

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

**National Impact Investment Practitioners Table**

August 2020

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

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

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

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

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

**Recommendation 5:** That the balance of the \$755 million originally set to flow through the Social Finance Fund - approximately \$350 million - be deployed in the proportions described above or adjusted, based on the experience of the initial 24-30 months, to support the growth of not yet investable impact funds and initiatives that address critical gaps in the social finance market, for the best cumulative effect in resilient communities.

## About us:

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

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

## Recommendation:

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

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

The launch of a catalytic Social Finance Fund was a key recommendation of the Social Innovation and Social Finance Steering Group, appointed in 2017 to advise on a federal strategy for mobilizing the social economy in the service of more economically, socially and environmentally inclusive and resilient communities. Representing the philanthropic, non-profit, cooperative, research and community economic development sectors, and drawing from in-person and online consultations

with thousands of Canadians, the Steering Group's [report](#) recommended the launch of a made-in-Canada Social Finance Fund to support social purpose organizations *"by making repayable capital available to newly created and existing funds in the social finance market, as well as attract new private sector investment to the social finance sector."* The first of the 12 recommendations to be formally adopted, the Social Finance Fund was announced in the [2018 Fall Economic Statement](#) (FES) accompanied by a \$50 million, two-year Investment Readiness Program, intended to expand the existing marketplace of investable social purpose organizations and initiatives.

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

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

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

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

### **Focus on recovery**

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

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

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

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

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

**Convergence and consensus within the social finance sector:**

The recommendation to accelerate the deployment of the Social Finance Fund represents the best advice of Canada’s most experienced (and emerging) social finance intermediaries and experts and echoed in recent letters by the members of the former SISF Steering Group and the Impact Response initiative to Minister Hussen and Minister Qualtrough, and in a recent meeting of the People-Centred Economies Group with the Minister of Families, Children and Social Development. Accelerating the flow of the Social Finance Fund and ensuring the optional deployment of a powerful (but as yet unactivated) tool for its original purpose, with previously earmarked capital, will support an outsized contribution by the social economy to a robust, inclusive and resilient economic recovery.

