise, Redemptive Developments, was contracted by the City of Edmonton to recycle more than 70,000 mattresses, creating big environmental impact while earning more than \$1M in wages for JPWC clients. With access to social finance capital and tools from the Social Enterprise Fund, JPWC plans shovels in the ground on the affordable housing and food security centre in Edmonton, and new operations in Calgary, this year.

⁴ The Social Innovation Caucus led by MPs Ryan Turnbull and Lloyd Longfield supports accelerating the Social Finance Fund by immediately releasing the first \$400 million. The caucus recognizes this as a key measure to strengthen the economic recovery and enhance the Government's capacity to achieve desired outcomes with respect to poverty reduction, energy transition,

Social Finance Fund at last, and ensuring the effective deployment of this powerful tool, with previously earmarked capital, in the service of key priorities articulated in the Throne Speech and 2020 Fall Economic Statement, will support an outsized contribution to a robust, inclusive and resilient economic recovery.⁵

About us:

Mission and mandate: The [Table of Impact Investment Practitioners \(TIIP\)](#) is a mission-driven, practitioner-led forum for social finance intermediaries. In close collaboration with Quebec’s [CAP Finance](#), TIIP convenes a pan-Canadian network comprising community loan funds, worker coops, social enterprise funds, cleantech ventures, leading-edge foundations, values-based financial institutions, Indigenous-led investment firms and Black entrepreneur microloan programs. Some offer wrap-around support to a wide gamut of social purpose organizations, others are sector-focused, connecting impact investors with community-rooted solutions for employment opportunities and skills training for vulnerable, marginalized or racialized communities. The funds invest in enterprises offering settlement and integration services for New Canadians, and technology-driven products empowering women and equity-seeking entrepreneurs, in initiatives delivering innovative approaches to fighting poverty, building affordable housing, enhancing food security, advancing the transition to a low-carbon economy, ensuring supports – and improving outcomes - for people living with disabilities, addictions and chronic health conditions, and addressing the causes and destructive consequences of systemic inequities. The wider TIIP network of associate members and social finance allies encompasses a raft of promising emergent funds, including McConnell Foundation’s Solutions Finance Accelerator and the Scaling Impact collaborative, student-driven National Social Value Fund, the BC and Alberta Cooperative Associations, the CCEDNet and Community Futures networks and Canadian Community Impact Investment Coalition, who are all developing much-needed solutions for underserved local, rural and remote communities.

Membership: TIIP welcomes any Canadian entity with an existing capital base, whose primary purpose is impact investing, and which is actively deploying capital to generate measurable social and environmental returns, as well as patient or market-based financial returns. Members commit to producing publicly accessible reports, including robust, SDG-aligned impact measures, on their activities. As of December 2020, TIIP and CAP combined encompass over 30 social finance investment funds with a track record of effectively investing capital for demonstrable social, environmental and financial returns and an estimated short-term capital placement capacity of over \$500mm. Emerging funds continue to join the Table as they form, and several new members are expected in the coming months. TIIP belongs to and partners with the network of pan-Canadian community economic development networks convened as the [People-Centred Economies Group](#), whose budget submissions are complementary and mutually supportive.

affordable housing, food security, better access to childcare and improved care for seniors. A [letter](#) to the lead Ministers was signed by over 55 MPs, with unanimous support from the Atlantic, Quebec, Ontario and Pacific caucuses. Two dozen Senators added their support in another letter.

⁵ The Obama Administration’s 2009 [American Recovery and Reinvestment Act](#) recognized social finance entities’ critical role in the economic recovery of community-based non-profits and social enterprises. The ARRA program⁵ provided US social finance entities with an additional \$3B of investment authority and an added \$98M in direct grants to support the growth of the balance sheets of these social finance entities. The appropriations were in addition to 2009 budget appropriations of \$100M in direct grant and \$3.5B of investment authority. The US Treasury Department concluded the move was highly effective in supporting the preservation, recovery and expansion of investment in lower income communities and service providers.⁵