



CHOICES
FOR YOUTH

SOCIAL FINANCE PAPER EXECUTIVE SUMMARY

EXECUTIVE SUMMARY

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 research conducted for this study focused on answering two questions: **1) What is Social Finance and to what extent can social finance tools improve social outcomes? 2) What Social Finance tools are applicable to non-profit organizations in the Newfoundland and Labrador context, and under what conditions and circumstances?**

This topic is explored in five sections. The first, **Introduction to Social Finance** frames the existing knowledge and literature in the Newfoundland and Labrador context, how it differs from other funding options as well as some of the key reasons Social Finance fits with the unique economic landscape of provincial social organizations. This alignment is based on multiple overlapping factors including: the complexity of the issues people are facing today, the struggle for organizations that are targeting these issues to obtain and maintain sustainable funding, the socio-economic difficulties in community development, the alignment of private investment and growing personal values, and how changes can be seen as opportunities to strengthen ties between public and private sectors.

This section also explores how a Gender Based Analysis (GBA+) framework assists in demonstrating social change by including and centering traditionally marginalised groups in informing the social impact work being carried out and allowing diverse perspectives into the ideation phase of new innovation. This process follows best practice with both the Government of Canada and Newfoundland and Labrador and has been integrated into policy development as a requirement of Social Finance and Social Impact. In order to apply a GBA+ framework six elements need to be considered:

- A **responsibility centre**, to oversee the implementation of GBA+ and provide internal advice
- An **organizational needs-assessment**, to determine what capacity and resources already exist in the organization, and to inform the creation of a work plan
- A **policy statement**, or **statement of intent**, to articulate the commitment to GBA+ and provide a mandate for implementation
- **GBA+ training and tools**, to facilitate buy-in, build capacity and inform different parts of the organization about GBA+
- 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

Section two explores areas where Social Finance has already made progress and case studies that support those findings. First, in Employment and Training, through the creation of Career Impact Bonds that provide 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. Following the model laid out by Social Finance US, this model illustrates how these bonds can be used to expand training with free enrolment, while still providing a revenue stream for investors.

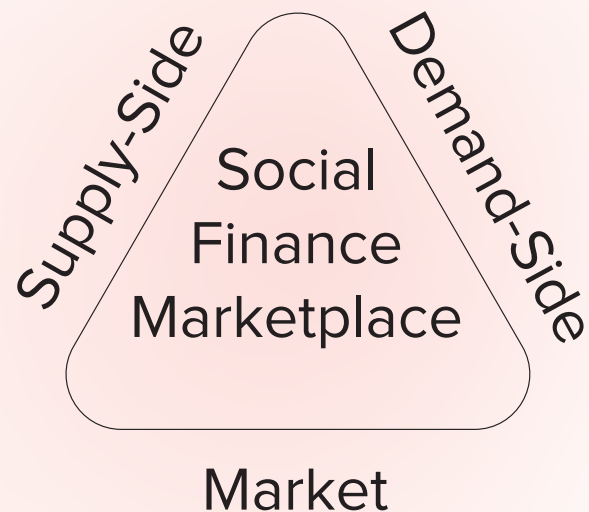
The second area where Social Finance has a proven impact is the Housing sector. The Housing crisis and demand for affordable housing projects is well known and an increase in funding from Social Finance approach is both timely and appropriate. However, it is difficult because the sector is often profit focused and smaller returns on investment fail to draw interested investors, unless aligned with a strong enough mission, such as homelessness prevention. As an example, a case study into how the Ottawa Community Immigrant Services Organization (OCISCO) was formed in direct response to immigrant families' need for larger homes with proximity to essential services. The study details how they were obligated to acquire partial funding, under a reduced timeframe, and yet were successful by reaching out for Social Finance support through the Community Forward Fund.







Section three of this report deep-dives into the Social Finance Marketplace in Canada, by focusing on three major components of Social Finance: Supply side, Demand side and connecting to the Market. The Supply side is made up of the type of investors that want to see an impact on their investments as well as revenue, such as Angel Investors or High Net Worth Individuals, various foundations that have a public benefit purpose, financial institutions such as credit unions and chartered banks, as well as government investment as a co-investor.



The Demand Side is made up of the organizations that can benefit from Social Finance, notably Social Enterprises and Not-For-Profits, such as Building Urban Industries for Local Development (BUILD), which has a mission to insulate low-income housing and reduce poverty. A case study of their success with Social Finance is included.

Next is understanding how to bring these two sides together in the market by understanding intermediaries and enablers that allow Social Finance to grow by building capacity to attract capital, ensure the flow of that capital as well as support that market with research, education, and awareness.

This cannot be done without the necessary tools, which are outlined in section 3.4 and include: Loan guarantees, patient capital, social impact bonds, micro-financing, community bonds, social procurement, and community benefit agreements. Also necessary is the appropriate means to measure the desired social impact, which have noticeable challenges around consistency and comparable data, increasing complexity and costs in gathering and analysing that data, as well as increased pressure to have that data ready in a regular capacity that often doesn't match the impacts of interventions over time. This is addressed with an overview of Social Impact Measurement Approaches that target these issues, such as the Environment, Social and Governance (ESG) Metrics, Social Impact Measurement Model (SIMM) as well as Social Return on Investment (SROI) as well as a look at Indigenous Social Innovation, how it differs, and what better practices can be learned. This section is concluded with a timeline of key events in the Social Finance Space in Canada from 1971 to 2020.

Section 4 uses data from surveys, interviews, and consultations in order to hone in on the Newfoundland and Labrador context for Social Finance, with a particular focus on community organizations and the overarching themes, gaps and opportunities Social Finance presents for their impact in the province. This includes a list of recommendations on how to further develop Social Finance in this province. The intention is to increase access to financing and capital for Social Enterprises within the province in the NL Social Sector by understanding the key themes and challenges being experienced. This means needing and increased awareness of the available Social Finance tools, understanding the risks of Social Finance investment, addressing a lack of readiness in non-profit organizations as well as filling the intermediary gap that is less common in higher populated areas of the country.

All this leads to a suite of best practices and recommendations that will guide the continued development of Social Finance in the province. Best practices include using a blended and/or community capital model to attract investors, focusing on relationships and collaboration to find alignment between investor and mission, relying on flexibility to allow for new innovative ways to be practiced and learned from, enhancing and supporting impact measurement so that those lessons are not lost as well as ensuring that organizations are ready to receive, utilise and grow from their potential social funding.

The top recommendations follow the framework of the Social Finance Marketplace and therefore includes recommendations for community organizations, market enablers and intermediaries as well as investors, the private sector, and policy makers. By having these three groups understand the potential, the risks, and what is required of each then it is possible to find a balance where investors can get a return, organizations can be securely funded, and communities can get better access to the supports and services they need. There is a great deal to be done and it will take all hands working together to see it through.

“[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.”

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