EXPLORING OPPORTUNITIES FOR SOCIAL FINANCE IN NEWFOUNDLAND AND LABRADOR

A Practicioners' Perspective

AUTHOR
Malobi Elueme

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CONTENTS

FOREWORD

Locally and globally, we face persistent social and environmental challenges that threaten our individual and collective well-being. The pandemic has exacerbated the critical position that our society had been in long before COVID-19. As of February 2020, the mean national financial resilience score was 49.58 on a scale of 0-100, meaning that at the national level, Canadian households were deemed "financially vulnerable" to economic shocks[1]. A legacy of dispossession and exclusion has led to racialized and marginalized demographic groups experiencing hardships that leave them more vulnerable to the effects of financial shocks and crises. A significant portion of the population remains in need of social support, and funds are not always directed to where they are most needed. Amidst government constraints and declining incomes, Social Purpose Organizations (i.e. non-profit organizations, charities, and social enterprises) working to solve issues related to social and environmental good are faced with limited funding options. As governments across Canada and beyond are faced with mounting deficits in wake of the COVID-19 pandemic, the non-profit, public, and private sectors are exploring innovative approaches to funding social impact. **Social innovation prioritizes exploring new approaches and perspectives in promoting ideas that, when adopted, improve a community's wellbeing.** The Social Innovation and Social Finance Steering Group, of Employment and Social Development Canada, described this innovation as *"a response to a social or environmental problem (including everything from a program or a service to different ways of structuring organizations) which once adopted, results in better outcomes than existing approaches."*
-Employment and Social Development Canada (2018)[2]

Take, for instance, the traditional investment market. The capital flowing into these markets creates even more capital in a market system that prioritizes financial returns. Social innovation in finance asks the questions; "what if financial returns were not the only consideration in investments?" **"What if we had an investment market that prioritized social benefits too?" "What if we could innovate existing financing models already raising needed capital to the social sector?"** By navigating between the public, private, and non-profit sectors, **social finance questions the idea of economic success and social success being mutually exclusive**[3]. Mackay and Woeller (2018) propose that though social well-being and economic development are often pitted against each other as competing political and social goals with competing resources, social finance presents an avenue to "do well and do good at the same time" by demonstrating action on the root causes of socio-economic inequality and ill-health. Social finance brings together new business models and investment strategies to produce measurable social outcomes as a primary goal in addition to generating financial return. Such conditions would better serve community well-being and it is partially through this lens that social finance emerges in the conversation of social innovation.

While there are differing opinions on the subject, social purpose organizations around the world are using social finance to find new ways of accessing funds to advance their goals and continue making a much-needed impact in society. Here, we use the term "social purpose organizations" to refer to the diverse range of organizations engaged in building sustainable and inclusive communities, including charities, non-profit organizations, co-operatives, and private businesses advancing a social or environmental mission as used by Employment and Social Development Canada[2].

Social finance in Canada has gained more attention over the last decade, which has only increased with the federal government's investment in the Social Finance Fund. More organizations are looking for ways to adopt and adapt their business practices and finances to further their social goals. In this context, this research project was undertaken to explore the social finance sector in Canada, and the different social finance tools that have been implemented in various parts of the world. In this report, we will explore a variety of components of the social finance/impact investing market, paying important attention to the Newfoundland and Labrador context. This research aims to answer the following questions:

1. "What is social finance and to what extent can social finance tools improve social outcomes?", and

2. "What social finance tools are applicable to non-profit organizations in the Newfoundland and Labrador context, and under what conditions and circumstances?"

This report is designed to be beneficial to community organizations, impact investors, community developers, government and non-government agencies, and individuals who are seeking an overview of the social finance space and an understanding of its best practices to explore its applicability in Newfoundland and Labrador. The information reported here was compiled from a jurisdictional scan of social finance practices internationally and primary data collected from stakeholder engagements through consultations, interviews and surveys with community organizations, non-profit agencies, social finance intermediaries, social impact investors and government agencies.

The paper proceeds in five sections;

Introduction to Social Finance: Investigates social finance and highlights the role that social finance could potentially play in helping community organizations fulfill their missions. In this section, we draw attention to how social finance differs from other investment approaches.

Social Finance in Action: Explores the social finance marketplace and cites examples of social finance in action across different sectors such as housing and employment.

The Social Finance Marketplace in Canada: Provides an overview of social finance in Canada and the roles of major actors within the social finance system. We outline those on the supply and demand sides as well as the intermediaries and enablers that bring them together. We also draw attention to social impact measurement and some of the challenges and concerns that arise with impact measurement across Canada and other parts of the world.

The Newfoundland and Labrador Context: Zooms in on the social finance ecosystem in Newfoundland and Labrador. We briefly present the social and economic history of local action within the province and identify opportunities for social finance to support positive social well-being and social change. Drawing on consultations with key stakeholders, community leaders, impact investors and social finance intermediaries, we identify themes and challenges that arise with implementing social finance within the province and explore the opportunities and challenges with implementing these financial tools.

Best Practices and Recommendations: Provides key recommendations for community organizations, policymakers, non-profit organizations and investors with an interest in social finance, based on recurring and emerging best practices in the social finance sector. Finally, we summarize key research findings and propose areas for further exploration and research needed to develop a social finance ecosystem within the province.

INTRODUCTION TO SOCIAL FINANCE

INTRODUCTION TO SOCIAL FINANCE

The term "social finance'' is an umbrella term used to categorize the different forms of investments that aim to yield both positive financial returns, social, and/or environmental benefits. Social finance gains its merit in the idea that we have big social and environmental challenges that can be addressed through collaboration across the public, private and non-profit sectors. In the face of uncertain support from government sources and philanthropy capital combined with an increase in demand for social services[6], there is a growing acknowledgement among not-for-profit organizations that the continuation of their essential services under the usual time constraints, requires a diversification of their income streams across a range of new opportunities[6]. These opportunities include the sale of goods and services, social enterprise development, and social financing for new capital. There is an opportunity for new and existing capital markets to play a more substantial role in financing social change. social finance is a framework that harnesses the intentional utilization of community or private sector resources to finance impactful activities to create social or environmental benefits as well as creating financial benefits. These social and environmental outcomes could include, but are not limited to, reducing homelessness, reducing greenhouse gas emissions and increasing employment. By directing private capital to social purpose organizations. social finance creates opportunities for social impact non-profit organizations and social enterprises to access new funding for their projects while simultaneously opening doors for investors to fund initiatives that benefit our larger society.

1.1 Definitions and Related Terms.

Social finance can refer to a wide array of activities that address societal issues using finance tools and logic[7]. While it can be difficult to define due to the vastly different ways it is utilized, the practice of social finance manifests itself in investment in social organizations and enterprises. Harji and Hebb (2010) define social finance as "the deliberate and intentional application of tools, instruments and strategies to enable capital to achieve a social, environmental and financial ("blended value") return[8]. Employment and Social Development Canada[2] defines social finance as a way to mobilize private capital that delivers a social dividend and an economic return to achieve social and environmental goals. While these definitions may sound quite broad, this is appropriate as social finance is typically used as an umbrella term. The term "Impact Investing" can sometimes be used interchangeably with "social finance" however, it can also refer to a more technical definition of investments within the social finance arena, depending on the definition that an organization is working with. Two ways that social finance can be conceptualized are[9]:

- As a collection of alternative lending and investment techniques for funding projects and enterprises that must have positive social, environmental, or sustainable development benefits as well as financial returns.

- As both the capital and the ideology that goes into initiatives and ventures with a focus on achieving beneficial social and financial outcomes within our societal framework.

For social purpose organizations, social finance can represent more than access to new investment. It resets the terms of the relationship between the non-profit sector, governments and private businesses and requires a change in the financial practices that shape the sector. Social finance requires agencies to reimagine how they engage with funders, stakeholders, and the larger community and how they articulate the impacts of their efforts.

1.2 How Social Finance Differs from Other Approaches:

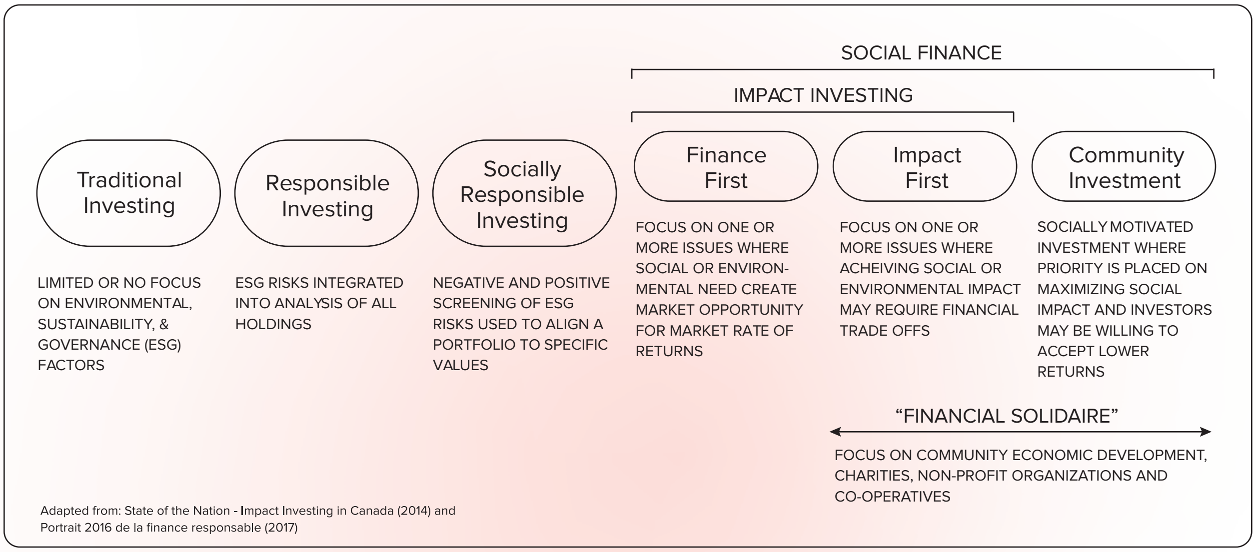
By mobilizing private capital for social good, social finance creates opportunities for community organizations to access new funds, similar to how businesses and technological start-ups utilize private capital in the traditional finance industry. Traditional investing and impact investing are differentiated by their motives and impact measurement processes. Traditionally, the investor's intention is to allocate capital to a profit-making venture to generate risk-adjusted financial returns. In social finance, test capital is invested to generate positive social or environmental impacts alongside financial returns. The measurement of impact is crucial in social finance as both investors and investees must demonstrate how their investment intentions are translated into societal or environmental benefits.

"There is a difference between low and market-rate returns. So there's absolutely a contradiction in terms of looking for investors who want a market return and looking at social enterprise investment needs. You can't provide an investor with market-rate returns, when in fact, you're trying to prioritize the social value outcome, not a shareholder outcome. So there is a conflict of purpose between the traditional investor and a social enterprise."

- Social Enterprise Director, author, and professor.

This contrasts social finance with the idea of Socially Responsible Investments (SRIs) which are made with social and environmental considerations but do not particularly require a measurable impact from the investment. SRIs involve actively removing or choosing investments based on specific ethical guidelines and are not typically considered to be social finance[10].

Table showing Social Finance Along the Finance Spectrum:



Source: Employment and Social Development Canada (2018)

1.3 Why Consider Social Finance?

Social finance as a field of study has been gaining attention and popularity in the last two decades. Many of the factors driving interest in this field are:

1. Society's complex issues are in dire need of new solutions: Governments, non-profit organizations, and private institutions need to be working alongside social and environmental organizations to solve complex global problems such as poverty and environmental degradation. Traditional government funding and philanthropy alone are not sufficient to handle these issues as needs rise and grow in complexity.

2. To create sustainable funding options for community organizations: Sustainable funding options are the way forward for non-profit organizations. By ensuring that non-profit funding models are sustainable beyond short-term government grants and donations, organizations can continue their operations without being too heavily impacted by the ups and downs of funding cycles and political priorities. Social purpose organizations can use social finance to build resilience by diversifying their revenue sources and making long-term decisions that are independent of short-term finance limitations. For those in need of working capital, social finance can provide a broader range of options to access capital faster than what might be available through traditional means.

3. To engage communities in their economic and social development: Social finance provides an opportunity to meaningfully engage the wider community to support non-profit organizations. social finance tools such as community bonds have been used to pool community capital for projects. Such collaborative approaches can help residents and private investors be more involved with the work of local social purpose organizations.

4. Building organizational and business capacity: A key part of implementing social finance tools involves investment readiness. This investment readiness process includes demonstrating solid financial management and governance practices which help organizations to understand their financial position and impact. This is critical in demonstrating a clear return on investment to social finance investors.

5. To align private investment practices with the personal values of investors: Social finance provides an opportunity for investors to put their money where their values are. By investing in activities that create social impact, investors can ensure that their portfolios are reflecting their desire for a better society.

6. Strengthening ties with the private sector: Social finance enables stronger connections between the private sector and the social sector. Changing investor demands reflects a desire to put capital into social change and there is a strong opportunity for community organizations to capitalize on this. Taking stock of local investment demand and supply would benefit both parties and align incentives across sectors.

While exploring the potential that social finance presents, we must note that social finance is far from a catch-all solution for the financing issues of social purpose. Not all forms of support and services can be provided through a social finance mechanism, and in cases where there is a return on investment that may make an initiative eligible for social finance investment, there are significant challenges associated with the implementation of social finance. Furthermore, gaps in knowledge and expertise and policy or governance can make social finance implementation incredibly challenging. Despite these challenges, impact investment, when considered as a supplement to the current public, private, and earned revenue streams, has several advantages, such as timeliness and flexibility, that can provide an organization quick access to capital to take the next steps in its evolution and growth. social finance can also be a viable solution for an organization acquiring assets, such as real estate, which can significantly impact long-term sustainability and social good.

1.4 Social Finance and the GBA+ Lens

As social impact becomes an inherent mechanism for bringing about and demonstrating social change, so too is the requirement to ensure the core principles of social impact work is rooted and informed by the groups that will be directly and indirectly affected. In an effort to leverage the best value of financial investments into social programming every component must move towards positive, measurable social impact. Gender Based Analysis+ (GBA+) is an analytical tool designed to systematically assess the potential effects that legislation, policies, programs, and services may have on individuals based on their gender, social, political, and historical backgrounds, and abilities. Within the context of social finance, applying a GBA+ framework and using the right tools is a foundational component to advancing the goals of social finance and social impact. Both the Government of Newfoundland and Labrador and the Federal Government of Canada employ this tool throughout their policy development cycle.

The integration of GBA+ into policy development, service delivery and social programming is inherently useful and quickly becoming a requirement in social finance and social impact. The Government of Canada not only uses GBA+ as a best practice but increasingly as a requirement of various program applications, procurement processes, employment plans, needs assessments and funding criteria. Simply put, GBA+ is a mechanism that identifies various intersections, be it gender, race, ability, geography, age or other intersecting components of one's identity, and examines the systemic barriers in order to mitigate harm or risk. As such, integrating and implementing a GBA+ framework adds value and confirms that moving forward with social finance initiatives are intrinsically linked to positive social impact. A GBA+ framework recenters the needs of those on the margins, being most underserved by status quo investing and programming, and centralizing their needs as a pillar in social impact outcomes.

Applying GBA+ to social finance requires collaboration with the private sector to help identify parties that should be centered in the decision making process and guide funding for services that are underfunded or essential. While foundations aim to promote and demonstrate their dedication to social change, GBA+ becomes a tool of evaluation to confirm that corporate interests align ethically with social good. This can be a difficult distinction to make and may appear to be subjective in nature, however, applying a GBA+ framework acts as a safeguard to ensure private interests do not infiltrate public sector decision making on services, models of care and required interventions that are trauma-informed and based on leading models of harm reduction.

The Government of Canada has provided a GBA+ framework that applies to a broad range of sectors and can be adapted to an organization's structure and need. This framework ensures the sustainable application of GBA+ throughout the development and service delivery phases of a program or project. Broadly speaking, this becomes an essential component in social finance as it provides a built-in structure to ensure social impact and creates a cohesive relationship between government, community, and the private sector. This framework consists of six elements which, together, provide a foundation for an organization's sustainable and systematic use of GBA+. All the elements are essential, however, they do not need to be implemented in a specific order, may occur simultaneously, or may already be in place. This framework provides the opportunity to see what is already working, what needs to be refreshed and what elements can fit into existing practices as we continue to build ethical social finance solutions.

The GBA+ framework elements are as follows:
1. A **responsibility centre**, to oversee the implementation of GBA+ and provide internal advice
2. An **organizational needs-assessment**, to determine what capacity and resources already exist in the organization, and to inform the creation of a work plan
3. A **policy statement**, or **statement of intent**, to articulate the commitment to GBA+ and provide a mandate for implementation
4. GBA+ training and tools, to facilitate buy-in, build capacity and inform different parts of the organization about GBA+
5. A GBA+ **"pilot" initiative**, to provide a concrete example of GBA+ application
Ongoing monitoring of progress, to highlight successes, best practices, and to identify gaps and new priorities

As we consider each of the social finance tools explored in this paper, it is critical that through implementation, we apply a GBA+ lens to all decision-making.

SOCIAL FINANCE IN ACTION

SOCIAL FINANCE IN ACTION

2.1 Employment and Training

There are several challenges that affect employment and training for people traditionally excluded from the job market[11]. One of the most prominent challenges is how to better engage with employers to ensure that the skills training being offered matches the demand of employers in the local labor market[12]. There is some consensus in the literature that the current financing models hamper rather than promote growth in labor market attachment. Here is an example of a social finance approach used in the employment and training sector.

Case Study: **Social Finance US Career Impact Bonds**

Social finance US is an impact finance and advisory non-profit that finds innovative ways of using investor funding and data to generate impact. In 2019, they developed a Career Impact Bond that provides financing for students facing employment barriers, including low-income earners and those with challenges such as childcare needs, engagement with the criminal justice system, and lack of support. The Career Impact Bond was funded through impact investment pledges from social finance's UP Fund and Prudential Financial.

How the Bond works:

1. Impact Investors provide capital for training providers to expand their training while supplementing students' tuition. Based on current labour data and market demands, these training organizations work closely with employers in their fields to create specific training programs and provide the necessary support for students such as rent, childcare, transportation etc.

2. Students enroll for free. Those who gain meaningful employment repay the tuition costs as a fixed percentage of their income. Repayments are made only if the student is successfully supported in gaining a well-paying and lasting job upon completing the training (well-paying is determined by the field in question). For example, the American Diesel training program costs $10,000. Graduates from this program who do not get a job or earn less than $30,000 annually are not expected to pay back any of the tuition costs. Those making between $30,000 and $40,000 pay back 70% of the tuition in capped monthly payments. To put this in context, the average annual salary for an entry-level diesel technician is $43,875. Workers who earn above $40,000 pay back the full tuition costs plus an additional $3000. These repayments have a capped value and are paused at any point the worker falls sick, falls out of the workforce or makes below the monthly payment threshold during the repayment period.

3. Impact investors and training providers share any payments received from students who find decent paying jobs and achieve increased economic mobility. Investors know and expect that depending on the economy, they may expect only their principal back, 8 cents on the dollar, or make some financial return. The students and workers are placed first in this financing model and the risk of incurring high training costs is spread from the students to the investors and trainers which aligns incentives and ensures all parties are focused on student success.

The program also includes comprehensive support services in two primary ways:

1. Funding full-time social service professionals to directly support student needs and

2. Maintaining an emergency aid fund to provide emergency financial assistance for students to cover unexpected costs related to housing, food, transportation, tech, medical, or other issues.

The team is composed of social work professionals who provide student counseling, case management, and community referrals. Students can access immediate cash support for transportation, financial emergencies, disruptions to childcare, learning hardware or software needs, or food insecurity. The Career Impact Bond is rooted in the belief that individuals with fewer resources would, with the appropriate support, be able to succeed at the same level as those with more services[13].

Examples of Career Impact Bonds

These Career Impact Bonds have been implemented to fill the skills gap in multiple sectors. Below are some examples of the bonds issued by social finance US to generate social impact:

The General Assembly Career Impact Bond makes software engineering and user experience design programs more accessible to people who are eligible for public assistance or have had involvement with the criminal justice system.

The Acuitus Career Impact Bond trains graduates for employment as system administrators, network engineers, and IT professionals, with an emphasis on low-income persons and veterans.

The Alchemy Code Lab Career Impact Bond provides opportunities for women and those who identify as 2SLGBTQIA+ to work as mid-level software developers and engineers, as well as the opportunity to support students' living expenses.

The American Diesel Training Centers Career Impact Bond provides hands-on training to become a diesel technician, and in-demand occupation that faces labor shortages across the country.

Career impact bonds align the interests of the students, training providers, impact investors and the social finance intermediary towards student success. This differs from the traditional education funding model where students take on expensive loans and shoulder the full risk of graduating without a steady source of income to repay these loans. By working with impact investors, the social impact bonds listed above were able to mobilize capital to improve student outcomes, support student's learning, fill gaps in the labour market, and promote increased access to employment opportunities for groups who are traditionally excluded.

2.2 Social Finance in Housing

Affordable housing projects have emerged as some of the most common beneficiaries of social finance. A 2014 study of investors[14] found that a 5% return on investments that increased the supply of long term, well-managed private sector accommodations for homeless households was too low for profit-focused private investors. However, for investors with an explicit social mission such as homelessness prevention and alleviation, these interest rates were sufficient to make investing attractive. Social finance approaches tend to fit well with affordable housing projects and the development of other fixed property assets with clear revenue streams from rents. Below is an example of how social finance was used to support the construction of a housing project in Ottawa[15].

Case Study: Ottawa Community Immigrant Services Organization (OCISO) Non-Profit Housing.

Program Overview

In 1991, the Ottawa Community Immigrant Services Organization (OCISCO) created a housing development and management organization called OCISCO Non-Profit Housing Corporation (OCISCO NHC). This organization was formed in direct response to immigrant families' need for larger homes with proximity to essential services. By 2012, the housing cooperation was ready to embark on its third affordable housing project. This project was launched through an opportunity to acquire free land from the Federal government's Surplus Federal Real Property for Homelessness Initiative (SFRPHI). The NHC's proposal for a 73-unit development to better serve the needs of immigrant families was accepted, however, this meant that OCISCO had to accommodate the SFRPHI deadline; they needed a site plan and foundation building permits approved within six months rather than a full year.

To make matters more pressing, banks were not willing to advance development financing on a short timeline since they had not yet received rent subsidies or municipal fee exemptions. OCISCO NHC was facing the possibility of losing this project before it had begun, so they reached out to the Community Forward Fund (CFF). The CFF provides financing for nonprofits, charities, and non-profit social enterprises. Its lending approach and loan risk assessment are more flexible than traditional lenders. Given the nature of their activities, the CFF recognized other funders' commitments to finance the project past the pre-development stage as security and was able to provide a $400,000 bridge loan to the NHC to cover those pre-development costs before subsequent financing would come through. With this loan, the work on site control and the building plan were completed within the 6-month frame, the land and financing were secured, and the project broke ground in mid-2013.

THE SOCIAL FINANCE MARKETPLACE IN CANADA

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The social finance and impact investing market in Canada is growing rapidly. A 2020 Responsible Investment trends overview states that the reported impact investments in Canada have grown from $14.8 billion to $20.3 billion representing a 38% growth in impact assets under management[16]. The social finance marketplace involves a range of actors on both the supply and demand sides who provide and utilize capital, respectively. There are also intermediaries and enablers which include organizations that work with investors and assist in generating capital for social finance, work to improve the capacity of demand-centered actors to participate in the social finance market, and generate research and data to support the measurement and evaluation of social finance initiatives. We will explore some of these main actors in the next sections.

3.1 The Supply Side: Who are the Impact Investors?

Anyone with capital wishing to invest can be an impact investor. There are several types of investors looking to deploy their capital through different kinds of social investments. As this area of financing is still a recent field, many of its earliest adopters have primarily been individuals and institutions with access to large financial capital for risk-taking and a wish to achieve social and environmental benefits[10]. As social finance becomes more mainstream, it is increasingly more common for individuals and smaller organizations to be impact investors. Below is a list of the most common impact investors in Canada.

High net worth individuals/ Angel Investors: High net worth individuals (HNWIs) are those with over $1 million. Canada ranks 8th in the world population of HNWIs and the population of ultra-high net worth individuals (those with over $30 million in investable assets) is growing albeit slower than the previous years[17]. Several HNWIs are pioneers in the social finance sector particularly in areas where they have a personal interest or sectoral expertise. Some of the challenges facing HNWIs looking to participate in social finance include a lack of awareness of impact investment opportunities and a perceived lack of adequate investment options. There is an opportunity for HNWIs to align their investment portfolios with specific impact goals. Education on social finance and current investment opportunities would attract a greater number of HNWIs to beneficial partnerships with social finance intermediaries and social purpose organizations.

Foundations: Foundations are increasingly seeking to align their investment philosophy with their public benefit purpose. One of the ways they do this is through Mission-Related Investing (MRI) which uses foundation capital to invest in non-profits, charities, funds, and businesses that generate positive impact and financial returns. One of the biggest challenges faced by foundations is limiting regulations regarding investing in private businesses and limited partnerships which can affect impact investing. A good example is the McConnell Foundation, which is well recognized as a leader in social finance in Canada. According to their 2020 Impact investing report, their impact investing portfolio has increased from 1.2% of their total endowment to 15.6% from 2010 to 2018.

Financial Institutions: These include credit unions and chartered banks. Credit Unions in Canada are among the major players in the national social finance space due to being based on principles of social responsibility, financial inclusion and community commitment. These values are evident in their missions, strategies and financial product offerings which aim to use financial services for the betterment of communities. Since their inception, Credit Unions have played a major role in providing financing for non-profit organizations and others that may not qualify for lending at traditional financial institutions. Due to their close relationships with community organizations, credit unions are better positioned to work with social purpose organizations and expand their impact investment offerings than many traditional financial institutions:

“Traditional financing for real estate, for example, might need 20% down and a 25-year amortization to stretch the loan. But through our credit union if this project to build affordable housing or to build a daycare in the city, or to build a shelter for women fleeing violence, is going to have a positive social impact very crudely defined as providing affordable housing below market rent. If we see that there’s a positive social impact on those projects, then we would look at being more flexible with our financing. So, for example, rather than 20% down, we would do it with 10% down, or sometimes no percent down, if that’s the case. Rather than a 25-year amortization, we might go 30-year amortization to make the payments more affordable. So we will change our conditions to make it more flexible.

Now, I have to make the point very clear that we do not use a social impact lens to make an unviable deal. So just because something is having a positive impact in a neighbourhood or for a certain target group, if they can’t afford to pay the debt, and they can’t sustain it, then it doesn’t matter how wonderful the impact is. We can’t provide them with debt financing because it doesn’t help them. And so the social impact lens is really there to help us inform what type of flexibility on the financing structure can be made to make that project more sustainable.”

- Community Investment Officer of a Credit Union.

Chartered Banks: In Canada, chartered banks have engaged in social finance in a limited capacity however there is increasing interest and participation in the field as discussions on Corporate Social Responsibility and Responsible Investment enter the mainstream. As institutional and retail clients' demands for impact investments increase, banks recognize an opportunity and are beginning to educate themselves on impact investment trends.

Community Finance Organizations: Aboriginal Financial Institutions (AFIs) and Community Loan Funds (CLFs) are some of the financial organizations created to address local challenges through the provision of capital to underserved communities. Over time, these organizations have come to make monumental contributions to the social finance space in the country. While AFIs might not use the term "impact investment", they provide a host of flexible financial and consulting services for social purpose organizations and sometimes serve as intermediaries for other impact investors.

There are at least 14 community loan funds in Canada, such as the Ottawa Community Loan Fund and Saint John Community loan fund, which provide a combination of advisory services, character-based lending, skills training, and debt-financing options to organizations and individuals across a wide range of social sectors. Most of these tend to be concentrated in urban regions and while they all have unique origins, they primarily operate to invest in social or economic purposes.

Pension Funds: Despite activity in the rest of the world, pension funds in Canada have displayed little activity in the impact investment sector, with the exception of workers' funds in Quebec, such as the Fédération des Travailleurs et Travailleuses du Québec (FTQ)'s Fonds des Solidarités, SOLIDEQ's Société locale 'investissement pour le développement de l'emploi and the Confédération des Syndicat Nationaux's Fondaction and Filaction[19]. These funds invest in the social economy, and provide patient capital to the Fiducie du Chantier de l'économie sociale as well as a range of nonprofits and social enterprises in the region.

Governments: The government's role in social finance could fall under supply, demand, or intermediary depending on its specific objectives. One way the government works as an impact investor is through co-investment. Co-investment occurs when governments invest in partnership with other individuals or organizations in order to achieve both a financial return and social objectives. One significant effect of co-investment is that it helps reduce the real or perceived risk of investments. Government investment sends positive signals to other investors and can support opportunities to leverage additional investment that might not have been accessible. According to Salamon (2014), this leverage means finding a way to go beyond the limited flow of charitable resources generated by the earnings on assets or the annual contributions of individuals to catalyze some portion of the far more enormous investment assets resident in banks, pension funds, insurance companies, mutual funds, and the accounts of high net-worth individual for social and environmental purposes[4]. By co-investing through loans, loan guarantees, direct financing and economic development programs, governments can support organizations' opportunities to leverage capital and contribute to the supply of capital in the social finance market.

3.2 The Demand Side

There is a demand for social finance across different sectors including energy, agriculture, environment and water, health, etc. There are social impacts to be made in these sectors that require financing; however, for the purposes of this report, we will focus on demand from social enterprises and the nonprofit sector.

Social Enterprises and Non-Profit Organizations: A Social Enterprise is any business that is primarily focused on a social purpose i.e., health, environmental, cultural or any other common-good purposes. The Social Enterprise Council of Canada defines social enterprise as "community-based businesses that sell goods or services in the marketplace to achieve a social, cultural and/or environmental purpose, reinvesting their profits to maximize their social mission"[20]. Like conventional businesses, social enterprises employ commercial business strategies to provide goods, services, or both, and operate in a wide range of sectors. Like any business, they incur costs, make revenue, and attempt to make a surplus on that revenue. However, unlike other businesses, they have a social purpose embedded in their business model and therefore, do not prioritize maximizing shareholder profits. Instead surpluses or profits are reinvested into the organization or community to meet its social purpose.

Case Study: Building Urban Industries for Local Development

Building Urban Industries for Local Development (BUILD) was founded in 2006, in partnership with Indigenous community leaders and local community activists. BUILD was incorporated as a non-profit and has a mission to insulate low-income housing and reduce poverty. BUILD was also introduced to reduce barriers to employment facing unemployed individuals in Manitoba's First Nations communities stemming from a lack of formal education, criminal backgrounds, and other barriers[21].

The Challenges: The high unemployment rates in Winnipeg's North End contributed to high levels of prison recidivism. Furthermore, natural gas prices spiked resulting in those living in low-income housing paying higher utility bills due to poor or lack of insulation in their homes.

Social Enterprise Solution: BUILD provides 6 months free job training in trade professions that are relevant to the green economy market, ultimately impacting thousands of low-income households across Winnipeg. BUILD also assists graduates with resume development, job interviewing and job placement upon the completion of 6 months training. They then hire and deploy program alumni into the community to provide energy infrastructure development services for low-income households. BUILD employees, the majority of whom are Indigenous males, benefit from direct and relevant job training programs as well as life skills and employment barrier mitigation support. For example, BUILD provides drivers' training and licensing acquisition programs for many of its participants to better match workforce skill sets with direct job requirements and criteria. By 2013, BUILD had generated over $5 million in revenue and employed over 125 individuals annually, with roughly 80 trainees per year and a long waiting list for participants. This demonstrates the high demand for these services and room to grow and scale impact.

3.3 Connecting the Market

The process of securing capital and ensuring it is used efficiently and effectively is no small feat. This work involves developing the internal capacity of social purpose organizations, pooling and mobilizing capital from different sources to reduce transaction costs, and risks and supporting a flow of knowledge that allows the social finance space to grow.

The intermediaries and enablers who perform these roles work to ensure that:

- The capacity of the demand side is being built to attract capital and yield desired social and financial returns
- The deals, products, and approaches taken ensure the efficient flow of capital, and
- The market is supported by research, education and increased awareness and understanding.

Intermediaries: Intermediaries could be supply-side, financial, or demand-side intermediaries. Supply Side intermediaries include financial advisors and impact investing consultants who advise and support investors in identifying and making impact investments. Many of these impact consulting firms develop investment strategies and conduct market research in the social finance space to inform their clients' decision making. Financial intermediaries are important for the placement of capital into different social purpose organizations. In many cases, they actively work to attract capital from impact investors and have various mechanisms to select how that capital is made accessible to social purpose organizations. The demand side intermediaries include 1) business advisory services, 2) start-up incubators and accelerators that work with ventures to develop their capacity, 3) professional service providers such as accountants and lawyers that provide specialized knowledge, and 4) investment readiness providers who work with social enterprises to prepare them to effectively manage and utilize social finance.

Enablers: Market enablers are those individuals and organizations who use education, research, market development and convening to help increase awareness of social finance. Market enablers include professional networks that allow for collaboration and partnerships, educational institutions that offer courses, programs and conferences and serve as a pathway for new talent, innovation incubators that nurture thought leadership, and conveners who bring stakeholders together to engage in relevant discussions across sectors. Usually, one organization may perform multiple of these roles depending on its capacity and the needs of its target population.

Profile: The Social Venture Connexion (SVX).

The Social Venture Connexion (SVX) is a non-profit financial services firm that works to connect social enterprises, funds, and investors. SVX was designed to increase access to capital and smoothen the capital flow by reducing the costs of raising capital for social enterprises and conducting due diligence for impact investors.

SVX provides a wide array of services including but not limited to advisory services, research and education, and portfolio management. They also manage an impact investing platform for enterprises, funds, and investors. By collating investments and vetting opportunities, SVX makes it significantly easier for those interested in impact investments to access the information that would inform their investment decisions.

Figure 2

Source: State of the Nation: Impact investing in Canada (2014). Retrieved from: https://www.marsdd.com/wp-content/uploads/2014/09/Impact-Investing-in-Canada-State-of-the-Nation-2014-EN.pdf

3.4 Social Finance Tools

Social finance tools and instruments provide a way to actively invest private funds to generate a social or environmental impact, while also generating a financial return for the investor. Some of the products available for impact investors in the marketplace include:

Loan Guarantees: A loan guarantee is a promise to pay all or part of the principal and/or interest on a debt obligation in the event of a defaulting borrower. This arrangement is considered a financial commitment that impacts the guarantor's borrowing capacity and potentially their credit rating. However, there is no direct cost for providing the guarantee unless the borrower defaults on its obligation. Governments can provide a loan guarantee to a non-profit organization looking to start a new program or secure capital. This option allows non-profit organizations to provide sustained or new programs and services with limited investment risk from the government.

Profile: Centre for Social Innovation

In 2011, The City of Toronto provided a loan guarantee for Centre for Social Innovation (CSI)'s mortgage in recognition of its contributions to economic development and culture. The CSI was looking to expand its shared workspace available to social enterprises and was eyeing a building in the heart of Toronto. The centre was looking for $6.5 million to cover the purchase and renovations for the 36,000 sq ft building. Thanks to this guarantee, CSI was able to secure a better interest rate for its $4.5 million mortgage from Alterna Credit Union. With $2 million left to raise, CSI was able to successfully issue community bonds and purchase the building now known as the CSI Annex which it uses and rents out as an events/office space.

Patient Capital: Patient capital is a long-term financial instrument with conditions that do not require quick repayment. They often yield below-market returns and may take the form of equity, debt or quasi-equity debt. These financial instruments usually offer a willingness to forgo the maximum financial returns for social impact, longer time horizons for repayment, greater tolerance for risk than traditional investment and/or support services for the enterprise.

Profile: The Fiducie du Chantier de l'economie sociale

Canada's first patient capital fund was developed in Quebec by the Chantier de l'economie social in 2007 to respond to the need for long-term capital in the social economy[6]. The fund was initially capitalized by a grant from Economic and Social Development Canada (ESDC) and current investors include workers' pension funds in Quebec and the Quebec government. Investments range from $50,000 to $1.5 million and can cover up to 35% of total project costs for social economy enterprises that are looking to develop or improve their operational or real estate potential. The Fiducie offers a 15-year moratorium on repayment of the principal which allows this patient-capital to be leveraged to obtain more financing.

Social Impact Bonds: Social Impact Bonds (SIBs) originated in the UK to align the interests of public, non-profit and private sector stakeholders to achieve social benefits in communities. SIBs work as a "pay for success" system. Through SIBs, investors provide the initial capital required to fund specific social benefits. This capital is utilized by social enterprises in their work with communities and the environment. Once the social outcomes are achieved, the government repays the initial capital investment. Social Impact Bonds shift the risk of carrying out a project from the Social Enterprises to the investors and governments thus allowing social enterprises freedom to innovate as needed. While they emerged to be initially very popular amongst governments, the basis for this enthusiasm has been questioned[22]. Recently, SIBs have been criticized for high transaction costs, misguided outcome measurement and contradictory objectives[22]. Empirical evidence of SIB effectiveness and conditional appropriateness remains insufficient, so experts advise carefulness when constructing and applying such bonds.

Community-Driven Outcomes Contracts (CDOCs): developed by Raven Indigenous Capital Partners are based on the same "pay for success" model as Social Impact Bonds (SIBs), but the important difference is who determines the outcomes. With SIBs, outcomes are determined by the outcome's purchaser (usually governments), while with CDOCs' outcomes are determined by the beneficiary communities. Through deep community engagement, Raven maintains a focus on investment readiness and cost-effectiveness in developing CDOCs. Thus, they are designed to be more effective and relevant for the beneficiary while achieving savings for the outcomes purchaser and securing returns for the impact investors.

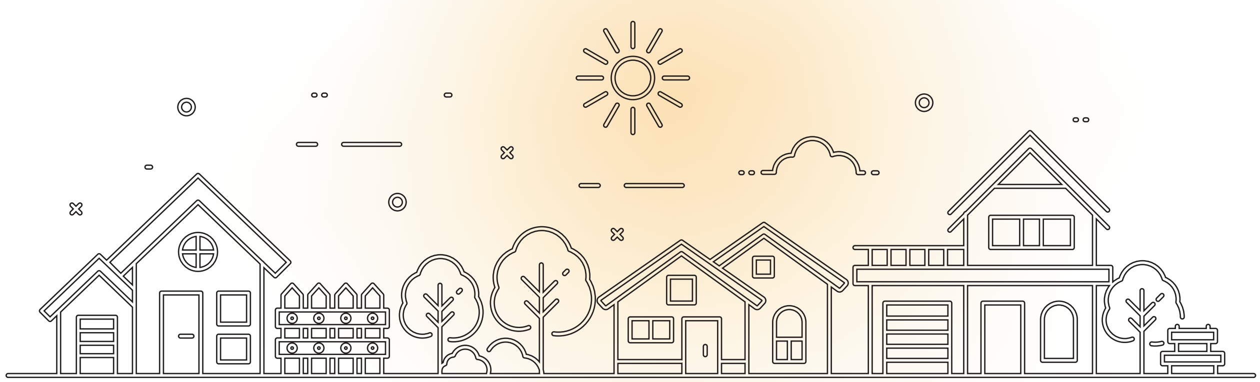
Micro-Financing: Micro-financing is a catch-all phrase used to describe the financial services and support provided to low-income individuals or groups who are otherwise excluded from the traditional financial system. These services include but are not limited to loans, savings, insurance, transfer services, etc. This recognizes the barriers that many lower-income people face when accessing financial services and the subsequent financial growth opportunities they present and aims to eradicate them.

Community Bonds: A community bond is a pool of investment that a non-profit or charity creates to draw on its supporters' capacity to financially support the organization directly. They are interest-bearing loans issued exclusively by non-profits, charities, and co-operatives. Within Canada, there are examples of organizations either developing their own community bonds or outsourcing their development to other intermediary organizations such as Tapestry Capital. Community Bonds are being used in different sectors across the country including the Arts, Renewable energy, and housing.

"We started by having this mission of wanting to connect, community-owned community-powered energy grid infrastructure. We found that raising capital from a community of ambassadors rather than just going to traditional institutional investors or accredited investors, having that bit of a grassroots movement of borrowing from our fundraising base, was quite successful. And so when I found this work, I really was interested in how we innovate the cooperative and nonprofit space where there's a large component of that work that has to do with capital and infrastructure, and all of that takes a lot of money. So that's where my social finance journey started."

- *A former Community investment Manager*

Social Procurement: Procurement is the process of buying goods and services. For many private and public agencies, this buying occurs in substantial amounts, and "procurement" refers to the process in which an organization purchases goods, services, construction, and infrastructure. The concept of social procurement is that each transaction has an economic, social, and environmental impact. Social procurement aims to achieve favorable social outcomes by using a company or government's purchasing power to capture some of those impacts and create social value from within the purchasing process. The procurement process can generate positive social impacts beyond the market interaction of buying and selling. Social Procurement could look like redirecting spending to social enterprises with the aim of increasing contributions to local economies, hiring diverse populations, creating employment opportunities, etc. Examples of ways to implement social procurement: making changes to the supplier criteria for purchases, evaluating bids and vendors to achieve positive social impact, adding social value considerations to existing purchases.



On opportunities for local social procurement by governments and larger organizations, one interviewee noted that:

"One big one is purchasing and it's not just the purchasing they do, but the purchasing that their suppliers do. For example, if the province is going to put out a project, they're not going to do a small project, they only do big projects. So the big contractor is called Tier 1. And they hire Tier 2 and Tier 3 subcontractors. So, what we need to look at is not just Tier 1, but all the procurement that's done by the tiers. So, for example, we're working with a hospital $2 billion construction project. No social enterprise is going to do that. But the labor, the cleaning, the junk removal, the artwork, the catering, the office cleaning, these can all be done by social enterprises. Sometimes it just involves taking apart a big contract and looking for the smaller opportunities."

- *Social Procurement expert*

Community Benefit Agreements: Community Benefit Agreements (CBAs) can be understood as deals between developers and coalitions of community organizations, addressing a broad range of community needs. They exist as safeguards to ensure that impacted residents share in the benefits of major developments and allow community groups to have a voice in shaping a project, to press for community benefits that are tailored to their needs, and to enforce developer's promises.

3.5 Social Impact Measurement

The term "Social Impact", which may overlap with 'social value creation' and 'social return', typically describes the portion of an outcome that occurred as a direct result of an intervention minus the portion that would have occurred without the intervention. This tells us the social value of that intervention. Social Impact Measurement is a highly evolving field that aims to assess the social and environmental value created by the activities of an organization. In the public sector, there is an increasing interest in understanding the social impact of community services and the dollar value of that impact for funding and policy purposes. In the private sector, corporations and financial institutions seek to report on the difference that their investments make in the community, while organizations that work to create social value are looking to better showcase the value of their work. Social enterprises are characterized by their unique entrepreneurial approach which is expected to produce measurable social benefits. Participation in the social finance market usually requires such organizations to show proof of the impact and social benefit being created, including the compulsory process of monitoring, evaluating, assessing, and reporting the impacts of their projects.

The following flowchart shows input, activity, outcomes and impact adapted from Goodall and Malmberg (2013)[23]

	Inputs	Activities	Outputs	Outcomes	Impact
FOCUS	Resources (capital, human) invested in the activity	Concrete actions of the organisation	Tangible products and results from the activity	Changes resulting from the activity	Outcomes that can be attributed to a company's activity, above and beyond what would have happened anyway
EXAMPLE INDICATORS	Amount of capital invested, number of employees, etc.	Development and implementation of programmes and products etc.	Intems sold, number of people reached etc. and greenhouse gas emissions, number of employees	Contamination of a river, workforce retention, standard of living of employees	Attribution to changes in outcome, effect of alternative actors and activities

The importance of social impact measurement cannot be understated. It allows non-profit organizations and social enterprises to set realistic goals and provides important benchmark information that guides decision making at different levels. Impact assessment and reporting promotes accountability and increases the legitimacy of an organization in the eyes of its stakeholders. This enhances trust in the organization's practices and can improve the relationship with current and potential funders[24].

However, this process is not without its challenges some of which include:

Consistency: Social finance is a growing field of study, which means that new methodologies and practices are continuously emerging in the social finance space. To this end, we see many different impact measurement tools with little standardization. There is a vast amount of economic and social literature on impact measurement but there is not yet any consensus on the scope and content of social impact assessments or the methods and metrics used to carry out evaluations. When compared with the traditional investment market, we find that the social finance market is lacking in the availability of systematic and standardized metrics for demonstrating impact. This leads to challenges in the comparability of Social Impact Measurement processes and tools.

Comparability: the consistency issues encountered by organizations attempting to measure their social impact can cause issues of comparability in the social finance market. Because returns are measured and reported using very different formats impact investors, government officials, and non-governmental organizations can experience a tougher time comparing the efficiency of certain social finance tools.

Complexity and Cost: the complexity involved in these impact measurement models can sometimes require social impact organizations and enterprises to outsource the work of impact measurement. Since this measurement does not generate any revenue, organizations experience higher costs of business due to required evaluation. Lack of funding for outcome measurement can make it harder for organizations that create social value to be competitive in the financial market.

Reporting Time: Sometimes, these impact assessments can put pressure on organizations and social enterprises to show short-term effects rather than emphasize long term impacts[25]. The nature of funding for some organizations demands regularity and some organizations are expected to report impacts within a time frame that isn't reasonable and doesn't reflect when the impacts of their interventions can be felt and properly assessed.

3.6 Social Impact Measurement (SIM) Approaches

There is an increase in the work going into evaluating whether impact investment yields measurable outcomes. Outcome measurement groups such as Social Impact Analysis Association (SIAA), Canadian Evaluation Society, and the Social Return on Investment (SROI) Canada Network play important roles in the social finance market by providing investors, evaluators, and creators of social value with the tools necessary to express this social impact. Corvo et al (2021) identified 98 models for social impact measurement including Social Return On Investment (SROI), Environmental Social and Governance metrics, Sustainable Development Goals Framework, Social Impact Measurement Model (SIMM) etc[25].

Environment, Social and Governance (ESG) Metrics – An ESG metric is a quantifiable measure that assesses the environmental, social, and governance impacts of public and private programs, services, and policies.

Social Impact Measurement Model (SIMM) – This model for impact measurement was developed by Deloitte and inspired by NASA's "Twins Study" where identical twin astronauts were compared by certain criteria after one went into space while the other stayed on earth. The main idea behind this model is that similar communities with dissimilar investment opportunities would show differences and effects of impact.

Social Return on Investment (SROI) – SROI is a methodology that monetizes the social set of guidelines that measures non-financial impact per investment as a ratio, demonstrating cost-savings based on a particular public or private intervention.

Case Study of SROI Situational Appropriateness

Nielsen et al. (2020) used a case study of a social enterprise that worked to preserve cultural heritage to observe the situational appropriateness (relevance and validity) of SROI[26]. The mission of this organization is to restore and renovate historical buildings located throughout a Northern-European country. This organization belongs to a class of social enterprises whose business models involve restoring and renovating historical buildings and renting to tenants. Such organizations tend to attract a high demand for transparency and accountability since they often have substantial assets but produce social value that can be difficult to measure.

From the fall of 2015 to the Spring of 2017, Nielsen et al. (2020) conducted an in-depth qualitative field study that collected data through documentary analysis, field notes, observations, and interviews with key players within the organization[26]. Due to mounting pressure from stakeholders, the organization's management was looking at clear ways to report the organization's social value and measure its efficiency and impact. The organization considered SROI as some of its executives noted that, "It is easier to get one's message across about something if it has a monetary value because people can relate to numbers" and "We need a framework that can tell us how much social value we create when we invest a certain amount of money"[26].

The organization had previously employed a Return on Investment methodology (ROI) but was having trouble measuring the value of the social activities resulting in the below market rate of return. The intention of employing SROI was to demonstrate to stakeholders that the social enterprise had an ROI of 2%, but also had an SROI of perhaps 4% which would explain the ROI being lower than the market return.

- In employing SROI, the organization encountered challenges with the correctness and appropriateness of the framework for their activities. Some of the major challenges were:

- Difficulty selecting adequate proxies to measure. Because the nature of their social value is so unique, there was no readily comparable market equivalent available for measuring the value of conserving heritage.

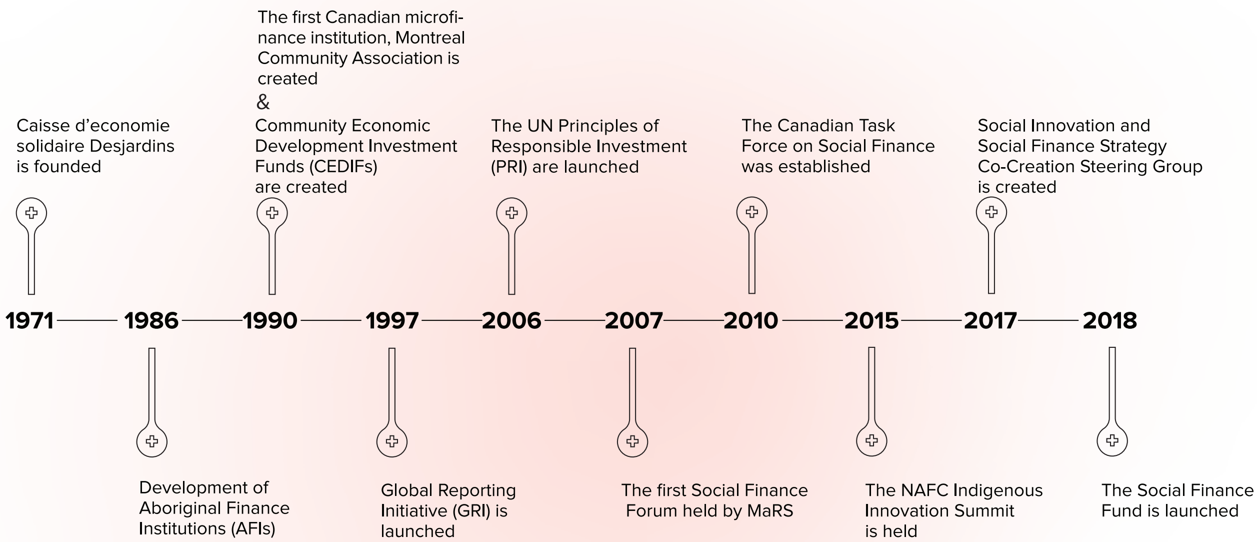
- Identifying stakeholders was difficult because the organization's overarching aim was to improve the general quality of life of the people by preserving their cultural legacy. It was not seeking to make an influence on a single group but on society.

- The time horizon of the restoration and renovation projects created value for a very long period of time and for future generations. Even with adequate proxies, the net present value of investments was difficult to compute.

In this case, the organization found that the costs of calculating SROI outweighed the benefits. Had they been willing to spend more time on the project, they may have been able to find better proxies or more tailored calculation techniques but ultimately, they decided that these resources would be better spent on other initiatives.

3.7 A Timeline of Key Events in the Social Finance Space in Canada

Much of the activity in the Canadian social finance arena has been focused on mobilizing and distributing capital. Below are some of the main milestones:

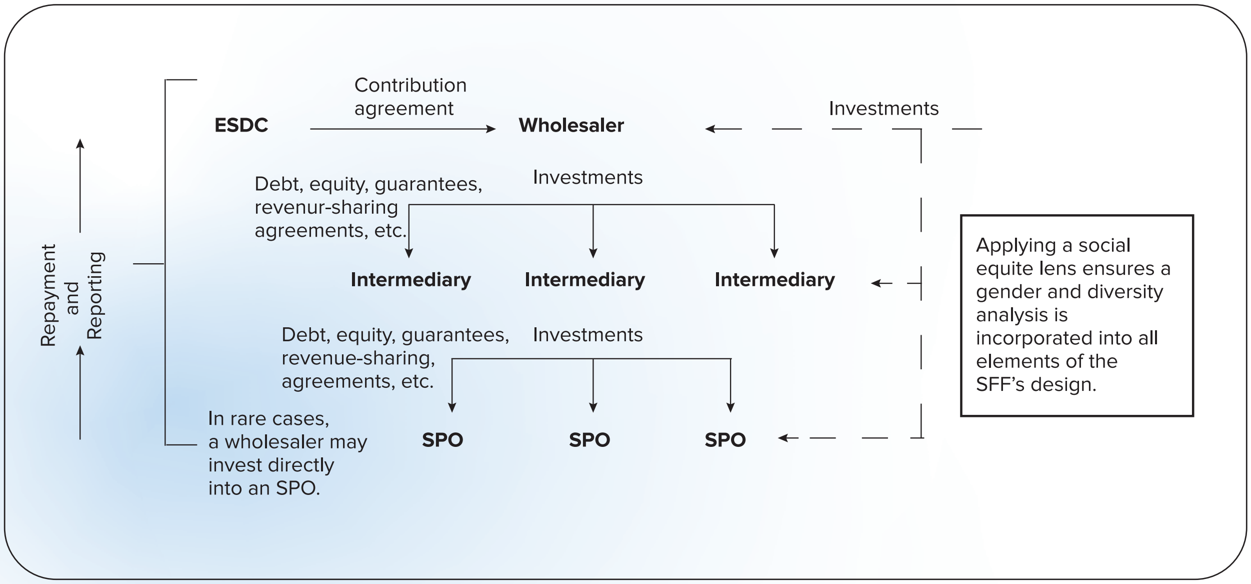


The Federal Government of Canada recognizes both the power and potential of social finance in transforming our society and aims to accelerate the growth of the social finance market. With this goal in mind, the Federal Government created the social finance Fund (SFF) in 2018. The SFF is a fund of $755 million pledged by the Federal government to encourage innovative solutions to Canada's social challenges. This fund was created to help close the financing gap that exists between for-profit organizations and non-profit organizations that deliver positive social outcomes. Prior to this announcement, the Federal Government created a Social Innovation and social finance Strategy Steering Group. The Group's final report was published in 2018 and recommended twelve measures that collectively would unleash the power of social innovation and the potential to address Canada's most critical social and environmental issues.

In July 2020, the government considered accelerating the dispensing of these funds particularly as the COVID 19 pandemic had caused households to pause discretionary spending on charity which dried up traditional sources of funding for the non-profit sector[27]. The Office of the Minister of Social Development heard a pitch to increase the dispensing of these funds from $85 million annually over a four-year period to $400 million over a two-year period - more than double of what the government had initially planned on. The 2021 budget featured significant opportunities for social finance and social innovation in Canada.

- The SFF was accelerated to deploy up to $220 million in its first two years.
- The Investment Readiness Program was renewed and increased to $50 million over two years to be dispensed starting 2021–22. This program supports social purpose organizations in capacity-building activities such as business plan development, expanding products and services, skills development, etc.

Figure: Federal Government Graph of Social Finance Fund Model



Source: [The Social Finance Fund]

3.8 Indigenous Social Finance

Despite a significant portion of impact investors expressing an interest in Indigenous social finance, social finance in Indigenous communities is still at a very early stage. In an Indigenous context, social finance includes "any investment in the Indigenous economy for the purpose of improving the wellbeing of Indigenous peoples and/or the Indigenous territories of Turtle Island or North America" (TIIP, 2021). Some of the key challenges in Indigenous social finance are:

1. A Disconnect Between the Supply and Demand Sides: There is the perception of a highly fragmented market with opportunities in specific sectors that investors are unaware of. On the demand side, Indigenous communities, entrepreneurs, and innovators mention a lack of access to capital, issues of scale due to small population size and remoteness, and a low level of trust with non-Indigenous-led organizations. Additionally, more of the funding on the supply side comes from government bodies and own-source revenue. There is plenty of room for pension funds, foundations, and accredited investors to supply the needed capital.

2. Measures of Success: There is increasing concern that monetization and quantitative impact measures that focus on numbers (i.e. amount of loans provided) may not accurately represent success for Indigenous communities. Impact must be measured through an Indigenous lens which requires communities to take the lead in determining social finance outcomes and how they can be measured and assessed.

3. Social innovation Lexicon: The language of social innovation could be alienating when viewed from an Indigenous context. This is because the western worldview of dividing government, businesses and social organizations as different sectors with different responsibilities and influence does not easily fit into the Indigenous context[29].

Profile: Raven Indigenous Capital Partners

Raven Indigenous Capital Partners aims to revitalize the Indigenous economy by creating an Indigenous culture-centered approach to impact investing which provides Indigenous social enterprises with flexible capital to fund their innovative and scalable practices. This Indigenous-led social finance intermediary was established in 2018. The Raven Impact Fund was created in 2019 with a goal of $5 million to be deployed to Indigenous enterprises. Ultimately the fund attracted investment from 38 investors in both the US and Canada reaching up to $25 million.

THE NEWFOUNDLAND AND LABRADOR CONTEXT

THE NEWFOUNDLAND AND LABRADOR CONTEXT

This section provides an overview of the social finance space in Newfoundland and Labrador (NL) with a particular focus on community organizations and the overarching themes, gaps and opportunities social finance presents for their impact in the province. Included are recommendations on how to develop the provincial social finance ecosystem. This information was based on interviews, surveys, and consultations with current practitioners in the national and provincial non-profit/social enterprise sector. The emergent themes and opinions expressed are not intended to provide a representative sample of the NL social finance space but rather to draw practitioner insights around the opportunities and challenges faced in social finance within the province.

4.1 The NL Social Sector

The prominent role that community organizations play in NL is well established in the province's unique history of collective action for social good. From the early days of the Fishermen's Protective Union (FPU) in the 1900s[30] to the more recent place-based community economic development model Shorefast is now famous for, Newfoundlanders and Labradorians have continually sought out solutions to improve the lives of those in our communities. The province has a rich social sector with over 3200 formally registered community organizations and many more informal groups committed to improving the well-being of local communities [31]. Social enterprises are recognized for the major economic and social impact that they make and as such, in 2018, the provincial government established the Social Enterprise Action Plan. One of the goals of this plan is to increase access to financing and capital for Social Enterprises within the province. In that same year, the Federal government announced the social finance Fund that would be disbursed over ten years. The NL Social Innovation Coalition evolved from a recognition that social purpose organizations within the province need to be involved in these conversations to best tap into the potential of this financing[32]. In order to maximize the opportunities that social finance presents the sector needs to be investment-ready while advocating for a policy environment that fosters innovation.

4.2 Overview of Social Finance in NL

The social finance space in Newfoundland and Labrador is currently largely underdeveloped. A jurisdictional scan of national social finance literature finds scarce reporting on social finance activity within the province. Conversations with community developers and social purpose organizations show evidence of increased curiosity and support for the sector. Discussions around the opportunities and challenges for charities and social enterprises in accessing new modes of financing are taking place; however, only a small percentage of those agencies are realistically considering social finance as an additional source funding. Out of the Newfoundland and Labrador-based community organizations we spoke with, only one indicated partnering with a social finance investor. Some mentioned considering impact investments and private capital but still depended on their government grants, contracts, and philanthropic funding. Many of the agencies on the demand-side in this province are beginning to discover what social finance entails. This section explores some of those key themes that emerged through stakeholder consultation and research and provides recommendations on harnessing social finance within the province.

4.3 Key Themes and Challenges

Awareness of Social Finance Tools

One theme that came up across the interviews was the lack of knowledge and awareness of social finance. An interviewee noted that in discussions about funding sources for their organization, social finance and Impact Investing rarely comes up. Another interviewee who leads a social enterprise within a larger non-profit organization noted that *"even though we speak that language (of social finance) not everyone else at the table does, and this can be a challenge".*

"For the folks who are doing projects incorporated as nonprofits, by and large, you don't hear people being particularly interested in pursuing social finance, largely because they don't know that it's an option".

– CEO of NL Non-Profit

Among those more familiar with social investments, there is a hesitancy to engage meaningfully for various reasons. For one, there is very limited publicly available information on local examples of social finance. There is no pre-existing history, networks, or easily replicable models within the province, so many are unaware of how they could use social finance within their organizations:

"I'm not surprised that you're going to find that people are intrigued by it because it's been dangled in front of us like a tasty carrot. They say, 'this is upcoming, it's millions of millions, we gotta get our hands on this stuff' and everybody's like "I don't know how". There's no history of successful models to follow."

– NL Social Enterprise Leader

The lack of awareness leaves significant opportunities unused by intermediaries and beneficiaries to support community organizations, especially within Atlantic Canada. This can be resolved by increasing research efforts and convening around the topic. There is a great deal of existing collaboration among community-based organizations in the province that provides a solid foundation for knowledge building.

Risks of Social Finance Investment

Risk, be it actual or perceived, affects participation in social finance so risk assessments and risk mitigation were a key part of interviewees' considerations. The perception of risk was a key concern for the different parties involved, be it the organization's management or the board of directors. There was a shared sentiment that nonprofits seemed a lot more hesitant to take on debt compared to for-profit businesses.

“Nonprofits are very reluctant to take on debt and I don’t blame them because sometimes they are struggling just to meet the needs of their organization. A lot [of the] people we dealt with were not-for-profit organizations who wanted to have a for-profit social enterprise, so they were nervous. And I don’t blame them because the financing is critical to them. And I guess one of the biggest things they were afraid of was if it didn’t succeed, how would it look for the organization to have their social enterprise not work?”

– NL Business Advisory Director

There was an increased concern for the non-profit’s image and its ability to impact the wider community should a social investment or social enterprise fail. These considerations which for-profit organizations might not necessarily make could manifest in social purpose organizations taking the safest and most familiar routes in financing:

“There is a hesitancy from organizations to look into other types of financing that they may not be comfortable with. For one, the people on the boards are usually volunteers so they may be hesitant to put the organization into debt. But that might constrain their ability to execute on things like purchasing an asset or equipment or even working capital which could be complementary to their existing funding.”

– Social Impact fund manager

There was also the perception that some of the innovations that need financing may fall outside of conventional ideas of what is considered to allow returns on investment. Such innovations are hindered by increased levels of actual and perceived risk. When engaging in social finance, organizations within the province would require research on the social investment market, the regulatory environment, and the specific social finance tool being utilized to have a fuller picture of the risks involved and the different ways these risks can be mitigated.

Lack of Readiness Support for Non-Profit Organizations

When it comes to feeling ready to seriously consider social finance tools, there were several needs that were identified as particularly pressing to organizations within the sector. Some of the most-mentioned needs include:

- **Access to new and sustained financing**: For many enterprises and charities initial investment of seed funding to usher in a new initiative is vital. It allows the flexibility to take risks and try new innovative approaches to their operations and programs. For organizations to reach their full potential with social finance, there need to be investors willing to shoulder early risk. However, it is also important to note that long term investment providing long term stability is equally imperative, and therefore if there is a concentration of impact investors in early stages of an initiative it would be inadequate to support growth, development and stability.

- **Business supports and advisory services:** Community organizations may not have experience and expertise in the areas of financial management, governance, marketing, etc. For organizations not traditionally accustomed to operating like businesses, the process of developing a proof of concept, identifying potential revenue streams, financial modeling, and completing impact measurement can be confusing. There are intermediary organizations that provide some of this specific training to community organizations; however, their impact can be limited by a lack of awareness of their services. This was consistently noted as an area requiring increased investment, and expertise provided by the private sector.

- **The current 'Grant' environment:** Most organizations based in the province mentioned government grants as a source of revenue. For smaller organizations in rural areas, the administrative capacity required to develop social finance strategies may not be present and within a healthy grant environment, it may not be perceived as needed.

- **Understanding investor needs:** From interviews and surveys, we heard that organizations in Newfoundland and Labrador are unaware of what community investors want, nor their expectations regarding investments, repayments, and interest rates. The supply side of Social Finance is comprised of a diverse group of individuals and organizations, some of whom may want direct involvement in the process, while others may want to serve as angel investors. Organizations need to have better knowledge of the investment needs of local investors to help them develop strategic goals towards investment readiness.

- **Understanding community agencies' needs:** On the other side, investors need to have a better idea of the financing needs of local community organizations. Investors can participate in Social Finance in many ways. One impact investor detailed how they acted as a placeholder in the pur chasing of a property for an affordable housing organization:

“So the owner of the property had to sell because they needed cash. What I did with [the organization] is I went in and I bought the building. I’m like a placeholder- I’m holding the building. If and when [the organization] accesses its money, it would buy the building back off me for cost of no profit to me. What I’m doing is I’m holding the building for a reasonable period of time, hoping that that will come together. And if it doesn’t, that is my risk.”

- Social Impact Investor

In this case, the investor and organization were able to identify what the organization needed (time to acquire funding) and act in a manner that leaves that property available for the organization when it is ready. Without knowledge of local needs, much-needed capital leaves the province. The responsibility for this knowledge translation is on the intermediaries and enablers dedicated to growing this space in Newfoundland and Labrador.

“I don’t see anybody yet trying to create a fund for social enterprise or offering money for it from the private sector”.

– NL Social Impact Investor

Intermediary Gap

With the disbursement of the social finance Fund, there is a pertinent question of which organizations would take the lead as there is no social finance intermediary engaged in this work within the province. The Atlantic Canada Opportunities Agency and the Community Sector Council play a major role working with community organizations and social enterprises within the province; however, the scope of the activities involved here may be outside the scope of their respective missions. Any organization in this role would be taking on the responsibility of a loan fund while understanding the unique needs of social enterprises and non-profits in the province.

Community Needs vs. Investment Approaches

Another theme that emerged is a mismatch between community needs and investment approaches. Impact investment products can be very structured towards investors’ needs, and this poses a challenge for smaller community organizations. Organizations interviewed and surveyed as part of this research highlight that they are already creating a social benefit. That is the core mission of these agencies and so this language of “financial investments creating social value” holds little importance to their everyday work. The language of impact investments can show a disconnect between investors’ interest and the work of social purpose groups.

Concerns About Mission Drift

Another major concern that community organizations have is how best to ensure that the search for capital does not deviate from the mission of the organization. Making a financial return is not always the objective of social purpose organizations and so problems can occur when an organization's desire to meet certain financial goals begins to overwhelm its social mission. To avoid mission drift, such situations require important consideration of social finance objectives and how they align with an organization's mission. For one interviewee, the process of getting investment ready revealed a value misalignment with some impact investors:

"We had some initial work done about whether we are investment ready. And a part of that work was talking to impact investors around the country. And it's interesting, because a few of them said, in order to work with them, we needed to change our business model into a for-profit model which... that's kind of strange. But nonetheless, that was a viewpoint from some of the people that were interviewed. So as we went through that process, we got to know who some of those impact investors are and what is important to them. And so really, to me, the magic is matching what the investor is looking for, to your values to make sure that they line up"

- *NL Social Enterprise Director.*

To reach their full potential, social purpose organizations must develop procedures and mechanisms that allow them to sustain themselves financially without jeopardizing their goals. The governance of the organization (the board, upper management, owner etc) has a critical role to ensure that the mission stays at the forefront of its social finance activities[33].

Legislative and Regulatory Challenges

Many non-profits do not have debt instruments written into their by-laws. For social finance to be successfully implemented, non-profit organizations need to have the explicit ability to avail themselves of debt financing instruments. Such a change in financing methods requires governance changes and bureaucracy to get through. Organizations with smaller balance sheets might be hesitant to take on any debt instruments because this could affect the optics of their government grant applications. There is a concern that social finance poses more questions within the grant application process and that can hinder participation.

Capacity Concerns

Another common theme was concern about whether social purpose organizations in Newfoundland and Labrador had the capacity to take on social finance projects.

"While they [local community organizations] might have fundraising teams that are really used to selling the idea of donations, they're not really equipped or have the comfort or know-how needed to be able to sell securities. It's a slightly different skill set…To add to that, a lot of the projects that we did work on, also require the fundraising arm of those organizations to focus on the capital fundraising campaign. Because sometimes the financing mix was 15% debt from a financial institution, 30% debt from the community and community bonds, and then some revenue, which included donations. And so if you were to detract the donation fundraising teams away from their core work, into the community bond work, it is a capacity issue. And I mean, capacity and not in the sense of 'nonprofits don't have the skill set to do it'. I mean, capacity in the sense that 'nonprofits don't have enough bodies literally, to take up this work'.

- *social finance Consultant*

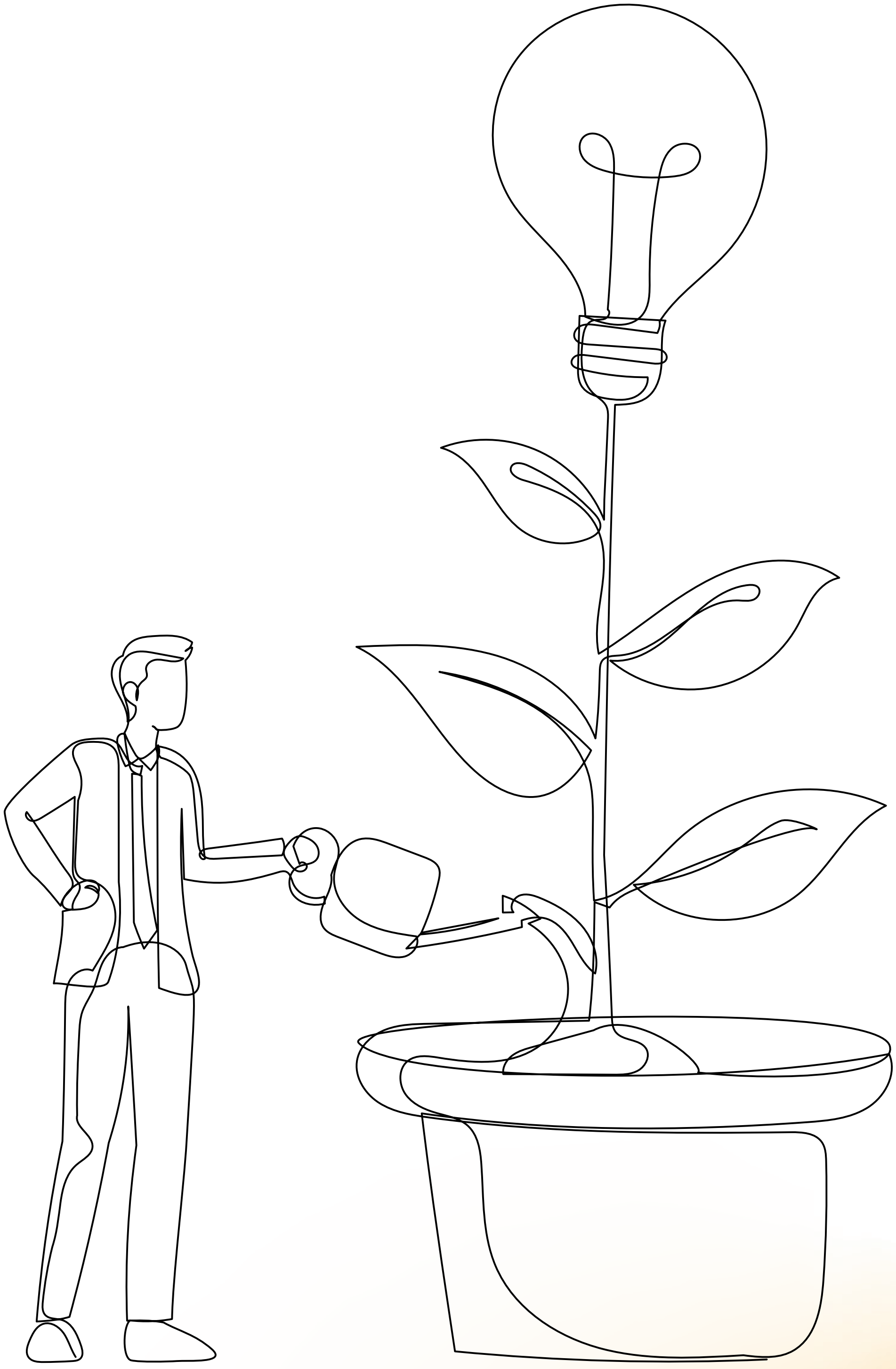
Taking on social finance projects can stretch the capacity of an organization and for small organizations, that serves as a big deterrent to participating in this space.

Business Transitions

With one of the oldest demographics in the country, business succession is one of the concerns of some local business owners in NL. There are numerous small businesses with owners who are looking to sell their business but are having difficulty finding buyers. One interviewee mentioned that many of these owners were looking to sell their businesses even before the COVID-19 pandemic which has only made their needs more pressing. The interviewee who works as a business consultant within the province noted that:

“[NL] is perfectly suited for social enterprises to come into these communities and take over those businesses and create a sustainable model. We’re perfectly suited for it; we have the communities that have that mindset. It’s just how do we facilitate the transfer of such businesses? Because what we’re seeing right now, quite frankly, is, in some cases, those business owners are not finding anyone to buy the business because it’s not profitable enough for a private sector entrepreneur. But the required profit margin changes when looking at sustainability for social businesses.”

These small businesses are vital to local economies. They provide employment and essential services for people in their communities. There is an opportunity here for impact investors to fund the acquisition of such businesses for social enterprise and a possibility of earning back that principal in long term revenue-share agreements. While this is just a concept, these conversations are very timely and present an opportunity for the growth of social innovation here in Newfoundland and Labrador.



BEST PRACTICES AND RECOMMENDATIONS

BEST PRACTICES AND RECOMMENDATIONS

5.1 Best Practices

While there are several challenges in availing social finance in Newfoundland and Labrador, there are best practices that we can borrow from other parts of the country and globally to grow the ecosystem and leverage social finance across the non-profit sector.

Blended Capital: To understand how a blended approach works, assume that a social enterprise in Bonavista needs $100,000 to develop a mobile clinic project and expects the clinics to make $5,000 each year (a 5% return on investment).

Unfortunately, 5% is usually not enough to attract private investment. Traditionally, a foundation or government grant could provide $100,000 to the social enterprise. But if the organization requested $50,000 from the donor, it may then offer a 10% return on the remaining $50,000 to a financial investor. The donor would not be reimbursed but would get $50,000 to donate to another project or another social enterprise. Blended capital allows organizations to diversify funding and not be solely dependent on any one type of capital. It also lowers the perceived risk of individual financial decisions.

“One of the things that I would say about social enterprise is that from the demand side, the notion of ‘stacked’ capital is important- where they do have a base of some philanthropic dollars, etc. And can then think about what they’re putting on top of those streams of revenue, they’re not taking things out. Using a variety of funding sources should lower the sense of risk”.

- NL Business development leader

Relationships are Key: The importance of strong partnerships cannot be understated. Certain social finance approaches work on a service delivery model whereby the financiers work with the organization only as long as they can reach a specific threshold of impact. If these arrangements are not immediately met, the investors pull funding and move it elsewhere. In such models, community organizations are interchangeable and such arrangements can be a threat to the sustainability of community organizations. Community organizations should not be rushed into a social finance situation to meet rates of return that are not suitable for them.

“To me, the magic is matching what the investor is looking for to your values to make sure that they line up.”

– NL Social Enterprise Leader

Community Capital: According to the Balle Guide to Community Capital " Community capital harnesses the financial wealth that exists within a region to support local, community-serving businesses and organizations, and keeps this wealth recirculating for the benefit of the whole community". One tool used by social purpose organizations to access community capital is Community bonds, mentioned previously. It is an innovation in social finance that allows a non-profit or charity to mobilize its supporters to further its mission.

The Centre for Social Innovation famously created community bonds to finance $2 million to purchase their first shared-office space building in Toronto. In this case, CSI used three series of bonds with minimum investments ranging from $10,000 to $50,000, interests ranging from prime + 1.75% to 4% and a maturity of 5-15 years. Some organizations choose to create and execute the community bonds themselves while others may use a concierge approach like Tapestry Capital which is a social enterprise that built North America's first urban wind turbine in 1998 through harnessing community investments. With their success of community bonds in a renewable energy project, Tapestry now works to make community bonds available to other non-profit organizations and cooperatives. This tool holds a lot of potential for organizations in NL with strong local ties and social capital within and/or outside the region.

Collaboration: Collaboration is very important in building capacity in social finance. In many cases, organizations work together to build their capacity in the social finance space by open-sourcing successful business models, convening to learn best practices, and communicating with each other on available opportunities. There is no need to reinvent the wheel. Instead, there is room for organizations to learn from each other's experiences and activities. In this space, collaboration is an essential ingredient for progress. Most of our interviewees found that collaboration within space is key to scalability and growth:

"I found it was very easy to get people to share what they had and what they were working on. And the ecosystem has been great that way. Like, it's been really, really good."

- social finance manager.

Flexibility: social finance needs to be flexible for it to have the needed impact. When working with social enterprises and non-profit organizations, unexpected situations need to be accounted for in a flexible manner that works for communities being impacted.

One of the keys to successful Social Financing is using the right tool for a specific purpose. social finance should be customized to meet an organization's needs and, in many cases, mixed methods of financing are seen as the best approach. NPOs require different kinds of financing at different stages, and it is best if the capital base is diversified. There is no one size fits all approach. In fact, Blended Financing is getting more and more attention, using catalytic capital from philanthropic sources to increase private sector investment.

There are examples of organizations across the country using a mix of financing methods (e.g. Oikoscredit and Kaleidoscope Impact). Social finance is not intended to replace other sources of funding, rather, it can complement them by blending different instruments to make it cheaper for organizations to access capital.

Social Finance Advisories and Supports: One of our interviewees providing financing and support services for social enterprises found that for those running social enterprises, the training services concerning marketing, bookkeeping etc. were as important as accessing financing.

"I found that while financing was important, it nearly took a backseat to the counseling and advising services we offer"

– *Social Finance Intermediary*

It is important that intermediaries undertake this capacity building in partnership with community organizations.

Investment Readiness: Organizations need to have a good grasp on not just the need for financing but what they are able to deliver on. Skills and knowledge at both the board and management levels are key for investment readiness. In determining whether organizations are investment ready, we must pay specific attention to the organization in question and the investment approaches being considered. Organizations may be ready for one type of social finance investment and simultaneously not ready for another.

"I think we all need to be investment ready. Whether we go down that path, doesn't matter. But I think we should all go through the process to make sure we've got our return on our investment, our business case sorted out. What's the narrative around the organization? Can our financial health withstand (more) investments? That process is really eye opening and it helps you understand your position as an organization. And so if you're not prepared, well, you know where your weaknesses and your strengths are. And if the answer is I'll never be ready, or social investment financing It's not for me, that's just as valuable".

-NL Social enterprise leader.

Impact Measurement: Best practices in impact measurement pay specific attention to the importance of whose needs are being prioritized. Sometimes a monetary value such as SROI might not accurately reflect the impacts of the work being done by social purpose organizations. While such values are important to investors, community organizations can measure success in different ways. It is also worthy to note that for certain organizations, monetized impacts are not seen as culturally viable. Such considerations need to be taken when developing an impact measurement framework.

“We’ve often found that we get money from funders that include budgets for impact measurement and evaluation. But I haven’t been particularly satisfied with what we get for the money because there’s not a lot of people in-province and so we often have to hire outside. And people from out of province don’t have enough context to do a really nuanced job so we end up having to do half the work. So I think that’s a bit of a challenge. There aren’t many organizations who can support a full-time staff all the time doing this kind of work. And there aren’t that many local people who have a good understanding of social context who are out there as consultants picking these pieces of work up.”

- NL Social enterprise leader

5.2 Recommendations

For Community Organizations

The key to social finance keeping its true purpose is in how communities wield it. One of the recommendations for organizations was to consider engaging in investment readiness practices.

“One of the advantages of social finance is that it says to the organization, what are your assets? You really start to think about what you have that is an asset, and then think about who is willing to invest in that asset. And your question now to your own organization is who’s willing to invest in us, and what would they get from it? And what I say about that process is that it unlocks creativity. Because if I’m out there trying to raise money, it’s a very different question if I say to you, “Would you give me $100?” than if I say “Would you invest $100 in what I’m doing?””

- Senior Research Fellow on Social Finance

Community organizations that are interested in pursuing social finance may benefit from getting comfortable consulting with the private sector.

Interested agencies must also take the time and effort to educate the leadership of their organization on the impacts and risks of social finance. It is important to be aware that the board of a non-profit organization is ultimately liable for such risks. They are also responsible for ensuring that an organization acts in accordance with its mission and so it is important that they have a comprehensive understanding of social finance before considering whether the organization will pursue social finance tools further[21].

"One of the things I would recommend doing is if you're taking on this loan and you're taking on this debt, even though your board members are aware of it, they are signing off on it. I think it's critical that you have someone go to a board meeting and explain what it all means; that the organization is responsible for this. And that all comes down to training."

- NL not-for-profit business advisor.

It is important that social finance is community based and community-centered. Individuals and community organizations who have deep ties and trusted relationships with the local communities are well-positioned to engage as social finance intermediaries and beneficiaries by supporting social enterprise initiatives.

For Market Enablers and Intermediaries

A major gap in Newfoundland and Labrador is around knowledge translation and social finance readiness support. Market Enables and Intermediaries, this is all about building support and capacity within these organizations. This could look like:

1. Setting up a social finance fund for social enterprise and social purpose organizations. This would allow for an accumulation of resources and provide a first point of contact for organizations looking to use social finance. As of December 2021, The McConnell Foundation announced that Shorefast is working on a Community Finance Fund to enable place-based communities acquire and retain large-scale financing.

2. Developing a NL-specific guide to social finance: Designed with consideration for the NL context and containing an in-depth breakdown of social finance options in the province. It would serve as a directory for information on social finance resources and introduce the sector for interested organizations. This document would detail relevant social finance examples from the province and other Atlantic provinces.

“We have a lot of work to do in Newfoundland and Labrador to get charities and not for profits to wrap their minds around it. What does it mean to be a social enterprise? How does the responsibility work on accessing Social Financing? What do we need to do? There’s so much work that we need to do to educate the community sector on how to do that right. So there’s, you know, the investor readiness program is great, but I think there’s a lot of work still to be done on getting people in a place where they’re comfortable discussing and utilizing social finance.

- NL Financial Manager

3. Creating a social finance/social innovation division: Organizations such as the Board of Trade and other economic development agencies could introduce a division and member representation that focuses on and offers support to social finance development in the province.

For Investors

Anyone wishing to invest can be an impact investor:

“I know there’s a lot of people like *John who probably has some money in savings. And so you can say to them, “We’d like you to invest $10,000 in a small loan, to a social enterprise fund. And it will pay you 2% over five years”. You might see them say, “Well, that’s better than sitting in the bank. It’s not going to create my retirement fund. But I’m willing to do it for my portfolio”.

-impact investor.

There is a need for more investors that are willing to take the risk of doing the early stage investing in social organizations. One interviewee noted that with the startups on the non-social side, investors are lined up in categories; pre-seed investors, seed investors and there’s those who invest in later stages of business development. But in social finance, that demarcation is not as clear. The initial capital to get an organization started, though risky, can be the most catalytic and there aren’t as many of those available. Investors need to be aware of this risk and be willing to shoulder it because the opportunity to create tremendous social value is there. Community organizations also require investors with a long-term outlook on investment. One interviewee noted concerns about engaging in social investments due to the long-term nature of their organization’s work.

LePage (2020) offers a relevant critique of the current body of investor options that focus on financial returns thus straying from the core purpose of social finance. Our current models are facing a problem where investors' desire for financial gain significantly reduces their potential to accept lower returns even when social impact is being created. This is an issue because many of the community funds and organizations offering Social Financing have overhead costs that still need to be covered with investor funds. Therefore if investors are unwilling to take lower returns, these organizations are unable to afford social enterprises and social purpose organizations with the flexibility they require. For social finance to reach its potential and foster the community economic development that we aim for the province, potential investors need to be social value investors primarily focused on the social value that their capital creates. The running trend of assessing risk and reward within the same framework while tacking on a "Can this do some good too?" results in a social finance system where it is normal to expect high financial returns with a "doing good halo" (LePage, 2020). This is a far cry from the community-centered approach that is critical to social finance success for community organizations.

For the Private Sector

One important contribution of the private sector is mentorship and expertise. The difference between private enterprise and social enterprise is not always the activities but what is done with the money that is made (e.g., one is reinvested in a social impact organization and the other goes to shareholders). Many of the challenges facing social enterprises and organizations looking to leverage private investment are also faced by traditional businesses when acquiring financing.

"My big takeaway is not that financing is not important, because it certainly is and it allows you to do things but I found that the financing became a small part of what we ended up doing. Even for the clients who did get approved (for financing), it was a lot of helping them with different things. Some of them were just starting a social enterprise but didn't really have the business sense that they needed to necessarily, so we offer training for our clients. So whether it was for profit or nonprofit, do you know how to set up your books, the importance of setting them up right and how to market? You can have the best product in the world but if you don't know how to advertise it, then it doesn't matter, right?

-NL Business Advisor

Private businesses are in a good position to advise and mentor social enterprises and non-profit organizations looking to enter the investment market. Interested parties must be willing to collaborate and learn from each other.

For Policymakers

There are restrictions that affect who can lend to social organizations because of their legal structure or where they are in their life cycle. These restrictions need to be reexamined to facilitate adequate growth in the social finance sector. There are also certain tools that governments can utilize to boost growth and participation in social finance, including loan guarantees which the province can secure for non-profit organizations looking to expand its scope of support and programming.

Furthermore, NL has the Direct Equity Tax Credit Program to incentivize investment in local companies. If the same tax credit could be applied for social impact initiatives, investors would receive a significant tax incentive for making these types of social finance investments, along with any additional return on their investment through the relevant social finance tool.

Profile: Community Economic Development Investment Funds

A Community Economic and Development Investment Fund (CEDIF) is a pool of capital which is raised from individuals within Nova Scotia to invest in for-profit entities within a defined community. CEDIFs use equity tax credits to encourage investors to invest in their communities. Nova Scotia established the CEDIF for two main purposes:

- To reduce the outward flow of capital into capital markets outside of the province, where citizens put over CAD $600 million into Registered Retirement Savings Plans (RRSPs). RRSPs are a tax-favored savings vehicle that big financial institutions subsequently utilise to participate in capital markets. Up to 98% of this money is invested outside of Nova Scotia causes a drastic financial leakage out of the province.

- To make it easier for small and medium-sized businesses to access equity capital by giving residents in both urban and rural Nova Scotia a new and simplified way to participate in their community's economy.

- CEDIFs have gained attention within and outside Canada for being a model to support co-operatives, social enterprises, and rural economic development. The provincial government has the tools to create an environment that fosters local investment through its tax environment.

5.3 Conclusion

This study serves as an overview of social finance, and its opportunities and challenges with a particular focus on Newfoundland and Labrador. The aim was to understand the social finance space in NL, the specific needs of community organizations, and the ways social finance could address those needs. In doing this, we outlined social finance actors and approaches and explored the NL social finance sector.

The Newfoundland and Labrador social finance sector needs more investment and capacity building to grow and create social value for communities. Governments, community organizations and private investors must recognize a shared goal and work together to ensure the growth and stability of the social finance space. To ensure its successful implementation in our province, social finance must be adapted to address the needs of communities first before meeting those of investors.

This research exposed a lack of data within the social finance sector which is to be expected in the beginning stages of ecosystem development. There is room for further exploration and research on the needs of community organizations in different sectors. There is no 'one size fits all' approach in social finance; therefore, those looking to harness its benefits must be willing to identify the best financial tools for their success. The potential for locally organized loan funds is an emerging opportunity, however investors who may be interested in this work and investing in communities may not know how to proceed. Thus, future research investigating the investor population within the province is recommended as this would provide valuable insight into the NL social finance environment.

ENDNOTES

ENDNOTES

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CONTACT

MAIN OFFICE

261 Duckworth Street
St. John's, NL A1C 1G9
E info@choicesforyouth.ca
P 709.754.0446
F 709.726.3125

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WWW.CHOICESFORYOUTH.CA