Written Submission for the Pre-Budget Consultations in Advance of the Upcoming Federal Budget

National Impact Investment Practitioners Table

August 2020

Recommendation 1: That the government accelerate the deployment of the catalytic Social Finance Fund, originally announced in the 2018 Fall Economic Statement, with a focus on building social, local and community-centered economies for an outsized contribution to an inclusive and sustainable recovery;

Recommendation 2: That the government deploy $400 million of the $755 million budgeted for the Social Finance Fund over 10 years, to flow over the next 24-30 months; and to allocate this as follows:

Recommendation 3: That the government expedite, as intended, the flow of $50 million (of the $400 million), through the National Aboriginal Capital Corporations Association (NACCA), for the Indigenous Growth Fund; and

Recommendation 3: That the government flow $300 million, on a priority basis, to qualified and experienced social finance funds and intermediaries with established track records of effectively placing capital for demonstrable social and environmental - as well as financial – returns; and

Recommendation 4: that the Government allocate $50 million to emerging funds, encompassing additional operational supports, to new social finance intermediaries serving underserved and underrepresented communities; and

Recommendation 5: That the balance of the $755 million originally set to flow through the Social Finance Fund - approximately $350 million - be deployed in the proportions described above, or adjusted based on the experience of the initial 24-30 months.

About us:

Mission and mandate: The National Impact Investment Practitioners table (NIIPt) is a mission-driven, practitioner-led forum for social finance intermediaries and experts. In close collaboration with Quebec's CAP Finance, the NIIPt represents a pan-Canadian, pan-sector network, comprising community loan funds, worker coops, social enterprise funds, values-based financial institutions and Indigenous-led investment firms. Some offer wrap-around support to a wide gamut of social purpose organizations, others are sector-focused, connecting impact investors with community-rooted solutions for employment and skills training for vulnerable communities and marginalized groups. Some offer settlement and integration services for New Canadians, innovative approaches to fighting poverty, building affordable housing, enhancing food security, advancing a low-carbon economy, ensuring supports – and improving outcomes - for people living with disabilities, addictions and chronic health conditions. The network also encompasses a raft of promising new, emergent and envisaged funds, including members of McConnell Foundation's Solutions Finance Accelerator and the Scaling Impact collaborative, the Community Futures network and BC Community Impact Investment Coalition, who are developing much-needed solutions for underserved local, rural and remote communities.

Membership: the NIIPt welcomes any Canadian-based and -operated entity, with an existing capital base, whose primary purpose is impact investing, and who is actively deploying capital to generate measurable social and/or environmental returns, as well as patient or market-based financial returns. Members must commit to producing publicly accessible reports, including robust, SDG-aligned impact measures, on their activities. As of July 2020, the Table comprises 35 members, with over $700mm in assets under management, and an estimated capital placement capacity of roughly $500mm over the next 24-36 months.

Recommendation:

> **That the government - recognizing the vital contribution the social economy will make to a robust, inclusive and sustainable recovery - accelerate the deployment of the catalytic Social Finance Fund, first announced in the 2018 Fall Economic Statement.**

A proven tool, mobilized in the service of an inclusive and resilient recovery:

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

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

To help close the capital gap in connecting social purpose organizations with private investors looking for double- or triple bottom-line projects driving positive change, the Government committed to making available up to $755 million of repayable capital over the following 10 years to establish a Social Finance Fund. The 2018 FES "expected that a Social Finance Fund like the one the Government is proposing could generate up to $2 billion in economic activity, and help create and maintain as many as 100,000 jobs over the next decade," with an approach that would:

- *Support innovative solutions on a broad range of social challenges through a competitive, transparent and merit-based process.*
- *Attract new private sector investment to the social finance sector. It is expected that the Fund would achieve matching funding from other investors.*
- *Share both risks and rewards with private investors on any investments.*
- *Only support investments that are not yet viable in the commercial market.*
- *Help create a self-sustaining social finance market over time that would not require ongoing government support.*

Additional details on the Social Finance Fund were promised in early 2019.

Focus on recovery

The NIIPt recommends accelerating the deployment of the ground-breaking Social Finance Fund for its original intent, still more vital as an investment in a robust recovery. It recommends advancing $400mm of the $755mm in capital earmarked in the 2018 Fall Economic Statement, for purposes consistent with the vision of the pan-Canadian Steering Group in submitting its report Social Innovation and Social Finance: Inclusive innovation: New ideas and new partnerships for stronger communities.

Informed by successful initiatives in other jurisdictions, such as the Obama-era American Recovery and Reinvestment Act[i] following the 2008-09 financial crisis, it was envisaged that the SFF would play a catalytic role in attracting new private and philanthropic capital to triple bottom-line investment in the social economy -- an even more vital function at this time of magnified need, in this context of extraordinary economic and financial market uncertainty.

Strong existing capacity and robust pipeline, ready to put investment to work:

While complementary capacity-building supports, such as those advanced by the networks convened by the People-Centred Economies Group and others urging the holistic implementation of the Steering Group recommendations, are important to the continuing growth of the social finance marketplace within a strong and expanding social economy, there is more than enough current capacity to fully leverage the flow of catalytic capital from the Social Finance Fund, in time to access a critical window of opportunity with private investors ready to invest in a more inclusive and resilient recovery.

There is currently a pipeline of investable "shovel ready" social purpose ventures totalling more than $500 million in the next 24-36 months. The sooner the effective deployment of the SFF, the greater the short- and longer-term return on investment, and the wider the virtuous ripple effect.[1]

Convergence and consensus within the social finance sector:

The recommendation to accelerate the deployment of the Social Finance Fund represents the best advice of Canada's most experienced and newly emerging social finance intermediaries and experts and echoed in recent letters by the members of the former SISF Steering Group and the Impact Response initiative to Minister Hussen and Minister Qualtrough, in a recent meeting of the People-Centred Economies Group with the Minister of Families, Children and Social Development, and upcoming meetings with regional caucuses in the lead-up to the Throne

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[1] One illustrative example is provided by theJasper Place Wellness Centre, which in January 2020 was poised for an amazing year. The Edmonton based charity (referenced in *Budget 2019* as an example of successful social enterprise), provides supportive housing, living-wage work, medical services and food security programming for the homeless and most challenged members of the community, and was expanding on many fronts. Before the year was out, new affordable housing units would be occupied, and a new centre built to house a growing medical clinic, a community kitchen, garden and food market, all co-located with one of Edmonton's largest immigrant support agencies. JPWC's social enterprise, Redemptive Developments, was on its way to recycling more than 70,000 mattresses (creating big environmental impact while earning income from recycled fabric and metal) on contract to the City of Edmonton, earning more than $1M in wages paid to JPWC's clients. Redemptive had just set up shop in Calgary, and was in negotiations to do the same for that city. And all of this made possible because of access to capital through a social finance intermediary able to the full triple-bottom line returns on its investment.

Then the Covid 19 pandemic struck. In March 2020, JPWC laid off thirty percent of its staff, even while increasing efforts (somehow) to shelter and feed the homeless, and support those still fragile in their journey to more productive lives. Redemptive Developments has laid off half its staff ("nobody is buying new mattresses"). Although "bleeding cash," it is determined to keep as many people working as it can. Yet despite the long hours focussed on immediate relief, they have an eye on *recovery*. They want to have shovels in the ground on both the affordable housing and food security centre as soon as it is safe to do so, and will need capital to do it.

Speech and Budget. Accelerating the flow of the Social Finance Fund and ensuring the optional deployment of a powerful (but as yet unactivated) tool for its original purpose, with previously earmarked capital, will support an outsized contribution by the social economy to a robust, inclusive and resilient economic recovery.[2]

[2] The Obama Administration recognized the importance of the US social finance entities to the economic recovery of community based non-profits and social enterprises in introducing the American Recovery and Reinvestment Act of 2009. Obama's ARRA program[2] provided US social finance entities (largely non-profit loan funds and community investment fund managers) with an additional $3B of investment authority and an added $98M in direct grants to support the growth of the balance sheets of these social finance entities. These ARRA appropriations were in addition to 2009 budget appropriations of $100M in direct grant and $3.5B of investment authority. The US Treasury Department concluded the move was highly effective in supporting the preservation, recovery and expansion of investment in lower income communities and service providers.[2]

In Canada, the outstanding results of impact investment in the social economy can be seen in the results of the work of the Fiducie du Chantier de l'economie sociale[2] and other social finance intermediaries, including those initiatives originally sparked with seed capital provided by the Canadian government. The advancement of social finance capital intended for this purpose, through an accelerated Social Finance Fund, will be critical to maintaining this momentum.