Action on Social Determinants of Health Through Social Finance – An Evidence Review

terrapin

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TABLE OF CONTENTS

List of Figures and Tables

Figures

Tables

Glossary

Aboriginal Finance Institutions: An established national network of Canadian developmental lenders that provides loans to individual Indigenous entrepreneurs, organizations and/or social enterprises.

Character-Based Lending: Loans made on the strength of the individual's character, opportunity, ability and determination. This form of lending is important for individuals lacking credit history or collateral, making them unlikely to qualify for a conventional loan.

Community-Based Organizations: A not-for-profit and/or charitable organization operating in a community setting and providing programs and services to community members directed at local priority issues.

Community-Based Social Finance: A social finance activity, such as developmental lending, which relies on significant community knowledge and trust to effectively serve the needs and build on the assets of a specific target population.

Developmental Lender: An organization that provides access to capital and wraparound business supports for individuals and organizations excluded from mainstream financing, based on the potential the loan will support positive social or environmental outcomes.

Developmental Lending: A form of community economic development focused on providing loans to individuals and organizations considered high risk or not-credit-worthy by mainstream financial institutions. Developmental lenders are the social finance intermediaries who provide access to loans and wrap-around business supports to socially excluded entrepreneurs.

Finance-First Impact Investor: An impact investor who places priority on financial returns over the social outcomes arising from their investment.

Health Inequality: Differences in health status or in the distribution of health determinants between different population groups.

Health Inequity: Avoidable inequalities in health between different population groups.

Impact Investments: Investments made in primarily non-publicly traded enterprises and investment funds with the intention of generating measurable social and/or environmental impact, alongside financial returns.

Impact Investor: An individual or organization that invests funds with the expectation of an economic return while contributing to a positive impact on society.

Microfinance (microloans): Involves providing small loans to individuals from disadvantaged groups in order to give them the opportunity to become financially self-sufficient.

Pay-for-Performance Agreement or Contract: A contract between a funder and a service provider to deliver a social program in which conditions are placed on some or all of the funder's contribution based on the degree to which the program meets outcome targets established in the contract.

Social Determinants of Health: The conditions in which people are born, grow, live, work and age. These circumstances are shaped by the distribution of money, power and resources at global, national and local levels.

Social Enterprise: A revenue-generating business with primarily social objectives whose surpluses are reinvested for that purpose, rather than being driven by the need to deliver profit to shareholders and owners.

Social Finance: An approach to mobilizing private capital that delivers a social dividend and an economic return to achieve social and environmental goals.

Social Finance Intermediary: Social finance intermediaries are key actors within the social finance marketplace serving to identify and facilitate the flow of impact capital from investors to investees through a range of financial tools. There are two main types of social finance intermediaries: lenders and advisors.

Glossary (continued)

Social Finance Investee: A community-based organization, social enterprise or other social purpose business that receives investment capital from an impact investor.

Social-First Impact Investor: An impact investor who places priority on social outcomes over the financial return arising from their investment.

Social Impact Bond: Financing mechanism used to implement a pay-for-performance contract.

Social Outcomes: Observed effects or changes arising from an intervention or activity.

Social Return on Investment (SROI): An outcomes-based measurement tool that helps organizations understand and quantify the social, environmental and economic value they are creating.

Workplace Integration Social Enterprise (WISE): A sub-set of social enterprise with the defining purpose to help individuals with barriers to employment integrate into work and society.

1.0 EXECUTIVE SUMMARY

This report explores the relationship between social finance and social determinants of health in order to understand the influence each has on the other to address health and socioeconomic outcomes. Drawing from published research, reports and interviews with key informants in the fields of social economy and public health, this report reviews key concepts of social finance and social determinants of health, presents evidence of the links between the two, and provides approaches on how to expand social finance to address social determinants of health in the Canadian context.

Who should read this report?

- Community-based organizations that wish to promote inclusive community economic development by providing income supports for low-income community members.
- Social change funders and investors moving to include social finance as an alternative to the traditional charitable model to address inequality and the social costs that arise from it.
- Government agencies looking for innovative, cross-sector approaches to improve the health and socioeconomic well-being of all Canadians.

Key Findings

Researchers and leading experts in the fields of social finance, social economy, public health, and social impact measurement point to social finance as a viable initiative for addressing social determinants of health, most directly in areas of employment conditions, unemployment, income, social safety net, and social exclusion.

Social enterprise and developmental lending are community-based social finance approaches providing jobs and financing options for people socially excluded from mainstream employment and from accessing small business loans. A great deal of the published literature provides emerging evidence on the links between social enterprise and improved health and well-being. Developmental lending, a proven Canadian social finance model often overlooked in academic research, is a promising innovative community-based approach to addressing social determinants of health.

Community-based organizations, with long-standing knowledge of and trusted relationships within their communities, are well positioned to act as social finance intermediaries to engage in developmental lending and support social enterprise initiatives. Social determinants of health provide a framework for social impact measurement, addressing a key challenge in the social finance sector.

Key Approaches

For community-based social finance to have its greatest impact on the hardest to help, a social-first focus is a critical success factor.

- Governments can foster a supportive policy and regulatory environment that promotes social finance and helps to level the playing field between social enterprise and traditional for-profit business.
- Impact investors emerging from the grant funding and charitable donations space can help lower the cost of operations for social enterprises by prioritizing social-first impact investing.
- To expand proven community-based social finance initiatives, a program based on the Aboriginal Finance Institution developmental lending model should be created and piloted through community-based organizations.

- Future knowledge products are needed to support the development of community-based social finance including: an asset-mapping tool to assess organizational and community readiness and, a consistent and comparable social impact measurement framework based on the social determinants of health.

Community-based social finance is one tool that holds promise to improve social and economic inequalities by bringing people excluded from mainstream finance and employment opportunities into the economy and creating healthy communities through inclusive economic development.

2.0 INTRODUCTION

Economic and social success do not have to be mutually exclusive in the Canadian context. Economic development and social well-being are often pitted against each other as competing political and societal goals. We can do well and do good at the same time, if we look to proven and promising approaches in social finance that demonstrate action on the root causes of ill health and socioeconomic inequality—the social determinants of health. Social finance can help create conditions in which prosperity and equality are not at odds, and where achieving positive economic and social outcomes are the core purpose of business.

With many traditional revenue sources declining, community-based organizations in Canada are increasingly looking at ways to finance their activities through business income in areas directly related to their charitable missions, and in areas that are not (Emmet & Emmet, 2015). Traditional models of public and grant-based funding may not be sufficient to support a growing number of social innovations offering great potential to tackle key social challenges in Canada today, many of which are related to social determinants of health (Hebb interview, 2018). Social finance has emerged in part as a response to social innovation.

Social finance is an investment approach that seeks to create new funding streams for organizations and businesses that are driving social change using private capital to create both a financial return for investors and a dividend for society. Social finance is an innovative, and still emerging, field. Some non-profits and charities in Canada are exploring social finance as a revenue source, and as a means to advance commitments to poverty reduction by providing opportunities for employment and/or small business ownership for low-income and marginalized community members.

Connections between social finance and population health remain largely unexplored in academic literature. However, there is widely recognized potential to use social finance to address social determinants of health in community settings by leveraging local resources and assets. The objective of this report is to build the evidence base on conceptual and practical linkages between social finance and social determinants of health to (i) inform approaches for social impact investors, intermediaries, investees and governments on how to support the social finance sector to advance the health and well-being of socially excluded Canadians, and (ii) explore how social finance could be applied in Canadian communities to address upstream and structural determinants of health.

By documenting linkages between social finance and social determinants of health in Canada and elsewhere, the report helps to fill a current gap in the literature on this topic.

The report draws from published literature, the views of key informants, and our professional experience in social finance and public health to:

- Establish links between social finance and social determinants of health.
- Outline how social finance initiatives can be delivered through community-based organizations in Canada.
- Propose an approach that offers opportunities for social finance to address social determinants of health in the Canadian context.

We begin by defining the concepts used in this report, including relevant social finance tools, methods and actors, and social determinants of health. We then explain why two particular social finance approaches, social enterprise and developmental lending, are well positioned to address social determinants of health in community settings. Through our literature review and key informant interviews, we identified five key social determinants of health that have the greatest potential to be impacted by social finance. These are: employment and working conditions, unemployment and job security, income and income distribution, social exclusion, and social safety net. To illustrate these links, we provide some examples of social enterprises and developmental lenders that generate social outcomes relevant to these key social determinants of health.

As social enterprise is a well-documented and more widely understood social finance construct, the remainder of the report focuses on what we believe is the untapped potential of developmental lending to address the social determinants of health in Canada. We propose an approach to developmental lending to support community-based social finance initiatives and offer an opportunity for not-for-profits, private sector organizations, and government to partner together to foster a more inclusive, equal and healthier society.

We suggest that the social determinants of health framework has the potential to help address a key challenge for developmental lenders and more broadly the social finance sector, namely quantifying and reporting on the social impacts produced by social finance initiatives. While social impact is a core concept of social finance, one that importantly differentiates it from traditional business models, the reporting of non-economic outcomes is often inconsistent, incomparable, complex and costly. Our approach proposes to use social determinants of health-related outputs as proxies for social impact. This provides an opportunity to simplify and lower the cost of impact reporting, to help impact investors and government in their decision-making to support social finance initiatives.

We conclude the report with suggested approaches for key actors in community-based social finance and for future knowledge products that can support social finance as a means to address the social determinants of health in Canada.

3.0 METHODOLOGY

The report is based on a review of relevant published literature, and input from experts via key informant interviews.

The literature review consisted of a search of public health, social science, economics and finance peer-reviewed journals from a variety of databases, including PubMed, Elsevier and the Directory of Open Access Journals. Grey literature was sourced through web searches on social finance, social economy, social enterprise and developmental lending in Canada. Searches were focused on publications dating from 2003 to 2018, in English and French languages, and from Canada, the United Kingdom, the United States, and Australia. Key search terms included combinations of: social determinants of health (including the 14 specific determinants discussed in Section 4.2), social outcomes, health outcomes, community economic development, social finance, social enterprise, social impact bonds, microfinance, impact investing, revolving loan fund, venture philanthropy, social economy, social entrepreneurship, and developmental lending.

To build on the literature review and further explore key concepts or linkages between social finance and social determinants of health not reflected in published documents, eight semi-structured telephone interviews were completed with key informants with expertise in various aspects of social finance and/or social determinants of health. Interviewees included experts identified via the literature review and actors affiliated with leading organizations involved with social determinants of health, social finance and/or social outcomes measurement. Interview questions and a description of the project were shared with key informants in advance (see appendices for list of key informants, discussion brief, and interview questions). The contributions from the key informants assisted in the formulation of the approaches regarding how social innovation and social finance can help inform public health priorities. All key informants gave their permission to be named and directly quoted in this report.

4.0 KEY CONCEPTS

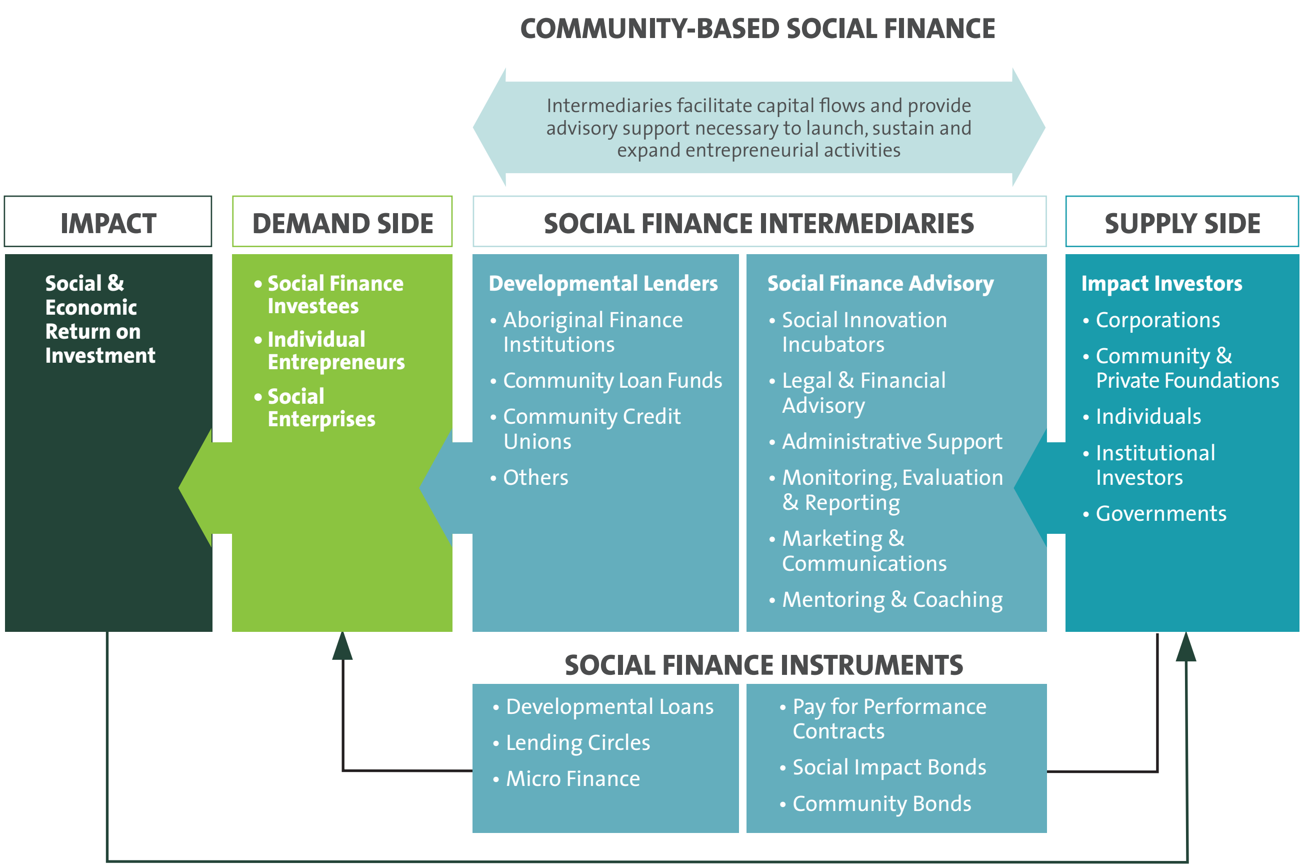
4.1 Social Finance

Social finance is a concept that can mean different things to different people. For the purpose of this report, social finance is defined as an approach to mobilizing investment capital to deliver both positive social outcomes for society (including social, cultural, environmental outcomes) and financial returns for investors. Social finance creates opportunities for investors to finance projects that benefit society, and for not-for-profit organizations and for-profit businesses to access new sources of funding to help them address social issues (HRSDC, 2013).

Figure 1 provides an overview of the social finance ecosystem. As seen in this figure, capital flows from impact investors, through social finance intermediaries, to social finance investees. Impact investments tend to be smaller in size, and are typically viewed as higher risk and higher cost than mainstream investments. For these reasons, impact investment often cannot rely exclusively on traditional market instruments. A range of additional supports from a variety of actors are required to be successful, including grants, social impact measurement and loan loss guarantees (Roose and Bishnoi, 2012).

> *"Social finance is not merely the financing of enterprises and initiatives with social and environmental benefits, a service that is already provided to larger social enterprises and other third-sector organizations by mainstream financial institutions; we see it as sustainable finance by society for society."*
> (Varga and Hayday, 2016)

Figure 1: Overview of the social finance ecosystem as it relates to community-based social finance initiatives



Social Finance investees and intermediaries collect, measure, and report on social impacts to Impact Investors.

4.1.1 Social Finance Actors

As outlined in *Figure 1*, the principal actors in social finance are:

Impact Investors

- Impact investors provide investment capital with the goal of achieving a social outcome plus a financial return on their investment. Impact investors can include community and private foundations, individual and institutional investors, corporations, credit unions, banks, and governments. Impact investors typically rely on intermediaries to manage transactions and related risk. Investors differ from funders in that, opposed to a grant, there is an expectation that funds will be recovered from intermediaries for future reinvestment in social finance initiatives.
- Impact investors can be divided into two categories:
  - Finance-First Impact Investors place priority on financial returns over the social outcomes arising from their investment.
  - Social-First Impact Investors place priority on social outcomes over the financial return arising from their investment.

Social Finance Intermediaries

- Social finance intermediaries identify and facilitate the flow of impact capital from investors to investees through a range of financial tools, from simple loans to much more complex tools like social impact bonds. Intermediaries can include professional advisors, foundations, government, credit unions, charities, not-for profits, co-operatives, community development financial institutions, and social purpose businesses.
- Social finance intermediaries can be divided into two categories:
  - Lenders flow capital from investors to investees. They provide loans to individuals and enterprises, and work with investees to see loans successfully repaid with interest. Within this category, developmental lenders focus on providing loans to individuals and organizations considered high risk or not creditworthy by mainstream financial institutions—while also considering potential for positive social or community outcomes. Developmental lenders are concerned with evaluating social and economic outcomes resulting from a loan portfolio over the long term.
  - Advisors provide the additional supports necessary to enable successful social finance ventures. For example, advisors can help to identify qualified investees, align investors with investees, evaluate projects, and provide financial and wraparound supports for individuals and enterprises to achieve success in the economic and social aspects of their business.

Social Finance Investees

- Social finance investees are recipients of impact investment capital, which they then use to launch, sustain or expand businesses that provide goods and/or services while addressing a social agenda. Social finance investees include social enterprises, as well as individual entrepreneurs and small businesses from a range of business models, from non-profit to for-profit enterprises.
- Social enterprises have both business and social goals, with a main purpose of promoting social change. A social enterprise can provide employment or job training for individuals facing barriers to employment

(Work Integration Social Enterprise—WISE), and/or services that address social issues such as housing, food security, and environmental improvements as their core business purpose. Social enterprises often require innovative financing for capital investments, scaling up, or operations, as not all aspects of their business are revenue generating. Some examples of community-based social enterprises in Canada include:

- Manitoba Green Retrofit, a social enterprise providing renovation and environmental retrofits and treating bed-bug infestations.
- Parkdale Green Thumb Enterprises, a social enterprise hiring people with serious mental illness to provide horticultural services for low-income housing, hospitals, and not-for-profit organizations.
- Inside Art, an artist cooperative run by inmates at a medium security prison in British Columbia engaging incarcerated men in the creation of art and running a business.
- Building Up, a construction renovation and environmental retrofit service provided to customers in Toronto with experienced tradespeople providing pre-apprenticeship training programs for individuals facing barriers to employment.

Governments

- Government, at different levels, is often an actor in social finance, playing both direct and indirect roles in the sector.
- Governments can act as impact investors by providing loans or grants, by structuring of pay-for-performance grants or by capitalizing social impact bonds or developmental lenders.
- Federal and provincial government policy and programs can help to create enabling conditions for social finance to work better by helping to incentivize or de-risk impact investing—and thereby attract more impact investment (Employment and Social Development Canada, 2018).
- Tax and business development regulation and legislation changes can minimize the barriers to growth in the social finance sector (Harji and Hebb, 2010).
- Government grants are an important part of the social finance ecosystem to help offset non-revenue-generating components of social finance initiatives. In this role, government would be acting as a funder rather than an investor with no expected direct financial return of their granted funds.

4.1.2 Social Finance Instruments

> ***“A key to the successful application of social finance is applying the right tool to a given context or challenge.”***
> (Hebb interview, 2018)

Common social finance instruments that channel funds from investors to investees range in complexity. More complex tools include pay for performance contracts, social impact bonds, and community bonds. Simpler instruments include loans and lending mechanisms, such as developmental lending. Instruments at both ends of this continuum are briefly described below, but the focus of this paper is on the simple tools that are more appropriate to support community-based social finance initiatives.

Pay-for-Performance Contract

- The term “pay for performance” means the same as “pay for success” or “payment by results”. All three terms refer to a social service contract that pays based on outcomes. The term "pay for performance" has risen in prominence alongside the emergence of social innovation, social enterprise, social finance, and the entry of impact investors and new ideas on cross-sector collaboration (Farthing-Nichol, D., 2017). An example of a pay-for-performance contract in healthcare is Hospital Readmissions Reduction Program (US,) which provides financial incentives from insurance providers to hospitals that reduce costly, unnecessary hospital readmissions of patients who received treatment for acute/chronic cardiac conditions, respiratory disease or elective joint replacement surgeries. Hospital Readmissions Reduction Program (HRRP)

Social Impact Bonds (SIBs)

- A pay-for-performance agreement that includes a contingent loan is known as a social impact bond (Farthing-Nichol, D., 2017). Social impact bonds are typically funded by impact investors and issued by government (intermediary) to not-for-profit organizations providing services or programs that address a social problem (investees). Investors are paid back by the intermediary when the investee demonstrates improved social outcomes that represent cost savings (or revenue generation) for the public purse. This offloads the risk in this pay-for-performance agreement from government to private investors.

> *"Social Impact Bonds, which seek to attract capital from private sector investors to fund interventions, are attractive to governments because they shift the risk of innovation onto the lender or investor."* (Hebb interview, 2018)

An example of a health-focused SIB is the Canadian Community Hypertension Prevention Initiative launched by the Heart & Stroke Foundation in partnership with the Public Health Agency of Canada (PHAC) and MaRS Centre for Impact Investing in 2017. In this social finance model, impact investors fund the Heart & Stroke online coaching and support program that is aimed at enrolling 7000 pre-hypertensive individuals and helping them prevent their blood pressure from progressing to full hypertension over the six-month program. If the program meets its targets, investors will have their initial investment paid back, plus interest, from the federal government. Community Hypertension Prevention Initiative (CHPI)

Pay-for-performance contracts and SIBs may not be the best social finance instruments for community-based organizations due to their inherent complexity and inclination to favour populations seen as easiest to help (Hebb interview, 2018).

Community Bonds

- Community bonds are securities issued by not-for-profit or charitable organizations to raise debt financing (Hebb, 2011) frequently for the acquisition of real estate where the property may act as security to the investor. Centre for Social Innovation (CSI), based in Toronto, provides an example of successful Community Bonds. CSI Community Bond

> *"It can be difficult to bring attention to accessible forms of social finance such as developmental lending amid what is an almost singular focus on complex financial instruments such as social impact bonds and on large-scale investments. The obsession with scale and complexity means we stand to miss truly exciting on-the-ground innovations happening right in front of our eyes."* (McMurtry interview, 2017)

Developmental Lending

- Developmental lending is a form of community economic development focused on providing loans to individuals and organizations considered high risk or not-creditworthy by mainstream financial institutions. It may include:
  - Character-based lending – small unsecured loans made on the basis of a borrower's reputation and credit.
  - Microfinance banking—also called microcredit, is a type of banking service for unemployed or low-income individuals or groups with no other access to financial services.
  - Peer-to-peer lending – a form of social lending where individuals lend and borrow money directly from each other.
  - Peer lending circles—a group of people who pool and borrow money from one another at no interest.
- Developmental lending relies on significant community knowledge and trust to effectively serve the needs of and build on the assets of a specific target population. Three keys to developmental lending involve specialized risk assessment, steps to ensure payback, and evaluating and reporting the social outcomes to all stakeholders.

How Community-Based Developmental Lending Works

The following details the main activities and characteristics of developmental lending:

1. A target population is identified as underserviced, requiring access to capital to start or grow small-to-medium-sized businesses.
2. A developmental lender is established and a revolving loan fund is capitalized. A revolving loan fund begins with a non-repayable grant or donation. Loans are made to businesses and, when repaid, the capital becomes available to be loaned to other businesses.
3. The developmental lender's primary service is to provide loans to entrepreneurs and/or social enterprises and to see the loan successfully repaid with interest.
4. Additional services offered by a developmental lender include a suite of wraparound supports (including business planning, financial statements, tax filing, mentoring, access to grants) with the goal of supporting the client's business success and keeping loan losses to a minimum.
5. Developmental lenders are responsible to track outputs and report social impacts arising from their lending activities.
6. Successful developmental lenders may require additional loan capital due to increased loan demand. Additional capital may come directly from government or from new private sector impact investors.
7. Social impact reporting tends to be focused on outputs such as numbers of clients served, number of businesses started/sustained, numbers of jobs created/sustained, and numbers of clients no longer requiring social assistance.
8. Developmental lending works best when there is a source of grant funding from government or other sources, to help cover the cost of wraparound services and to help attract impact investment by lowering investor risk.
9. The business of developmental lending is sustainable through a mix of revenue generated from loan interest and grants to support non-revenue-generating activities (see point 4).

4.1.3 Unique Business Challenges of Social Finance

One of the greatest challenges for businesses operating in the social finance ecosystem is the higher cost of doing business. Providing loans to the most socially excluded requires extra supports to ensure successful loan repayment. Social enterprises that employ individuals with multiple barriers and extraordinary needs typically operate at a higher cost which cannot always easily be passed on to the customer if the enterprise wants to remain competitive. Delivering financial and social returns, especially when working with "higher risk" customers and clients, requires greater inputs and resources than day-to-day business and financial operations. Employees of social enterprises and customers of developmental lenders require extra investments in organizational capacity and wraparound supports to keep working and to get business loans paid back—the costs of employee turnover and loan losses can sink a social finance operation (Hammond Ketilson, 2014; Lensink et al., 2017).

Monitoring, evaluation and impact reporting are fundamental to the social finance sector. It is an essential activity required to close the loop between intermediaries and their investors and funders. The challenge for many social enterprises and developmental lenders is that impact reporting represents a significant financial and organizational cost that typically involves external expertise and relies on grant funding if it is to happen at all.

Lack of sufficient funding for these activities that do not generate income makes market competition more difficult (Hebb et al., 2016). Social finance initiatives require subsidization to start up and maintain operations to level the playing field in the business and financial marketplace (New Market Funds Society, 2014; LePage interview, 2018).

4.2 Social Determinants of Health

The social determinants of health are the social and economic conditions in which people are born, grow, live, work, and age. Social determinants have been shown to have a greater combined impact on health and well-being than other factors Canadians tend to associate with their health, such as access to healthcare services, biological/genetic factors, and the physical environment (NCCDH, 2011; Frankish et al., 2017).

Although there are a variety of different descriptions of the range of social determinants, for the purposes of this report we rely on the list provided by Mikkonen and Raphael (2010):

- Indigenous status
- Disability
- Early life
- Education
- Employment and working conditions
- Food insecurity
- Health services
- Gender
- Housing
- Income and income distribution
- Race
- Social exclusion
- Social safety net
- Unemployment and job security

Social stratification can lead to unfair and avoidable differences in health status between advantaged and disadvantaged individuals or populations (Frankish et al., 2017; Roy, Donaldson et al., 2013; Solar and Irwin, 2010; Gore and Kothari, 2012). Public health research regularly documents the existence of a "wealth-health gradient"—people with lower social and economic status experience worse health outcomes over their lifetime across a wide range of measures (Frankish et al., 2017, Wilkinson and Pickett, 2010). Health inequities are not confined to those in the lowest socioeconomic brackets—health improves as wealth increases across the entire gradient.

Addressing the social determinants of health is of the utmost importance in Canada in order to achieve the goal of reducing health inequalities (Edwards and Cohen, 2012; Frankish et al., 2017; Roy et al., 2013). Yet action in this area is complicated by the fact that many of the policy and program levers that can influence these determinants are located outside of the health sector, making it critical to adopt collaborative approaches that bring together different sectors, and that link priorities and funding across government departments. Social finance may be one approach to support interventions that can address social determinants of health, specifically through community-based social finance initiatives that create employment and business development opportunities for socially excluded community members.

5.0 LINKAGES BETWEEN SOCIAL FINANCE AND SOCIAL DETERMINANTS OF HEALTH

> *"Social Finance and Social Determinants of Health don't exist on the same conceptual level. Social finance is one of the ways in which social determinants of health can be addressed... a way of funding interventions that can focus on upstream social determinants like poverty and social exclusion."*
> (Roy interview, 2017)

Community-based organizations are increasingly looking for innovative ways to address the needs of their community members, many of which are linked to social determinants of health like food insecurity, housing, and poverty. For charities, not-for-profits and foundations alike, expanding a funding base to include social finance and impact investment can be daunting. However, as the needs of charities and foundations dealing with downstream health and social problems continue to grow, more and more not-for-profit organizations are exploring social finance as a means to address root causes of persistent social challenges faced by their community members.

In this section, we present evidence from the literature review and interviews with experts in the field of social finance and public health. Although the links between social finance and social determinants of health or health outcomes are rarely made explicit in the literature, there is promising emerging evidence. Four key themes emerged from the literature review and key informant interviews:

- Although social determinants of health are rarely explicitly referenced in social finance literature, there is existing evidence that points to strong relationships between these two areas.
- The weight of current peer-reviewed literature linking social outcomes and social finance is focused on social enterprise. However, developmental lending may also represent a viable approach for community-based social finance.
- Through social enterprise and developmental lending, there is potential to expand the use of social finance to address health inequalities through action on specific social determinants of health in Canada. Social finance initiatives tend to report outputs in a number of areas directly related to social determinants of health.
- Where social outcomes are reported, there is

great variation on what is measured and how it is measured, highlighting social impact measurement as a challenge for the social finance sector.

"Within social finance there is a tension between the need to be grounded in community and the idea of scaling up and replicating successful interventions. It is essential to nurture the structures that will allow community-level interventions to flourish."
(Hebb interview, 2018)

5.1 Existing Evidence on Connections between Social Finance and Social Determinants of Health

"It comes down to imagination and the width of your lens. Communities themselves are highly complex and multi-faceted and what you think might be a simplistic intervention may turn out to be highly complex, impacting different social determinants—with some quite far upstream and some very immediate."
(Roy Interview, 2017)

In 2013, the federal department then called Human Resources and Skills Development Canada (HRSDC) recognized social finance as an alternative revenue stream to public and grant funding of social innovation projects to scale up proven social innovations and finance preventative interventions (HRSDC, 2013). The HRSDC report reviews international and Canadian social finance models, highlighting potential actions that different levels of government could take to address societal problems (including homelessness, poverty, unemployment) for specific socially excluded and at-risk populations. This report gives examples of how various social finance instruments (social impact bonds, pay-for-performance contracts, social investment funds, and social enterprises) could be used by non-profit and for-profit businesses to address very specific or multiple social challenges.

In "The Architecture of Social Finance" by Rexhepi (2016), social finance as an adjunct or alternative to charities and government grants is explored as an approach to addressing poverty. In addition to providing a detailed primer on social finance and social investment, the author explains how social finance uses the "power of the marketplace" to address income inequality and worsening social trends, and how governments play a critical role in developing social finance for the benefit of all citizens.

While not specifically mentioning social finance, the World Health Organization's conceptual framework for action on social determinants of health (Solar and Irwin, 2010) supports policy actions to reduce health inequities targeted to "disadvantaged populations", addressing the social health gradient across populations and closing health gaps between "worse-off and better-off groups". A multiple case study analysis by Kothari et al. (2016) supports public health partnerships in community settings to address health inequities. The third sector (including community groups, charities, local associations and not-for-profit organizations) is well positioned to address social determinants of health due to its roles in providing direct social and health services, established work with more marginalized and stigmatized populations, and strong community connections. Public health partnerships with community-based organizations offer an opportunity to use local knowledge and research for community development and open new spaces for public health to work at the community level (Kothari et al., 2016).

5.2 Social Enterprise, Developmental Lending, and Social Determinants of Health

Based on the research and interviews conducted for this project, it is our view that two approaches to social finance have particular potential to connect with and advance action on social determinants of health in Canada—social enterprise and developmental lending. Although there has been strong focus on pay-for-performance approaches like Social Impact Bonds as alternatives to traditional government funding models, less consideration has been given to community-based initiatives that can support building increased capacity, capital and entrepreneurship at the local level. Existing evidence connecting each of social enterprise and developmental lending to social determinants of health is briefly discussed below.

5.2.1 Social Enterprise

> ***"As far as social enterprises acting on social determinants of health, it's not a panacea, but within particular categories social enterprises are emancipatory for people who would otherwise be passive recipients of social services. These people are now active employees of a social enterprise, being paid, and engaged in meaningful work."***
> (Elson interview, 2018)

Peer-reviewed literature illustrating the potential for connections between social finance and social determinants of health has tended to focus on social enterprise. Although the language of social determinants of health is rarely used explicitly, there are references to health and well-being, social outcomes that align with social determinants, and target populations who are often at-risk of poorer health outcomes. As well, there is abundant lay knowledge in the sector that links the purpose and objectives of social enterprises with social determinants of health. For instance, all of our key informants agreed that social finance could address any or all of the social determinants listed in section 4.2, particularly by involving community-based organizations with established connections to and deep knowledge of their socially excluded community members.

In their report, Elson et al. (2016) highlight the results of the Social Enterprise Sector Survey for Canada. Based on the responses of 1,350 social enterprises, the majority being non-profits and registered charities, from all provinces/territories except Quebec, 43% target people with employment barriers, low incomes or those experiencing homelessness. The social enterprises surveyed employed over 23,000 people with disabilities and/or other employment barriers (74% of all employees), and 29% train, employ, or provide services to Indigenous people. Specific targeted populations for survey respondents include:

- People with disabilities
- Children/youth/young adults
- Women
- Seniors/elderly
- Low-income individuals
- Socially isolated men
- Indigenous people
- Ethnic groups/minorities
- Other people with employment barriers
- Immigrants (including temporary workers)
- Homeless people
- Refugees

A systematic review by Roy et al. (2014) examined published empirical research linking social enterprises to enhanced health and well-being. They found five studies of varying quality from the United States, Hong Kong, Australia, and Canada. The target populations of these social enterprises included different socially excluded populations, e.g., street youth, people with disabilities (physical, psychiatric), new immigrants, the elderly, unemployed youth, ex-offenders, low-income families and Indigenous communities. All of the social enterprises involved skills development and/or job training opportunities for populations facing barriers to employment, with some also delivering products or services that provide a broader societal benefit (e.g., development of social trust and improved social integration at the community level). Two of five studies in Roy et al. (2014) demonstrated positive physical health outcomes (self-perceived physical health and avoidance of destructive health behaviours). All five studies reported positive mental health outcomes (improved family relationships/support, self-confidence, self-esteem, decreased depression and stigma, increased overall life satisfaction and peer support). All five studies also referred to the importance of addressing social determinants of health to support improved wellness and well-being (specifically skill development, employability and self-employment, reduced public stigmatization/increased social integrations, and building social capital).

"Social enterprises can be said in one way or another to impact upon such factors as unequal distribution of power, income, goods and services all of which are established as important social determinants of health"
(Roy, 2014, p.5).

Roy et al. (2014) observed that social enterprises are place-based, community organizations that mobilize different kinds of resources to build on community assets to improve local economic activity and community well-being concurrently. In this tradition, there is potential for social enterprise to impact social determinants of health in community settings. The authors conclude that further study of the causal pathways and the longer term public health outcomes is needed to support governments to "provide an enabling and supportive environment in which community-led social enterprises can prosper" (Roy et al., 2014).

A recent study by Macaulay et al. (2017) provides promising results supporting the notion that social enterprises could function as an innovative and sustainable mechanism to tackle "upstream" social determinants of health. The study examined how social enterprises portray their impact, and how such impacts may align with health and well-being. Through an analysis of 17 social enterprises in Scotland, the authors investigated both the organization-reported impacts of the work of social enterprises, and the mechanisms by which these impacts were understood to be derived. The perceived effects of the work of social enterprises were grouped into themes, including: enhanced social connectedness; employment, employability and meaningful work; economic impact; enhanced confidence and self-esteem; improved sense of meaning and control; positive spaces and environments; access to services; and improved health and well-being. Direct impact on the health of individuals and communities was seen to be enhanced through the work of social enterprises. Providing financial and housing services, job satisfaction, improved appearance of the community, and spending time outdoors was linked to physical and mental health benefits of community members.

The Macaulay et al. (2017) study presents an "empirically informed" conceptual model of the health and well-being impacts of social enterprise–led activity. This is an important contribution given that an identified gap in the literature is empirical work focusing on how, and to what extent, social enterprise–led activity may impact upon health and well-being. Study findings also advance knowledge of ways in which social enterprise and other parts of the third sector that do not explicitly focus on health could be considered as potentially valuable "non-traditional" public health partners. This is consistent with the results of other research. In a recent study, Roy et al. (2017) used a sample of Canadian social enterprises to explore their potential to address the social and environmental factors that influence health and well-being. The authors conclude that social enterprises could be a useful and economically viable strategy to address one or more aspect of social vulnerability. They also identify the need to increase the standard of evidence that social enterprises do work to improve health and well-being and how Work Integration Social Enterprises (WISE) affect health and health equity.

Using an Australian social enterprise case study, Munoz et al. (2015) found that social enterprises generate well-being by helping to address health challenges and inequalities, such as social isolation. Others like Theriault et al. (2010) studied the outcomes of direct investment into social housing and outsourcing of property development and management services to other co-operative, for-profit and non-profit organizations, with financial support from the province of New Brunswick and the federal government. Improvements in housing security led to positive changes in overall quality of life of social housing residents, including neighbourhood safety, food security, self-confidence and improved financial situations. This suggests that investments in key determinants of health like housing can have a multiplier effect, due to the influence of safe and adequate housing on other social determinants. Shahidullah and Islam (2018) examined the impact of social entrepreneurship by community cooperatives in a field study in Norway House Cree Nation in Northern Manitoba. This study demonstrated the social value created in the community by reinvesting profits from cooperative fishing operations to open other businesses, resulting in greater income generation, increased community self-sufficiency, increased employment and improved food security, and the preservation and transfer of traditional food culture, knowledge and skills.

5.2.2 Developmental Lending

Developmental lending is a proven, but lesser known, model of social finance in Canada. Although not well represented in literature connecting social finance and social determinants of health, community-based developmental lending has been successfully practiced across Canada most notably by Aboriginal Finance Institutions, Community Futures Development Corporations and other community loan funds (e.g., The Ottawa Community Loan Fund). Canadian companies and NGOs operating in the global south will be familiar with developmental lending as an effective tool for building local supply networks, establishing social license to operate, and measurably improving social conditions. Some of these organizations are very successful in making, collecting and remaking loans, churning their capital and helping to establish businesses outside of traditional financial structures. However, they all face the challenge of accessing sufficient capital to meet a growing demand for developmental loans.

As with social enterprises there are community-based developmental lending approaches that engage with high-risk, socially excluded populations. *Table 1* below presents three successful Canadian developmental lending initiatives which are connected to social determinants of health via their target populations—Indigenous entrepreneurs, people with mental health and addiction issues experiencing social isolation, and low-income women. These initiatives illustrate the business components and wraparound supports required for operational sustainability and positive social and economic outcomes of their clients.

By supporting the creation of employment and training opportunities, building social supports and community engagement, and supporting the development of psychosocial capital (such as self-confidence and self-sufficiency), developmental lending initiatives can be understood as social determinants of health interventions. Developmental lending has potential to support communities and groups who disproportionately face marginalization and barriers to participation in mainstream society through business development and growth.

Table 1: Community-based developmental lending: Three examples

<table>
<tr><th>ORGANIZATION</th><th colspan="2">INDIAN BUSINESS CORPORATION (IBC)</th></tr>
<tr><td>LOCATION</td><td colspan="2">Calgary</td></tr>
<tr><td>AREA OF OPERATION</td><td colspan="2">45 First Nations in Treaties 6,7 & 8</td></tr>
<tr><td>DESCRIPTION</td><td colspan="2">• Aboriginal Finance Institution (AFI)
• One of Canada's 58 Aboriginal Finance Institutions (AFI), based in Calgary (with branch offices in Edmonton and Standoff), has provided loans to Indigenous entrepreneurs and community organizations for over thirty years
• The establishment and success of the AFI network is the result of government investment combined with the community knowledge, trust and expertise of the individual AFI, which has resulted in a thriving national network of developmental lenders</td></tr>
<tr><td>TARGET POPULATION</td><td colspan="2">Indigenous entrepreneurs</td></tr>
<tr><td>SOCIAL IMPACT REPORTING</td><td>Data and information collected from loan management system and 2015 and 2018 social and economic impact reports (external consultant support):
• Client profiles: Income status, social assistance recipients, gender, age, Indigenous status, level of education, residential school attendance
• Outputs: Numbers of jobs created, job sustained, business plans and other services delivered, business loans (number, loan size, sectors), loan losses, communities served, female-owned businesses supported
• Outcomes: Increased household income, increased local employment, changes in physical and mental health, changes in confidence, changes in financial literacy, changes in overall life satisfaction, impacts on families of loan customers, impacts on communities reached by IBC-supported businesses</td><td>Outputs and outcomes from IBC 2015 Report on Social and Economic Outcomes:
• $35 million in loans granted created over 350 jobs and maintained nearly 150 existing jobs
• 58% of clients surveyed report an improvement in their level of life satisfaction
• 74% of clients surveyed reported positive impacts on their family
• Average household incomes doubled (from $59K to $118K) after becoming an IBC client</td></tr>
<tr><td>WEBSITE</td><td colspan="2">http://www.indianbc.ca</td></tr>
</table>

(Continued)

<table>
<tr><th>ORGANIZATION</th><th colspan="2">RISE ASSET DEVELOPMENT</th></tr>
<tr><td>LOCATION</td><td colspan="2">Toronto</td></tr>
<tr><td>AREA OF OPERATION</td><td colspan="2">Throughout Ontario</td></tr>
<tr><td>DESCRIPTION</td><td colspan="2">Revolving loan fund
Created in 2009 by the Rotman School of Management and the Centre for Addictions and Mental Health (CAMH) to provide low-interest small-business loans and mentorship to men and women living with mental illness and addictions who are interested in pursuing self-employment
Recognize the interdependency of financial well-being to one's overall quality of life and committed to improve the lives of people who are unable to secure employment due to mental health or addictions challenges</td></tr>
<tr><td>TARGET POPULATION</td><td colspan="2">Adults and youth with mental health and addiction challenges</td></tr>
<tr><td>SOCIAL IMPACT REPORTING</td><td>Collected from database and annual social inclusion survey (external consultant support):
Client profile: Gender, age, history of mental health and addiction challenges
Outputs: Number of clients served, number of clients receiving business training and other services, number of loans disbursed, default rate, loan dollars disbursed, volunteer coaches and mentors engaged, start-up grants assigned, youth receiving business design training, volunteer entrepreneur coaches and mentors
Outcomes: Annual social inclusion survey, goal setting and goal achievement follow-up</td><td>Outputs and outcomes from Rise Asset Development 2016-17 Annual Report:
100% of people supported with entrepreneurship services have a history of mental health and addiction challenges
313 entrepreneurs received start-up support from a Rise grant
247 entrepreneurs supported by a Rise low-interest small-business loan
77 jobs created in 32 communities</td></tr>
<tr><td>WEBSITE</td><td colspan="2">http://www.riseassetdevelopment.com</td></tr>
</table>

(Continued)

<table>
<tr><th>ORGANIZATION</th><th colspan="2">PARO CENTRE FOR WOMEN'S ENTERPRISE</th></tr>
<tr><td>LOCATION</td><td colspan="2">Thunder Bay</td></tr>
<tr><td>AREA OF OPERATION</td><td colspan="2">Northern Ontario</td></tr>
<tr><td>DESCRIPTION</td><td colspan="2">• Peer lending circles
• Promotes community economic development across Northern Ontario, in part through the establishment of peer lending circles which help women to connect with a peer network and gain access to financing
• Also operates a social enterprise to provide a market for entrepreneurs</td></tr>
<tr><td>TARGET POPULATION</td><td colspan="2">Low-income women</td></tr>
<tr><td>SOCIAL IMPACT REPORTING</td><td>Database and 2007 and 2010 impact reports (external consultant support):
• Client profiles: Gender, geographic location, Indigenous status, immigrant status, income status
• Outputs: Businesses created, businesses maintained or expanded, jobs created, jobs maintained, communities served, number of peer lending circles established, grant dollars to clients, client workshops and services, partnerships established
• Outcomes: Increased assets as per Sustainable Livelihoods Model (personal, social, physical, human, financial assets) and movement of clients along a capacity development gradient from poverty to long-term financial security, helped many Circle members to break social isolation and build confidence</td><td>Outcomes from 2010 Canadian Women's Foundation Report (collective impact report):
• 94% of women improved their quality of life
• 51% increased their household and personal incomes
• 65% launched a small business that generated regular income
• 94% had more self-confidence
• 33% no longer needed social assistance benefits</td></tr>
<tr><td>WEBSITE</td><td colspan="2">http://weoc.ca/portfolio-item/paro-centre-womens-enterprise/</td></tr>
</table>

5.2.3 The Potential of Social Enterprise and Developmental Lending to Address Social Determinants of Health

Social enterprises and developmental lenders connect with social determinants of health directly through their business services and hiring directives. For example, social enterprises can create and support jobs for those experiencing barriers to employment, and can provide housing improvements, healthy food, and education and training opportunities for socially excluded populations through their services. In Canada, many of the subpopulations who are more likely to experience poorer health outcomes due to social exclusion and lower socioeconomic status also tend to be more likely to face barriers to accessing financing to start or grow their own business, and to securing and maintaining employment (e.g., Indigenous Canadians, visible minorities, refugees, people with disabilities, low-income women, homeless men and youth, people with criminal records, LGBTQ2, and low-income Canadians). The quantity and quality of financial resources and employment are often more limited for these Canadians which can affect their health and the health of their communities (Ives and Sinha, 2016). Developmental lenders can provide loans to “higher risk” customers to start or grow small- to medium-sized businesses. Social enterprises have the potential to increase household incomes, create employment in marginalized communities, and decrease dependence on social assistance.

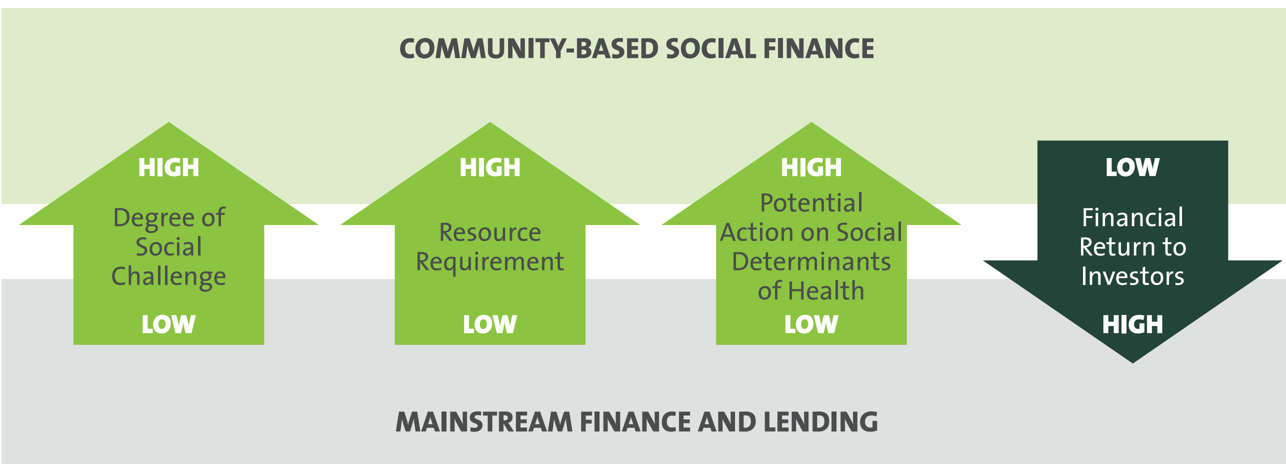
Table 2 provides an overview of how social determinants of health can be influenced by social enterprise and developmental lending activities in Canada, as well as potential links to health outcomes. This table underscores that social determinants of health are linked to both the business objectives of community-based social finance initiatives (i.e., creating employment and starting/growing businesses), and to the outputs on which many social enterprises and developmental lenders are already reporting. The health outcomes included below are adapted from Mikkonen and Raphael (2010) and outline some negative outcomes that can be addressed through social finance activities. For example, moving people from insufficient and stigmatizing social assistance income to employment/self-employment income can lead to improved physical and mental health and increased social cohesion.

Table 2: How social finance can impact health through the social determinants of health

<table>
<tr><th colspan="2">IMPACT ON SOCIAL DETERMINANTS OF HEALTH</th><th>COST OF DOING NOTHING</th></tr>
<tr><th>OBJECTIVES OF SOCIAL ENTERPRISE AND DEVELOPMENTAL LENDING</th><th>SOCIAL FINANCE OUTPUTS</th><th>MEDIUM- AND LONG-TERM OUTCOMES</th></tr>
<tr><td>Improve employment and working conditions</td><td>Number of entrepreneurs funded (self-employment)
Number of full-time-equivalent (FTE) positions created or maintained</td><td>Work demand (high-strain)/reward (low-income) imbalances lead to:
• Higher health and safety risks (workplace injuries)</td></tr>
<tr><td>Increase income and improve income distribution</td><td>Number of clients reporting increased household income from employment, paid job training, etc.</td><td>In Canada, low income/wealth inequality is linked to:
• Poverty
• Social deprivation
• Lower life expectancy
• Higher death rates
• Higher suicide rates
• Higher prevalence of adult-onset diabetes and heart attacks</td></tr>
<tr><td>Reduce social exclusion</td><td>Number of clients/ employees who are visible minorities, socially marginalized or excluded, facing barriers to financial options or quality employment</td><td>Social exclusion creates a sense of powerlessness, hopelessness and depression.
Visible minorities experience:
• Higher poverty rates
• Higher prevalence of diabetes
Marginalization and exclusion lead to:
• Adult-onset diabetes
• Respiratory and cardiovascular disease
• Educational underachievement
• Crime</td></tr>
<tr><td>Reduce reliance on public income or other supports</td><td>Number of clients/ employees no longer requiring social assistance benefits</td><td>Inadequate levels of social welfare supports are linked to:
• Psychological stress
• Poverty
• Decreased social cohesion</td></tr>
<tr><td>Decrease unemployment and increase job security</td><td>Number of full-time employment positions created and maintained
Number of clients transitioning towards employment (skills and job training, work experience)</td><td>Unemployment and job insecurity is linked to:
• Poverty
• Social deprivation
• Psychological stress
• Increased tobacco use and problem drinking
• Increased sleep deprivation, high blood pressure, heart disease
• Decreased parenting effectiveness</td></tr>
</table>

Figure 2 below outlines why "social-first" impact investors are needed for community-based social finance to work. When social enterprise and developmental lending intersect with social determinants of health, the resources required to achieve social and financial success are higher, the potential financial return to impact investors is lower—but scope of anticipated social impacts is potentially the greatest. Community-based organizations addressing the toughest societal challenges with the most marginalized and socially excluded communities have the potential to generate the greatest impact on social determinants of health. Given the extra resources required to create positive social impact for hard-to-reach community members the financial return to impact investors into community-based organizations tends to be lower. Conversely, focusing on realizing higher financial returns to investors can result in social finance activities that address less challenging social issues, and risk helping only those who are easiest to assist. In this way, finance-first impact investing is more likely to fail to address the upstream determinants that will ultimately narrow health inequalities.

Figure 2: Social-first impact investment for community-based social finance



Social enterprises and developmental lenders tend to operate within a context characterized by similar challenges, creating an opening to use these approaches to address social determinants that underpin health inequities. When a social enterprise has been shown to be effective at tackling a social problem, impact investments can help scale up the outcomes in order for it to be able to serve a larger population. Similarly, impact investments targeting individual entrepreneurs have been shown to dramatically improve social conditions for individuals, families and communities (Rollingson interview, 2018).

5.3 Social Impact Measurement in Social Finance

Measuring and reporting on the social outcomes produced by community-based organizations through their activities is often a requirement for investors, and also can provide important benchmark information to guide sustainable organizational development. However, there are a number of challenges that organizations encounter in terms of adequately carrying out this activity.

Consistency and Comparability

To begin with, there is a lack of clear and consistent methods and approaches. While there is a great deal of social and economic literature that deals with evaluating and measuring social impact (Carriere et al., 2016; Goebey and Weber, 2013; Hebb, 2011; Mars, 2010; Ontario Ministry of Economic Development and Growth, 2017), no common and agreed upon understanding of the scope or content of social impact assessments, or the methods used to carry out assessments, has emerged. Carriere et al. (2016) indicate that assessments of impacts on communities have tended to focus on what can be quantified—such as the number of enterprises or jobs created. Only recently has this work begun to consider "qualitative" impacts, including health and well-being, social cohesion, improvement of overall quality of life, etc. A journal article by Goebey and Weber (2013) uses the case of Vancouver City Savings Credit Union (VanCity) to illustrate the depth of financial reporting available in social finance organizations, and highlights the need for comparative social impact reporting indicators in the sector. This study is a good illustration of the systematic and standardized approaches available for financial reporting—versus the inadequate and non-comparable metrics available for demonstrating social impact. This results in impact reporting focused on financial activities and lack of proof of social or environmental change.

A report by Hebb (2011) based on interviews with 31 Canadian businesses, social enterprises, not-for-profits, and social metrics practitioners identified 17 different social metrics tools used to measure outputs, outcomes and impacts with no consistent pattern in metrics indicators used. These include Social Return on Investment (SROI), Results Based Management, Sustainable Livelihoods Metrics, Demonstrating Value Metrics, and metrics that capture cost savings or revenue generation for governments. The result is little comparability across the outcomes generated by different initiatives or organizations that can be used by potential investors to assess impact. This study also highlighted time, cost, lack of consistency and resources as barriers for using social metrics in the different sectors.

Complexity and Cost

In addition to lack of consistency, many social impact measurement tools are complex, and often require external expertise to implement. For example, Social Return on Investment can be difficult to compare due to the range of proxies used in social outcome valuation (where dollar values representing cost savings or revenue are applied to outputs and outcomes). As such, SROI typically requires advanced training and accreditation to implement. Similarly, application of The Sustainable Livelihoods Framework—a widely used and comprehensive framework to demonstrate progress in poverty reduction—often exceeds the capacity of smaller organizations without accessing outside expertise. In addition, the Framework has been adapted by many different funders and organizations, making it difficult to compare results.

The complexity of social impact measurement drives the cost of business higher for social enterprises and developmental lenders, making it more difficult to sustain their business or reinvest in advancing their social mission. Outcome measurement also tends not to be an activity that generates revenue for organizations, creating increased need to cover these costs via earned revenue or grants. Lack of funding for activities like outcome measurement makes it difficult for social enterprises and other organizations that rely on social finance as a revenue source to compete in the market, keeping lending rates higher (Hebb et al., 2016).

Opportunities to Accelerate Social Finance

To address these challenges with social impact measurement, most interviewees in Hebb's 2011 report agreed that government has a role as a facilitator, partner and funder in developing social metrics in Canada, with the exception of the business sector interviewees who were split on government involvement (Hebb, 2011). For example, social finance initiatives would benefit from subsidization to cover the added costs of starting up and maintaining operations, to level the playing field between traditional and socially mandated businesses (New Market Funds Society, 2014; Le Page interview, 2018).

There also is a need for more simplified, consistent, comparable, and cost-effective tools to measure the impact of social finance initiatives on individuals, households, and communities in order to inform impact investors and government decision-makers (Hebb, 2012; Jackson, 2012). The Ontario Ministry of Economic Development and Growth (2017) recently reinforced this perspective, speaking to the need for a common impact measurement and reporting standards for Ontario social enterprises. A common approach would help communities and investors to understand and communicate the effects social enterprises have on society, communities and the environment. The Ministry believes that to be sustainable, the approach would need to be co-created, tested, and refined by the social enterprise community.

Hact.org.uk provides an excellent example of a shared platform that helps the UK social housing sector establish evidence of their impact, which in turn feeds into program improvement and financial sustainability. Their robust platform sets a high bar for the kind of support required to help social enterprise and social finance thrive in the achievement of social goals. Such practical and comparable systems for social impact measurement and sharing of information are important.

> ***"People like drawing neat boundaries around things in order to assess their impact. Unfortunately the real world doesn't always allow for that. Social scientists are comfortable with this complexity while some economists become alarmed with the messiness and complexity of trying to evaluate social impact."***
> (Roy interview, 2017)

6.0 APPROACHES TO EXPAND SOCIAL FINANCE TO ADDRESS SOCIAL DETERMINANTS OF HEALTH

The success of community-based social finance initiatives, and the growth of the social finance sector in Canada as whole, point to the potential of this sector to address social determinants of health. In this section, approaches for an expanded focus on social determinants of health in social finance, focusing on potential for impact investors, intermediaries, impact investees, and governments are addressed. How the practice of developmental lending could be expanded in Canada—informed by the experience of Aboriginal Financial Institutions—to support community-based organizations to explore social finance as a means to support local economic development is explained.

> ***"It's important to recognize the tension between the need for social finance and social determinants of health interventions to be grounded in community while allowing these same structures to flourish and scale."***
> (Hebb interview, 2018)

6.1 Approaches for Key Actors

6.1.1 Impact Investors

Shift understanding of what is considered a reasonable rate of return

The trend among granting organizations, foundations and governments to explore social finance as impact investors is motivated by successes witnessed in other countries, but also by growing awareness that the complex social problems they are trying to address persist despite funding delivered through traditional charitable models. As traditional granting organizations begin to experiment with impact investment, a corresponding paradox is emerging. New impact investors, who "...just yesterday were happy to give their money away... are reluctant to take a low rate of returns, even when the social returns are high" (Rollingson interview, 2018). These are the very agencies who should fall under the category of "social-first" investors, prioritizing social impacts over financial return (Barman, 2015; McMurtry interview, 2018; Rollingson interview, 2018).

> ***"The social finance sector continues to claim you can "do well by doing good". We really must do a better job of shifting people's expectations. The provisions for impact investing made by private and community foundations are tiny compared to the amount of capital they have. Why do foundations continue to place a priority on growing their endowments rather than growing their impact?"***
> (LePage interview, 2018)

In light of this trend, it is important to underscore for impact investors coming from the charitable sector that they can achieve positive social returns on social finance investments while their investment capital is protected (i.e., not being eroded by inflation)—yet they should not seek unreasonable rates of financial return. Expectations need to be adjusted away from the idea they can earn on investments targeting persistent social challenges, like poverty or food insecurity. Community-based interventions are simply too costly to provide such a rate of return. This adjustment is critical to growing community-based social finance initiatives in Canada that focus on providing employment and entrepreneurship supports for the hardest to help.

> *"In our study we found where social enterprisess are making healthy profits, the return is re-invested to reach more people outside the organization, that is, to expand the mission. This is a good message to impact investors coming from the social side (e.g., foundations)—that any financial returns beyond capital preservation should be re-invested—because they are all on board with the social mission."*
> (Elson interview, 2018)

As demand for capital grows and more organizations explore developmental lending as an initiative to address upstream social determinants, investors should explore opportunities to pool investments and attract new funding partners.

6.1.2 Social Finance Intermediaries (Lenders & Advisors)

Participate in developing, testing and communicating regarding social impact measurement tools

As discussed in previous sections, social finance intermediaries identify and facilitate the flow of impact capital from investors to investees. Existing developmental lenders should participate in the co-development and testing of social impact measurement tools that will provide comparison and aggregate data to promote the social finance sector as an actor on social determinants of health.

Support the development of a common and simplified approach to measuring social impacts

Adhering to common, simplified systems of social impact measurement and reporting will make it easier for governments, foundations and other impact investors to evaluate the risk and effectiveness of developmental lending activities, and overcome this important barrier for support. Simplified and accessible social impact reporting could help lower the cost of doing business for developmental lenders. If core operating costs are lowered and profits increase, intermediaries will ideally reinvest to further advance their social mission, pass savings on to customers at more affordable lending rates which will increase the volume of loans, or in the case of social enterprises, increase wages and benefits for employees.

Build capacity for developmental lending in communities through mentorship and guidance

If the practice of developmental lending can be expanded into community-based organizations to reach more potential entrepreneurs, current intermediaries with relevant experience can provide mentorship and guidance. Evaluation of community-based organizations will be required in order to assess the strengths and weaknesses of different developmental lending approaches as they are adapted and introduced to different target populations
and settings.

6.1.3 Social Finance Investees

Participate in developing, testing and communicating regarding social impact measurement tools

As noted above with respect to social finance intermediaries, impact investees can play a role in developing and testing social impact measurement tools to ensure they are practical, meet organizational needs, and do not create an undue reporting burden.

Assess readiness for incorporating social finance into organizational practices

Community-based organizations wishing to pursue social finance should begin to consider their own organizational readiness. This could include asset mapping tailored to identifying internal and external strengths, weaknesses, opportunities and threats in the pursuit of social finance, social enterprise and developmental lending.

Build capacity to support social finance initiatives

Organizations need to build their capacity internally and/or explore community partnerships to bring in the expertise to structure and deliver on impact investment agreements and successfully operate a developmental lending business. Organizations should look to social innovation hubs and social finance incubators to draw on existing expertise and know-how in the sector.

> *"What government can do is provide an inclusive policy environment as far as social enterprise is concerned, for example in social purchasing. Government procurement policies in general and major infrastructure partnerships in particular, should include social impact and social purchasing agreements."*
> (Elson interview, 2018)

6.1.4 Governments

Provide a flexible environment that creates enabling conditions for social finance

There are many ways in which governments can support grassroots, community-based social finance initiatives. Carriere et al. (2016) demonstrate the extensive role the Canadian government has played as an enabler and facilitator of impact investing. For instance, the Government of Canada helped to establish the Aboriginal Finance Institution (AFI) network, and continues to support Aboriginal Finance Institutions and their umbrella organization in providing business loans to Indigenous entrepreneurs. A primary role for governments in supporting social finance to act on social determinants of health is to provide a flexible policy and regulatory environment that creates conditions for high-risk lending to be successful. This is particularly important for individuals and businesses that face barriers to accessing mainstream funding and appropriate business support services. Specific Government activities could include further supporting the capitalization of existing developmental lenders by contributing grant funds to grow their loan capital pool, or by incentivizing impact investors through the provision of loan guarantees.

Support the development and testing of social impact measurement tools and data collection

There are opportunities for governments to support the development and testing of tools and data collection systems to move towards more standardized measurement approaches, and offset the higher costs of doing business in the social finance sector—particularly in social impact reporting. Looking to simplified, comparable social impact models and developing centralized data collection and reporting systems for government-supported social finance initiatives can help reduce the burden for community-based organizations.

> *"Currently there is not the capacity … to implement the recommended systems for easy, flexible, comparable and useful impact reporting. Creating this capacity is really a role for government."*
> (Hebb Interview, 2018)

Support the development of training tools and materials

A growing population of social finance participants needs to be supported with educational opportunities and materials that will help them include social finance in their business models. This suggests a role for government to actively support the development of these new tools and trainings.

6.2 Improving Developmental Lending to Better Address Social Determinants of Health at the Community Level

> ***"All levels of government must aim their policy tools at the social finance sector to help increase the amount of available capital."***
> (LePage interview, 2018)

Building on the discussion and approaches above, we suggest that one means to increase the use of social finance to support action on social determinants of health is by expanding developmental lending activities in communities. By facilitating access to the capital necessary to launch, sustain, and expand small-to-medium-sized businesses and social enterprises in community settings, developmental lending can increase local capacity to address social and economic barriers to health—including poverty, food insecurity, marginalization and exclusion, and unemployment. In our view, this approach offers an opportunity for not-for-profits, private sector organizations, and governments to collaborate in fostering greater community inclusion, equity and health.

> ***"There's an increased awareness across the Canadian population that the growing inequality isn't good for anyone. This is not a sustainable path for the country. The opportunity for government is to take bigger risks on social interventions that work."***
> (Dhami interview, 2018)

Knowledge of community and trust with community members are key criteria for successful developmental lending. For these reasons, community-based organizations serving low-income and marginalized community members or government social service centres (e.g., community health centres) would be appropriate delivery partners. The best fit would be community-based organizations already offering supports for increasing household income, providing or connecting community members to training and skills development, employment, or social assistance. These are places where community members with an entrepreneurial spirit facing barriers to mainstream business financing may seek out support.

> ***"Unequal access to capital is a market failure so government has a clear role in mitigating the risk of social finance—especially in developmental lending. They could match funds with community or mainstream lenders where government will take a first loss position. We need to get the money down to where the need is."***
> (Roy interview, 2017)

Table 3 below describes enabling conditions for undertaking developmental lending through community-based organizations. This builds on the Aboriginal Finance Institution model introduced in sections 4 and 5, and lays out the roles of key actors necessary to support the expansion of developmental lending into new communities to address upstream social determinants and encourage local social and economic development.

Table 3: Expanding developmental lending - roles for key actors

IMPACT INVESTORS	DEVELOPMENTAL LENDERS (COMMUNITY-BASED ORGANIZATION INTERMEDIARIES)	COMMUNITY-BASED SOCIAL ENTERPRISES AND ENTREPRENEURS	GOVERNMENT
• Social-first investors who are willing to invest in creating social returns • Flexible funding (e.g. ,grants for non-revenue-generating business costs; loans to support blended social and financial returns on investments) • Emphasis on evidence-based social impact and capital preservation	• Organizational readiness to experiment with new funding approaches • Relationships of trust with community members, knowledge of community assets and needs • In-house/partnership-based expertise in loan management, community asset mapping, management and small business support services • Engagement with and representation of partner communities and population groups • Access to reliable and comparable data on social impacts • Potential social-first impact investors as supporters in their network	• Asset maps of communities include local skills, networks, entrepreneurs and markets • Providing local jobs for community members with barriers to employment and providing needed services for that community	• Flexible regulatory environment • Funding (solely or in private-public partnership) to capitalize lenders • Back-stop risk of loan losses • Tools to support community-based social finance experimentation (e.g., asset-mapping toolkit) • Social impact measurement system

Supporting the expansion of developmental lending would require the development of tools and resources to assist organizations to engage in this field. Two of these products are discussed in more detail below: (i) community asset mapping as a tool for organizations to assess whether they meet the criteria for launching a successful developmental lending business to serve their community, and (ii) a social impact measurement and evaluation framework that supports reporting on the outputs of developmental lending linked to social determinants of health.

6.2.1 Community Asset-Mapping Tool

Community asset mapping is a promising approach to building strong communities that focuses on available capacities and assets, rather than beginning from needs or deficits. This approach tends to involve a strong focus on engaging local community members and supporting local creativity and empowerment. In the context of developmental lending, asset mapping can extend beyond a focus on available programs and resources to also include existing and emerging entrepreneurs, formal and informal organizations and networks, potential for investment from within the community as well as potential external investors, and advocates and influencers within the community. A social finance specific asset-mapping tool could help uncover a broad range of resources to leverage community economic development, with an emphasis on helping move people into self-employment and/or launching social enterprises. Community-based organizations would be able to demonstrate a readiness to explore developmental lending if all key actors for social finance initiatives are identified through the asset-mapping exercise.

A community asset-mapping tool has yet to be developed and tested for the purpose of community-based social finance initiatives. However, we anticipate that a social finance oriented tool would help to prepare community-based organizations wanting to explore the opportunity for social finance, by identifying relevant skills, resources and people who could contribute—as well as any key gaps or challenges. It would also inform strategic planning and the investment decisions of potential developmental lenders (or other impact investors). For instance, a community asset-mapping tool could identify the extent to which a community ecosystem has the assets necessary to support the expansion of social finance into its community and address social determinants of health.

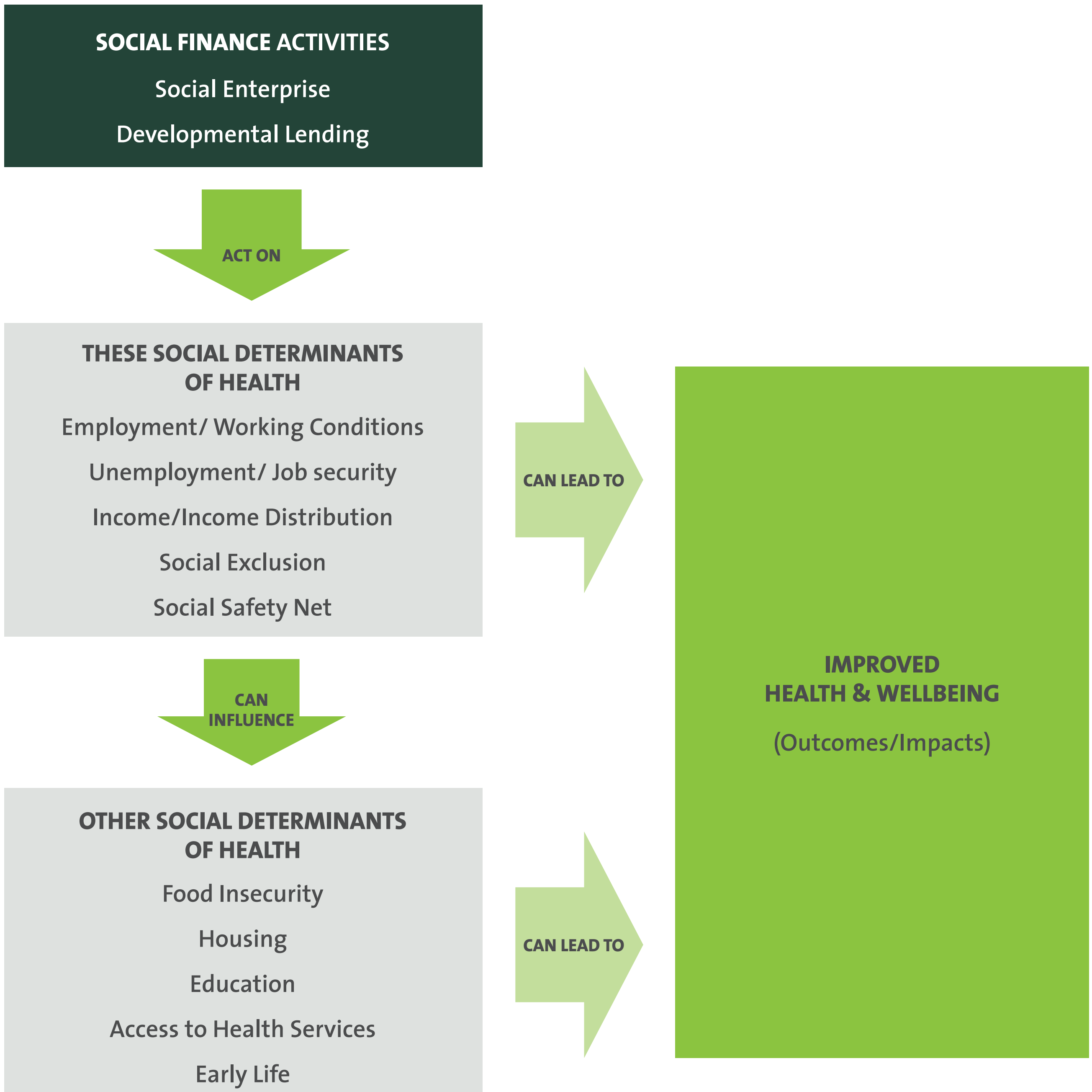
6.2.2 Social Impact Measurement Framework

As illustrated in *Table 2* and reflected in the above discussion on linkages between social finance and social determinants of health, developmental lenders and social enterprises routinely collect data and report out on activities and outputs that align with social determinants. An outputs-focused monitoring and evaluation strategy where social determinants of health are proxies for longer term social outcomes and impacts could help to simplify outcome reporting, and therefore lower the cost of doing business within the context of community-based social finance. The social outcomes that arise from acting on social determinants of health are proven. Where social enterprises and developmental lenders can record immediate or short-term outputs (counts) that demonstrate action on social determinants of health, there should be no onus on these same organizations to invest their scarce resources in proving long term outcomes. As well, this approach could support more comparable metrics to guide impact investors and governments in decisions about where to direct funding.

> ***"Social determinants of health provide a good starting place but not necessarily the end point for effective evaluation in social finance. There's a strong push to link impact measurement systems with SDGs (Sustainable Development Goals). Perhaps social determinants could be an intermediate step feeding into SDGs."***
> (Hebb Interview, 2018)

Figure 3 below presents our proposed social determinants of health impact measurement framework for community-based social finance initiatives. We believe that an outputs-focused approach for social finance impact reporting would make it more manageable for developmental lenders to collect relevant data without outside expertise and could be reported on a timely basis as required to meet investors' needs.

Figure 3: Proposed social determinants of health impact measurement framework for community-based social finance initiatives



7.0 CONCLUSION

Community-based social finance offers a promising approach to act on the social determinants of health in local settings to improve the health and well-being of Canadians. The available evidence reviewed above indicates that community-led social finance initiatives have particular potential to address social determinants like poverty/low income, unemployment, food insecurity, and social and economic exclusion and marginalization. These are issues that many community organizations and social enterprises already have a mandate to address.

Charitable foundations and not-for-profit grant makers are seeking meaningful investment opportunities to sustain social change and their funding base in the longer term. For these (and other) funders, using social finance tools and approaches to invest in community-based organizations that are ready to explore new avenues to address local challenges should be further explored.

Developmental lending in particular is a proven approach that could be expanded to strengthen social and economic outcomes in local settings. Expanding the use of developmental lending can facilitate greater access to capital necessary to launch, sustain, and/or expand social enterprises and other initiatives led by community-based organizations. Experience with Aboriginal Finance Institutions (AFI) has demonstrated the potential of developmental lending to impact public health in socially excluded target populations in Canada. Exploring how the AFI model can be built upon in new communities, with different assets and challenges, is an appropriate next step.

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APPENDICES

APPENDIX A

Key Informants

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APPENDIX B

Key Informant Discussion Brief

terrapin

Action on Social Determinants of Health
Through Social Finance
Discussion Brief
January 2018

Introduction

Terrapin Social Finance is working with the Public Health Agency of Canada to explore links between social finance (SF) and social determinants of health (SDH). The output of this work will be a report on the potential for SF to support interventions that address SDH. Findings will inform how Government of Canada commitments to social innovation and social finance can help to advance public health priorities. Key informant interviews are being used to fill the gaps in published knowledge. We are hoping to use your input, as an expert in the field of social finance, public health, and/or social outcomes measures, to inform this report.

Key Definitions

Given the many frameworks for SDH and various definitions from the social impact realm, and because we are speaking with a broad audience ranging from social economists to public health practitioners, we offer the following definitions:

Social Determinants of Health: Health is determined by the conditions of our everyday lives, and by systems that help keep us healthy and support us when we get sick. The term 'social determinants of health' describes the many social conditions that interact to influence risks to our health and well-being and affect how vulnerable we are to disease and injury. Per Raphael, D. (2009), 14 Canadian social determinants of health are:

1. Aboriginal status
2. gender
3. disability
4. housing
5. early life
6. income and income distribution
7. education
8. race
9. employment/working conditions
10. social exclusion
11. food insecurity
12. social safety net
13. health services
14. unemployment and job security

Social Finance is a form of finance intended to deliver both a positive social and financial return on investment. For this project we are interested in the financing activities (debt, equity, philanthropy) of impact investors into social enterprises (businesses that maximize social purpose over profitability), and/or to marginalized business people.

Impact Investors are both individuals and organizations (e.g. community foundations) that invest capital in social enterprises and social impact funds to harness the positive power of finance and enterprise. While Impact investing occurs across asset classes, we are particularly interested in debt financing (loans).

Outcomes express the desired social or civic change you aim to make through a program or initiative. Changes can occur at the individual, group, community, or systemic level and can be classified in a short-term, medium-term or longer-term timeframe.

We seek your input on any of the following:

- proven and potential links between social finance and social determinants of health
- models demonstrating positive social outcomes through social finance
- criteria needed to activate community-based social finance
- opportunities for social finance to be applied as a public health action
- roles for government to support positive action on social determinants of health through social finance
- what's needed (e.g. evidence, tools, approaches, policies) to support action on SDH through SF

About Terrapin

Terrapin is a social finance advisory firm that helps raise and place impact capital. We specialize in evaluating and reporting social outcomes arising from loans made to people and organizations deemed not credit worthy by mainstream lenders.

Please contact info@terrapin.ca if you have questions or wish to provide immediate feedback
Thank you in advance for your participation

APPENDIX C

Key Informant Interview Questionnaire

Social Finance & Social Determinants of Health
Interview Questions
January 2018

Interview Questions

The purpose of our interview is to discuss links between Social Finance (SF) and Social Determinants of Health (SDH). Our discussion will contribute to recommendations for the Public Health Agency of Canada (PHAC) regarding how Social Finance can act positively on Social Determinants of Health.

1. Based on your area of work, do you consider yourself more familiar with Social Finance or Social Determinants of Health or public health?
2. Can you comment on how you see SF and SDH being linked?
3. Referring to the list of SDHs in the backgrounder, of the 14 which are the most common/likely to be impacted by SF initiatives (e.g. supporting social enterprises or marginalized business people)?
4. SF - What conditions are necessary for lending to "higher risk" customers to be successful?
5. SF – On a scale of 1 to 5 (1 –not at all, 5 – great) how good is the SF sector at reporting outcomes?
   a. Are you aware of any models/examples where this is being done well?
   b. What do you think are the major barriers to reporting social outcomes in SF?
   c. Can you think of any negative social outcomes that may be a concern in SF?
6. Where are the opportunities for community-based SF initiatives to be implemented in Canada? (Through what infrastructure, what target populations/communities?)
7. Do you think SDH have the potential to work as a framework for social outcomes measurement in SF?
8. On a scale of 1 to 5 (1 - not necessary, 5 - critical) how important is it for the Federal Government to take a role in supporting SF as a means to addressing health inequality in Canada?
   a. What role is there for government(s) to support SF as a PH intervention?