SOCIAL FINANCE MODELS *for the* SETTLEMENT & INTEGRATION SECTOR IN CANADA

MARKET ASSESSMENT REPORT

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This research is part of a larger project on social finance and its feasibility for the settlement and integration sector.

The study was designed to build on the Department's work related to social finance, by identifying models that could be suited to achieve positive settlement and integration outcomes for newcomers, and to assess the relevance of various models to the Canadian context.

All information contained within this report is to be used for research purposes only, and is not intended to provide any recommendations for investment products or strategies. As the settlement and social finance sectors are dynamic and always changing, information presented therein may become outdated beyond the date of publication.

GLOSSARY[1]

CHARACTER-BASED LENDING: Loans to individuals that are made on the basis of the individual's character, ambitions and determination. This form of lending is important for newcomers that often lack credit history or collateral and are unlikely to qualify for a conventional loan.

COMMUNITY DEVELOPMENT FINANCE INSTITUTIONS: Private financial institutions, including banks, credit unions, development loan funds and development venture capital funds, that are dedicated to delivering responsible and affordable loans to disadvantaged persons and communities.

CREDIT ENHANCEMENT: A mechanism to encourage the flow of private capital to investment opportunities by improving the risk-return profile for investors by de-risking an investment. Credit enhancements can be provided in a variety of forms, such as letters of credit, insurance and first-loss capital.

FIRST-LOSS CAPITAL: A tool that is incorporated into the capital structure of an investment and that represents a commitment by an investor to take the first loss on an investment, up to a pre-determined threshold. This can take the form of a guarantee, subordinated debt or junior equity.

GRANTS: A financial award with no expectation of repayment or compensation.

GUARANTEES: A type of first-loss capital that is used to improve the risk-return profile of an investment for other investors by guaranteeing the principal investment, up to a pre-determined amount, in the event of a loss. A guarantee protects investors against a capital loss.

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

MICRO-LOANS: A form of micro-finance that involves providing small loans to individuals from disadvantaged groups in order to give them the opportunity to become financially self-sufficient.

NEWCOMERS: Immigrants in Canada for a maximum of 10 years.

PAY-FOR-PERFORMANCE CONTRACT: A contract between government and a private or non-profit entity to deliver a specific set of services, with payment conditional on success of the intervention.

SOCIAL FINANCE: An approach to mobilizing private capital that delivers asocial dividend and an economic return to achieve social and environmental goals.

SOCIAL IMPACT BONDS: Financing mechanism that is used to implement a pay-for-performance contract. SIBs offer governments a risk-free way to fund social programs for prevention and early intervention. The public sector pays only if the program is successful.

SOCIAL INVESTMENT FUNDS: Entities with an established pool of capital often drawn from a variety of investors, and that invest in primarily non-publicly traded enterprises to generate market-based or concessionary financial returns and measurable social and/or environmental returns.

SERVICE PROVIDER ORGANIZATIONS: An agency that provides services for newcomers to Canada including programs that provide newcomers with resources and training to live and work in Canada.

TAX CREDIT INVESTMENT FUNDS: Funds that enable investors to create pools of investment capital for local businesses and cooperatives. Tax credits are used to incentivize investors to invest in their community.

WHOLESALE FUNDS: Investment funds that deploy capital through social finance intermediaries, such as social investment funds, regional governments and organizations providing market infrastructure.

EXECUTIVE SUMMARY

The purpose of this report is to **map the social finance landscape as it relates to settlement and integration (S&I) services**, and to **evaluate the potential benefits of a social finance approach** in this area. This report considers the extent to which social finance approaches can **leverage new funding sources for individuals, organizations and networks; improve the sustainability and impact of service provider organizations (SPOs)**; and **encourage partnerships with the private sector to respond to the changing needs and demands from newcomers**.

Newcomers face a number of challenges including poor financial literacy, lack of credit history, lack of financial assets, and lack of appropriate employment opportunities. Similarly, **SPOs face a number of challenges** including increasing demand pressures, a lack of capacity to innovate, and a competitive funding environment. While access to capital is essential for newcomers and SPOs, there is also a need for technical assistance and targeted supports to realize the benefits of social finance.

The main finding of this report is that a **social finance approach has the potential to address structural funding challenges facing the S&I sector, but that a combination of models is necessary to achieve desired policy objectives**. Given that evidence around 'what works' is highly contextual, a multi-pronged approach of targeted funding, capacity development, and coordination with S&I stakeholders, will be required.

We find that a **diversity of financing mechanisms is necessary to match the diversity of needs expressed by newcomers and newcomer-serving organizations**. In this report, we **identify five social finance model archetypes that could apply to various stages of S&I:** micro-loan programs and funds; small and medium enterprise loan programs; social investment funds; pay-for-performance contracts (including social impact bonds); and market-building initiatives (including wholesale capital funds, social incubator funds, and funds to support social impact bonds). These models vary in their **targeted populations** (individuals, SPOs, and intermediaries) and in their design.

We identify **three stages in S&I** and the social finance models most applicable to each of these stages. During the **initial settlement period** (0 to 3 years), social finance models that address the needs of individuals and their families focus on **education, training and employment**. These needs are most often addressed through **micro-loans to individuals for education, training, and/or certification leading to employment in their field**.

In the **second stage of S&I** (3 to 5 years), some entrepreneurial newcomers and SPOs require **access to capital** to develop and grow small to medium sized enterprises (SMEs). Access to this type of capital is generally delivered through **social investment fund (SIF) models and SME loan programs**.

In the **later stages of S&I** (beyond 5 years), the emphasis shifts to removing barriers to newcomers, and away from targeted programs designed specifically for newcomers. While this third stage is beyond the scope of our report, given that it extends beyond the mandate of IRCC funding, we identify some relevant models that create opportunities for social enterprises and the private sector.

Finally, we identify several market-building models that could apply across all stages of S&I. These models **enable the growth and sustainability of social finance intermediary eco-system**.

We draw from these findings several implications that will inform the next phase of this project. Social finance models should be targeted for specific objectives, and complement other initiatives, since a range of approaches is often needed. Given the high level of risk aversion by investors, the federal government can play a key role in helping to **de-risk these models** for investors, to incentivize the realization of social outcomes for individuals and communities. This report also suggests that the federal government should not function as an operational intermediary itself, but rather should **'catalyze' social finance intermediaries** through de-risking, partnering, and providing 'wholesale' access to capital.

1. INTRODUCTION

The purpose of this report is to map the social finance landscape as it relates to settlement and integration (S&I) services, and to evaluate the potential benefits of a social finance approach in this area. In recent years, social finance has been identified as a key priority of the Government of Canada. This report considers the extent to which **social finance approaches can leverage new funding sources for individuals, organizations and networks; improve the sustainability and impact of service provider organizations (SPOs);** and **encourage partnerships with the private sector to respond to the changing needs and demands from newcomers**.

The report begins with a high-level literature review of the S&I literature, and finds that funding challenges facing the settlement sector relate to the *level of funding*, but more importantly, to the *structure of funding*. In particular, the S&I sector could benefit from longer-term sources of funding and new approaches to funding that encourage innovation and promote collaboration within the social sector, and with the private sector (such as employers).

The next section reviews the Canadian social finance context. The literature review finds that many encouraging pilot projects exist at the regional level, but a more deliberate approach is needed to transcend structural barriers in the Canadian social finance market. The review draws lessons from the experiences of the UK, US and Australia to identify strategies in which the capacity of actors across supply, demand and intermediary levels can be built to develop or strengthen their work in the social finance sector. The literature review concludes by identifying the potential of social finance to address the persistent challenges facing the S&I sector.

In the following sections, we test the applicability of social finance models across the first two stages of S&I: immediate/early and mid-term. This research draws on a scan of social finance models that apply to the S&I context across Canada and across other jurisdictions, including Australia, France, Germany, the UK and the US. We focus on models where there is a potential role for government as a direct participant (e.g., co-investor, capacity development) and as an indirect influencer (e.g., policy and regulations).

To address the contextual elements of the social finance models and their applicability, we conducted twenty semi-structured interviews with practitioners and experts in the social finance and S&I sectors. We used these interviews to construct a set of in-depth profiles of models that represent a wide spectrum of design options, and to elaborate on funding arrangements, financing mechanisms, metrics, and potential role of government.

We draw from these findings several implications that will inform the next phase of this work. The main finding of this report is that a **social finance approach has the potential to address structural funding challenges facing the S&I sector, but that a combination of models is necessary to achieve desired policy objectives**. Closely related to this finding, **the report suggests that S&I is best understood as a lens to be applied across social finance, rather than a social finance 'impact' sector in its own right**. Given that evidence around 'what works' is highly contextual, a multi-pronged approach of targeted funding, capacity development, and coordination with S&I stakeholders, will be required.

We also find that a **diversity of financing mechanisms is necessary to match the diversity of needs expressed by newcomers and newcomer-serving organizations**. In this report, we **identify five social finance model archetypes that could apply to the S&I sector:** micro-loan programs and funds; small and medium enterprise loan programs; social investment funds; pay-for-performance contracts (including social impact bonds); and market-building initiatives (including wholesale capital funds, social incubator funds, and funds to support social impact bonds). These models vary in their **targeted populations** (individuals, SPOs, governments and intermediaries) and in their design.

Finally, we emphasize that **the success of all models identified in this report relies on the government playing an active role**, as a direct participant and as an indirect influencer. The penultimate section describes these potential roles for government and the conclusion identifies implications for IRCC.

2. OVERVIEW OF SOCIAL FINANCE & SETTLEMENT AND INTEGRATION

2.1 Settlement and Integration Context in Canada

Assessing the potential of social finance in the domain of S&I requires an understanding of the policy context. Integration is essential to realizing the economic benefits of immigration.[2] Canada has attracted significant attention around the world for its unique S&I system, which uses fee-for-service contracts with third parties, including not-for-profits, public institutions, the private sector and local governments (Richmond and Shields 2005).

While this competitive funding model is intended to induce efficiency and innovation, evolving immigration patterns are placing increased pressure on the S&I system (Shields *et al*. 2014; Flynn and Bauder 2015). Some scholars have declared a crisis in the sector, pointing to the "dramatic downward shift in the economic status of newcomers."[3] That said, scholars also emphasize that "settlement agencies must turn their attention to the need for better funding rather than simply demanding more funding (Richmond and Shields 2005, p. 524, emphasis added)." In this section we explain the funding challenges posed by the evolving immigration patterns in Canada, and consider how social finance could transcend these challenges.

EVOLVING IMMIGRATION TRENDS AND IMPLICATIONS

It is widely held that the current level of funding is insufficient to meet the increasing demand for S&I services (Richmond and Shields 2005; Mukhtar *et al*. 2015). Even during times of increased funding, the available funds are considered by settlement organizations to be insufficient to address the needs of newcomers (Mukhtar *et al*. 2015). While federal program funding has generally increased over the past two decades, the majority of these funds are dedicated to early stages of settlement, such as language training and finding short-term housing (Shields *et al*. 2014). The later stages of integration, such as securing long-term employment and developing a sense of belonging, are considered significantly under-funded (Richmond and Shields 2005; Shields *et al*. 2014).

This funding gap is expected to increase, since many immigrants do not graduate out of the later-stage programs at the same rate as new ones enter into them (Omidvar and Richmond 2003; Richmond and Shields 2005). For example, linguistic experts suggest that it can take up to three years to develop conversational language skills, and up to nine years to develop advanced language skills required for some professions.[4] These timelines extend well beyond scope of funding cycles for most funders. Also, newcomers face competing priorities in the first few years of settlement, which can limit their ability to take advantage of services during the time that they are eligible (Mukhtar *et al*. 2015). Indeed, integration can be a life-long process (Omidvar and Richmond 2003). Moreover, the uncomfortable division of responsibility for funding between levels of government 'confounds accountability for service gaps' (Simich *et al*. 2005). For example, while municipalities are neither mandated nor funded to provide S&I services, they are increasingly shouldering the burden of funding services for classes of immigrants falling outside of federal and provincial eligibility criteria (FCM 2011; Shields *et al*. 2014).

More concerning than the level of funding for S&I services is the **mismatch between the structure of funding and the evolving nature of demand for services**. Specifically, two trends expose weakness in the current funding regime. The first trend is the increasing ethnic diversity of immigrants. The majority of immigrants to Canada are non-European, marking a dramatic shift from previous generations of primarily European immigrants.[5] There are now over 200 ethnicities represented in Canada, thirteen of which represent more than one million people (NHS 2011). The second trend relates to settlement location within Canada. While the immigrant population is still highly concentrated in four provinces,[6] immigrants are increasingly settling in sub-urban areas (Lo *et al*. 2007; 2011).[7] **The current fee-for-service model has not been responsive to these changes in demand for services** (Shields *et al*. 2014; Flynn and Bauder 2015; Mukhtar *et al*. 2015).[8] In particular, the funding regime favours large service providers that offer generic services in large urban centres (Mukhtar *et al*. 2015). The consequence of these two trends has been to exclude the growing number of newcomers needing ethnic-specific services (Simich *et al*. 2005; Guo 2006) and services that are accessible in sub-urban areas (Mukhtar *et al*. 2015).

Moreover, competition for funding inhibits collaboration between settlement agencies, and short-term funding cycles inhibit capacity building and the willingness of service delivery organizations to take risks that are required for innovation in the sector (OCASI 2013; Shields *et al*. 2014).

2.2 Social Finance Context in Canada

The Social Impact Investment Task Force – commissioned by the G8 – recently declared, "the world is on the brink of a revolution in how we solve society's toughest social problems." The statement refers to the rise of social finance approaches to achieve positive social and environmental outcomes across a wide range of sectors. Social finance is an approach to generating financial returns alongside social impact. It seeks to bring impact as a third dimension to the traditional investment concern for risk and return (SIITF 2014). This paradigm shift reflects the emerging beliefs and evidence that run counter to the perceived trade-off between social impact and financial return, and a range of models that are showing how various forms of social investment are important to achieve impact on a scale commensurate with the pressing social and environmental issues being addressed (SIITF 2014; OECD 2015a).

The number of investors and intermediaries engaged in social finance around the world is growing rapidly (JP Morgan and GIIN, 2015), reflecting a shift to a sustained market-building phase (Jackson and Harji 2012).[9] The Canadian market for social finance has evolved more slowly through a process of iterative experimentation at regional levels (Harji and Hebb 2014). That said, recent years have witnessed a steady growth in the amount of impact capital deployed in Canada, the majority of which is provided by credit unions, foundations, high net worth individuals (HNWIs) and provincial governments (Harji and Reynolds 2014). There are at least 45 social investment products and over 30 regional social investment funds in Canada (Harji and Reynolds 2014; NMF 2014). The country's first social impact bond (SIB) was launched in 2014, and plans for others are underway (ESDC 2014).

While many encouraging pilot projects exist at the regional level, a more deliberate approach is needed to overcome the structural barriers that stand in the way of reaching Canada's full market potential in the social finance space (Harji and Hebb 2014).[10] Like any market, building the market for social finance requires coordinated action to enhance capacity across demand-side actors, supply-side actors and intermediaries (SIITF 2014). More experienced markets offer important lessons in these three areas that can be adapted to the Canadian context.

SUPPLY OF CAPITAL

On the supply side, a significant challenge identified in the literature relates to attracting private investors (ASCI 2014). Most investors are reluctant to provide much needed early-stage capital, due to high perceived or actual risks and transaction costs (NMF 2014). Below-market, program-related investments are permissible among Canadian foundations but in a restricted sense relative to the US (Harji and Hebb 2014).[11] Many social finance leaders believe that, at least for complex social issues, impact investments may require some form of subsidy to attract some types of investors, such as a guarantee or tax credit (NMF 2014).[12] Such instruments are especially relevant in the context of Canada's risk-averse investor culture (Harji and Hebb 2014).

DEMAND FOR CAPITAL

On the demand side, there is widespread recognition that more needs to be done to increase the organizational capacity of social sector organizations (SIITF 2014). Building organizational capacity is necessary for enabling social sector organizations to attract management talent, deploy investment capital and, ultimately, to generate social and financial returns (ibid 2014). The Investment and Contract Readiness Fund in the UK has been successful in supporting early-stage social ventures by leveraging £79 M in private investment (Ronicle and Fox 2015). Similarly, Australia established an Impact Investment Readiness Fund. In contrast, Canada has relied heavily on civil society to build investee capacity (NMF 2014). Recent developments in this space are encouraging, such as the Ontario Social Enterprise Demonstration Fund, which provides early stage support to social enterprises, and a national social finance accelerator initiative announced in Budget 2015.

A second challenge on the demand side in Canada is the lack of an enabling regulatory regime related to revenue-generating activity for the not-for-profit sector (Harji and Hebb 2014; SIITF 2014). Not-for-profits exhibit a long-term dependence on grants (Hebb 2012). That said, the sector is beginning to shift toward more diversified revenue sources in the face of constrained public funding (Hebb and Thaker 2014). The US, UK and France have adopted regulations that accommodate hybrid corporate forms (SIITF 2014). Consistent with Canada's regional approach, only two provinces (BC and Nova Scotia) have adopted regulations to this effect (Harji and Reynolds 2014).

BRIDGING DEMAND AND SUPPLY

To bring these demand-side actors together with supply, a strong base of intermediaries is essential (OECD 2015a). Intermediaries are difficult to establish and nurture, particularly in an emerging market (SIITF 2014). The US, UK, France and Australia have all established different national initiatives to catalyze and support their intermediaries. The most prominent example is the UK's £600M Big Society Capital (BSC) fund. While BSC is widely regarded for its commitment to building the supply side (as a wholesale provider of social finance to intermediaries), challenges have been identified with the lack of investment readiness on the demand side (SIITF 2014; ASCI 2014). In the US, the Small Business Association launched a US$1B impact investment initiative in 2011, though deployment of capital has been slow due in large part to the lack of a standard approach to measurement of impact.[13] The Community Development Financial Institutions (CDFI) Fund has placed over US$ 2B in individual CDFIs. Through France's 90/10 Solidary Funds, one million corporate pension plan members have allocated US$7.7B to social finance intermediaries, such as France Active (Dupuy and Langendorff 2014). Australia's Social Enterprise Development and Investment Fund created three new intermediaries.[14]

In contrast, Canada's relatively low population density and provincial system favours fragmented and ad hoc initiatives (Harji and Hebb 2014). For example, most Canadian investment funds have a narrow regional focus, with the exception of the Community Forward Fund (which operates nationally). Moreover, most investment funds in Canada are small relative to funds in the US an UK, with less than $15M[15] in assets under management (NMF 2014). In 2010, the Canadian Taskforce on Social Finance recommended the creation of a national impact investment fund to support the growth of regional investment funds.[16] Despite initial interest and a preliminary feasibility study, the fund not yet been established. There is progress in other areas of intermediary development, such as the development of advisory firms (such as Purpose Capital and Finance for Good), platforms (such as the Social Venture Connexion) and capacity development programs (such as the Enterprising NonProfits program) (Harji and Reynolds 2014).

A final observation is that the Canadian social finance literature is only beginning to focus on specific sectors (SRDC 2013). Some sectors – renewable energy, affordable housing, sustainable food and agriculture, among others – have seen high interest and activity, relative to others (Harji and Reynolds, 2014). S&I services are unique because they cut across a broad range of impact sectors including finance, health, education, employment and housing. Like gender, S&I for immigrants and refugees could be understood as a lens to be applied across impact sectors, rather than an impact sector in its own right (see IIPC 2015).

3. THE POTENTIAL FOR SOCIAL FINANCE IN SETTLEMENT & INTEGRATION

3.1 Potential Benefits of a Social Finance Approach

To what extent can social finance models respond to these evolving demands for S&I services? To our knowledge, no studies have specifically addressed the intersection between social finance and S&I services. As such, this section reviews the broader social finance literature to consider the ways in which a social finance approach could address the challenges identified above.

We find that the value of a social finance approach in the S&I context applies to three related areas: **its potential to leverage new funding sources for individuals, organizations and networks; improve the sustainability and impact of service provider organizations (SPOs); and encourage partnerships with the private sector to respond to the changing needs and demands from newcomers**.

The first benefit of a social finance approach is that it can leverage new sources of capital from private investors that is necessary to match the growing demands for S&I services (see OECD 2015a). In Canada, HNWIs, family offices and institutional investors are becoming increasingly interested in investments that deliver both social and financial return (Harji and Hebb 2014). S&I services fall into several areas of interest among impact investors, such as employment and access to finance for vulnerable populations.[17] Moreover, several credit unions already offer specialized financial services to immigrants and refugees (CED 2010). However, it is important to recognize that social finance will not replace public funding, since attracting large sums of private capital requires governments to leverage their own funds (OECD 2015a). Indeed, experts agree that social finance is best understood as a complement to, rather than a substitute for, public funding (ASCI 2014; HUMA 2015).

A second benefit of a social finance approach is that it can transcend structural barriers inherent in a traditional government funding approach. In particular, social finance can contribute to achieving desired impacts and ensuring financial sustainability of service providers. In the first

FIGURE 1: HUMA STANDING COMMITTEE ON SOCIAL FINANCE, 2015

"Social finance does not replace good public policy, good public investments, or good philanthropy, but it is a necessary complement to these approaches."

Adam Spence, Social Venture Connection

"When you mobilize private capital for public good, you reduce the pressure on government and enable them to do, perhaps, more with their available funds. There is no part of this that recommends government do less."

Stanley Hartt, Counsel, Norton, Rose, Fulbright Canada

"... I think it's very important to recognize that governments still play the primus inter pares, the first among equals, role in terms of setting direction and deciding what those difficult social problems are. Governments should still be very heavily involved in this. I don't think this is an area we want to outsource, solving difficult problems, to the private sector."

Sunil Johal, Policy Director, University of Toronto, Mowat Centre instance, traditional government funding mechanisms do not always reward organizations for performance, as contracts and grants are often linked directly to specific activities and outputs. This can lead to a situation where SPOs become more accountable to their funders than to those they are intended to serve (see Shields *et al*. 2014). A performance-based structure that aligns financial payments with demonstrated outcomes (rather than activities or outputs) can strengthen the impact of SPOs.

In regards to the financial sustainability of SPOs, traditional government funding mechanisms are often provided on a short-term and cyclical basis, meaning that SPOs cannot plan for longer time horizons. Social finance can encourage SPOs to develop new streams of revenue, which contribute to ensuring their sustainability. This is particularly relevant to the S&I context, given that SPOs have specialized expertise and privileged access to newcomers that could be leveraged to generate business income (CISSA 2012). Indeed, the demand for culturally relevant services is growing across the public and private sector (ibid 2012). Immigrant and refugee populations are disproportionately dependent on social services (Shields *et al*. 2014). As such, all social services must transform to better serve this shifting client base (CISSA 2012). Private employers and universities are also potential clients of S&I organizations, given that they are increasingly expected to provide S&I support (Galley and Shirey 2014; Flynn and Bauder 2015). However, the S&I sector has struggled with the professionalization of these services, due in part to the lack of long-term funding (Türegün 2013). Social finance vehicles have the potential to provide an important and complementary (to traditional government funding) source of long-term funding that could enable SPOs to take advantage of these revenue-generating opportunities.

A third benefit of a social finance approach is that it can encourage partnerships (including with the private sector) to respond to the changing needs and demands from newcomers. Traditional government funding in Canada has relied on competition between SPOs to ensure accountability, but an unintended consequence of this competition has been to undermine the development of genuine partnerships within the sector (Mukhtar *et al*. 2015). A social finance approach can encourage meaningful partnerships between SPOs and with other actors, such as private employers, by aligning their incentives. Moreover, social finance often involves the transfer of some degree of risk to the private sector, which has a broader set of mechanisms to manage risk (OECD 2015a). This risk transfer can induce innovative approaches to service delivery, since investors often provide SPOs with the autonomy they need to establish complex and more integrated programs that can meet diverse and changing S&I needs (see CISSA 2012 for similar discussion on the importance of diverse funders).

3.2 Implementing Social Finance in the S&I Context

This section seeks to establish the scope and foundations for our analysis. In particular, it identifies the range of potential social finance beneficiaries in the S&I sector, the mechanisms for delivering social finance to the S&I sector and best practices for growing the social finance ecosystem. Each of these dimensions will be explored in more detail in section 4, using our interview findings and a scan of social finance models.

SOCIAL FINANCE BENEFICIARIES IN THE S&I SECTOR

Social finance is most often associated with investment in social enterprise. In practice, social finance targets a wide range of beneficiaries, including **individuals, entrepreneurs, cooperatives, networks and for-profit small and medium enterprises (SMEs)**.

In the context of S&I, individual newcomers can be the target of social finance, in the form of character-based micro-loans. Similarly, newcomer entrepreneurs can be the target of social finance, in the form of SME loan programs. Not-for-profit SPOs and newcomer-owned cooperatives are also potential recipients of social finance in the form of loans and quasi-equity. Finally, private employers that hire newcomers could benefit from social finance in the form of incentives, such as reimbursement for education or training investments linked to employment outcomes.

Social finance could also extend to networks that support and represent SPOs. While these networks have expressed concerns with applying social finance approaches to the sector, reflecting the sentiment that "social financing can never fully or partially replace the federal government's responsibility and obligation to finance settlement services" (OCASI 2013, 4), we find some early evidence that they are beginning to explore social finance approaches. However, there is a need for more active engagement with the range of networks that permeate the S&I sector, including those that work with SPOs, as well as others that engage more with the broader range of issues that relate to S&I.

MECHANISMS FOR SOCIAL FINANCE DELIVERY IN THE S&I SECTOR

Social finance can be delivered through a variety of mechanisms and funding models. A common model is the social investment fund (SIF), which is an entity that pools capital from a variety of sources and invests in social sector organizations (NMF 2014). The mandates of most SIFs encompass a broad range of social issues (NMF 2014) and as such, governments could look to leverage existing SIFs to support the S&I sector.[18]

Other existing social finance mechanisms that could be adapted to the S&I sector include services provided by financial institutions, namely banks and credit unions. These institutions often have wide and deep distribution channels that are necessary to reach the target beneficiaries through existing or adapted mechanisms. Indeed, best practice drawn from successful social finance initiatives in the UK underscores the importance of scale to achieve breadth of interventions necessary to catalyze meaningful change (UK NAB 2014). At the same time, the distinction in the values, product and service offerings and distribution channels among different financial institutions are significant, especially beyond the major urban centres.

New social finance mechanisms could be designed or adapted for the S&I sector; one example is social impact bonds. When designing new social finance mechanisms, best practice drawn from successful social finance initiatives suggests that relevant actors should work collaboratively and design solutions that are directly linked to social needs, by working backwards from these needs to identify the ways in which financial or social capital could address these needs (UK NAB 2014), as opposed to using the social finance model to inform the approach to a specific social issue.

BEST PRACTICES FOR BUILDING THE SOCIAL FINANCE ECOSYSTEM

It is widely held that, on its own, the provision of finance is not sufficient to meet desired objectives (SIITF 2014; OECD 2015a). Support such as technical expertise and training is needed to build capacity among demand-side actors, such as SPOs and individual newcomers (see UK NAB 2014). Representative S&I organizations can also play an important role in building demand-side capacity by facilitating partnerships between service providers and enabling them to share resources such as physical space, staff and information (CED 2010). Risk and return enhancements such as guarantees and tax credits are needed to grow the supply of social finance. Grant support is critical for building capacity and scale among social finance intermediaries (UK NAB 2014). In addition to specific supports for these market actors – supply-side, demand-side and intermediaries - an enabling policy environment is an important driver for growing and building the social finance marketplace (IIPC 2011; UK NAB 2014; OECD 2015a).

4. SOCIAL FINANCE ACROSS THE STAGES OF SETTLEMENT & INTEGRATION

As the literature review suggests, S&I is best understood as a lens to be applied across social finance, rather than a social finance 'impact' sector in its own right. Indeed, S&I initiatives intersect with a wide range of social finance impact sectors, including employment, education, affordable housing, social cohesion, youth development and local food security, among others. Given this expansive range of impact areas to which an S&I lens can be applied, we adopt a framework that focuses on the experience of the end beneficiary (i.e., individual newcomers, SPOs, networks, SMEs, etc.) in order to concentrate our analysis on the areas of S&I that are most relevant to Immigration, Refugees and Citizenship Canada (IRCC).

There are three distinct time periods for newcomer's S&I in Canada. **These are immediate/ short-term (up to the first three years in Canada), medium-term (three to five years) and long-term (five years and more)**. We recognize that these distinctions are to some extent artificial, as some newcomers will move through these stages at different rates than suggested by this framework. Nevertheless, this framework is useful for exploring the range of barriers in the S&I sector that could be addressed by different social finance models. This report focuses on the first two stages of S&I, since the third stage falls outside of IRCC's mandate as it relates to the direct funding of S&I initiatives. Moreover, this report focuses on social finance models that have an explicit focus on newcomers or refugees. However, it is important to recognize that there is a broader range of social finance models that could apply to these populations, such as social finance for child-care and affordable housing.[19]

In this initial research phase, we conducted a scan of social finance models that could be applied to the S&I sector and we conducted interviews with key informants to deepen our understanding of a subset of these models. In addition to Canada, our scan targeted social finance models from Australia, France, Germany, the UK and the US. The sections below relate the various social finance models to the barriers they seek to address across the three stages of S&I.

4.1 Early Stage Newcomer Settlement (0 to 3 years)

As suggested by the literature, IRCC's own practice, and the interviews conducted in this phase one research, newcomers' settlement is the primary need in this immediate and short-term period. Government and locally-based settlement agencies play the primary role in assisting newcomers to adjusting to their lives in Canada. This includes, but is not limited to, orientation to Canadian society, access to housing and other essential services (e.g., health care and child care), language training, social and emotional supports, and access to employment opportunities. The consensus is that the federal government plays a vital role in both providing direct services and funding settlement agencies to provide these services during the initial period of settlement. All interviewees felt that the federal government should continue to play this role in partnership with settlement agencies in Canada.

During this initial settlement period, social finance models that address the needs of individuals and their families and SPOs and networks that provide early-stage support to newcomers are most relevant.

These immediate needs range from stable long-term housing, food security, child-care, health services, education, training and employment among others.

In this report **we focus on areas that are most relevant to IRCC's funding mandate, including social finance models for education, training and employment**. The scan identified two primary social finance model archetypes that serve this first stage of settlement: **micro-lending programs** and **funds and pay-for-performance contracts**.

MICRO-LOAN PROGRAMS AND FUNDS

Most social finance models that target newcomers in this first stage do so through the provision of micro-loans to individuals for education, training, and/or certification leading to employment in their field. These loans are usually up to a maximum of $15,000, and individuals are referred to the lender by a community partner (usually a settlement agency). The most useful loans for newcomer settlement are offered on the basis of character lending rather than credit history or hard assets, as many newcomers need these small loans to assist them in gaining employment in their field and beginning to build assets and credit history in Canada. Most mainstream financial institutions continue to exclude individuals who lack credit histories and hard assets from accessing financial services.

In most cases, these micro-loan programs are offered by credit unions in Canada, working in partnership with community-based programs. For example, Vancity's Jumpstart Program draws on local savings accounts established in order to underwrite this program. There are also successful models, such as the Immigrant Access Fund (IAF) that draws on investors to help guarantee lines of credit with financial institutions that underwrite their loans. IAF has recently scaled up from an Alberta-based model to a national model. Additionally, IAF served as the original impetus behind the development of the SEED fund (Recognition Counts!) in Manitoba.

Both financial inclusion and financial literacy are key aspects of newcomer settlement, and are equally important for social finance. The Task Force on Financial Literacy in Canada suggests that, "Financial literacy is having the knowledge, skills and confidence to make responsible financial decisions." This means having an understanding of personal and broader financial matters and applying that financial knowledge in everyday life. Settlement agencies, mentors, and social finance models themselves play a role in helping develop financial literacy geared to the Canadian financial system, by working directly with newcomers in this area. For example, Vancity is training its front line branch staff to respond directly to the needs of newcomers in their communities in both financial literacy and financial inclusion.

In some cases, the use of the loans is flexible, and loans can cover a range of needs that allow access to training and education (i.e., immigration fees, child-care, shelter costs etc.) The referring agency usually works closely with the newcomer, often helping the newcomer navigate the myriad of requirements to achieve their goals and access employment in their field. In several instances, community partners provide mentors and/or advisors that work closely with the newcomer in their community.

> Access to long-term mentors is a key element to both S&I, and when combined with access to capital, can help ensure both the repayment of the loan and a more inclusive settlement and ultimate integration into Canadian life for the newcomer.

PAY-FOR-PERFORMANCE CONTRACTS

Pay-for-performance contracts vary in design, but the general structure involves governments making payments to service providers or intermediaries on the basis of achieving pre-agreed performance targets. Pay-for-performance differs from fee-for-service contracts. In a pay-for-performance model the government pays only for the results that are achieved, thereby shifting risk of failure to the private sector. The most widely regarded benefit of the pay-for-performance model is the ability to encourage innovation in service delivery (SIITF 2014).

> One example of a pay-for-performance contract model that focuses explicitly on immigrant and refugee populations is the Massachusetts Adult Basic Education program. This program seeks to address the long waiting list among newcomers for language and basic skills training programs. Performance outcomes will be measured based on changes in employment status, earnings and enrollment in post-secondary education among those that participated in the program. The state has allocated $15 M to extend the pilot if it is successful.

Another pay-for-performance model that we identified in the scan is the Community Employment Loan Program. The program will use a financial incentive to encourage SMEs in Ontario to hire persons facing barriers to employment, including newcomers. A reduction in the interest rates of the loans is directly linked to the number of employees that are hired from a community agency partner. The Government of Ontario is committed to a partnership with Social Capital Partners to scale this program using cost savings achieved in other government support programs. Local bank branches will administer loans and Social Capital Partners will administer interest rate reductions. Unlike the micro-loan programs and funds detailed above that can be limited by the size of the capital pool that underwrites them, this program is designed to be scaled up, particularly in large urban centers in Canada. While we include this model in the first-stage of settlement, it may actually be more applicable in the second stage of S&I, particularly for newcomers that face competing priorities in the first stage of settlement, such as acquiring basic language skills and cultural knowledge and finding suitable housing arrangements.

Many organizations in the S&I sector have explored social impact bonds (SIBs) as a viable model to address the needs of newcomers in Canada, particularly in these early days of settlement. Some have worked individually (Toronto Region Immigrant Employment Council, TRIEC), and others have worked in broad coalitions to explore the SIB model.

SIBs are a unique form of pay-for-performance contact that provide financial return to investors that have committed funding upfront based on achieving specified social outcomes. There are now over 40 SIBs worldwide (Finance4Good 2015).

Initially, prisoner re-offending was the only social issue that was assumed to be suitable for this model, but SIBs now address a wide range of social problems, including youth unemployment, foster care and high school drop out rates, among others (SIITF 2014).

In addition to the Massachusetts Adult Basic Education program, which is expected to leverage SIBs, the scan identified four SIB pilots that have direct relevance for S&I organizations. The first is a Belgium SIB that seeks to address dual problems of integration and employment among immigrant youth. The expected return on investment is 6% overall. The employment results of the targeted group will be compared to a control group to determine reimbursement. We are also aware of two pilot SIBs launched by Employment and Skills Development Canada (ESDC) with Alberta Workplace Essential Skills and the Association of Community Colleges of Canada to provide education and training programs for unemployed and underemployed adults, which could include newcomers.[20] The forth SIB we identified was intended to offer mentorship to immigrants. The Maytree Foundation submitted a proposal for an immigrant mentorship program to ESDC's 2014 call for social finance concepts. The proposal is modeled on the TRIEC program, which resulted in 70% of mentees finding employment (ESDC 2014).

Some concerns with the SIB model have been raised in the literature (e.g., Joy and Shields 2013; ASCI 2014). For example, policymakers are often motivated by the potential for SIBs to save money, through direct savings, more effective program delivery, or improved social outcomes over the long-term. As a recent study by the MaRS Centre for Impact Investing (2014) finds, expectations for returns among the majority of Canadian investors surveyed are between 5% and 15% per year. In contrast, the federal government was paying an average of 2.37% to borrow money in 2013-14 (HUMA 2015).

A second concern with SIBs and pay for performance contracts in general relates to measurement challenges (Joy and Shields 2013). Some aspects of S&I services lend themselves well to measurement. For example, the value in work lost to the Canadian economy by the exclusion of skilled immigrants can be calculated (see Reitz *et al*. 2014). Similarly, the loss of tax dollars due to the failure of legal permanent residents to become naturalized citizens is estimated to be $2.2 - $4.8 billion in New York alone, over the next ten years (C4C 2014). But S&I organizations also generate benefits that are not easily measured, including feelings of social inclusion and enhanced self-confidence (see CED 2010). There is a risk of crowding out services that focus on difficult to measure outcomes in favour of services that are more easily measureable (see Joy and Shields 2013).

Similar to the literature on SIBs, many interviewees also expressed concerns, including the view that SIBs are too complex, and require a range of skills most organizations do not have. Others worry about the potential for creaming (serving the least difficult clients to meet preset performance thresholds) or that government would no longer take responsibility for funding the sector. SIBs received the highest number of negative responses of all the social finance models raised in our interviews. However, the newly launched Massachusetts Adult Basic Education program may prove to be an interesting model going forward, as this is one of the first SIBs to target newcomers' basic educational needs. It will establish a clear set of metrics for the delivery of this service and measure outcomes through randomized control trials. Additionally, it will provide information on SIB investors, and on the collaboration among government departments, both necessary features if the SIB model is to grow (see the appendix for more on the Massachusetts SIB). The value of the SIB model should be reviewed from multiple angles, not only its potential to reduce costs, but its potential to more explicitly incentivize the achievement of social outcomes rather than fund program activities.

4.2 Second Stage Newcomer Integration (3 to 5 years)

In the second or intermediate stage (three to five years) integration becomes the primary objective. At this stage social finance models move away from assisting individuals in their career training and employment and toward **enabling entrepreneurial newcomers to access capital** for SMEs These funds are focused on **assisting enterprises and SPOs rather than on individuals themselves**. While these models do not necessarily target individual newcomers, what is critical in their structure is **that there are no barriers to newcomers accessing these funds** if their enterprises fit the required criteria.

Similarly, settlement agencies need access to capital to develop enterprise activities and diversify their revenue sources.

A scan of social enterprises operating in the Canadian S&I sector conducted in 2010 identifies 116 organizations, representing worker cooperatives, training businesses and social purpose enterprises (CED 2010). These organizations offer a wide range of services including employment, language training, housing, social support, cultural and life skills training, networking and access to finance, with most organizations providing a combination of these services (CED 2010).[21] A related survey drawing on 21 interviews identifies the challenges these organizations face related to business income, grant dependency and scale limitations. The majority of enterprises in the survey experienced increased business income since their first year of operating. This income is generated from the sale of goods and services such as sewing, catering and, in a few cases, translation and interpretation services. The majority of business income is derived from goods and services requiring low-skilled labour. Most social enterprises also remain heavily dependent on grant funding (CED 2010).[22] Moreover, most operate within a narrowly defined geographic region and employ a small number of newcomers (ibid 2010), suggesting that scale is a challenge to introducing social finance approaches in the S&I context.

Our scan identified two model archetypes that provide affordable capital to newcomer entrepreneurs and settlement agencies: social investment funds and SME loan programs.

SOCIAL INVESTMENT FUNDS

Access to this type of capital for the second stage of S&I is generally delivered through social investment fund (SIF) models as opposed to the micro-loan models detailed above. SIFs are entities that act as intermediaries by pooling capital from a variety of sources and investing in social sector organizations. There is no standard approach for these types of funds, as each have been designed and implemented according to a unique set of considerations (objectives, contexts and outcomes).

Foundations, HNWIs, family offices and governments tend to be the primary investors in these funds. Currently, most SIFs in Canada provide access to capital to non-profit and/or for-profit enterprises. SIFs have typically been used to invest in service delivery organizations that face barriers to accessing finance from traditional channels. These investments most often take the form of debt, equity and quasi-equity finance. Most of these funds require some form of repayment over time, which contrasts with other models, such as the US Social Innovation Fund, which provide non-repayable grant capital to scale up innovative social sector organizations. Similarly, some funds in the UK are beginning to shift back to a blended capital approach, by offering a mix of loans and grants (ASCI 2014).

By design, most SIFs cover a broad range of social and environmental missions rather than focus on a specific area of impact (NMF 2014). A number of these funds specialize in supporting social enterprise in Canada, and have specific thematic or regional focus. For example the Nova Scotia Community Economic Development Investment Fund (CEDIF) model only funds for-profit businesses in local communities. Here the business plan, ability to repay, and track record of the enterprise play a key role in determining which enterprises receive financing. Independent decision-making is another key factor in these funds, as is proximity to the investment opportunity and providing on-going technical support to the investee enterprise.

Internationally, we identified several funds that invest in organizations serving vulnerable populations, including newcomers and refugees. In the UK, two examples are noteworthy. The Futurebuilders Fund invested in a number of S&I organizations under the theme of community cohesion. Bridges Ventures invests in social enterprises that serve immigrant and refugee populations, such as an immigrant housing charity. Beyond the UK, one of the investment funds that is supported by Australia's Social Enterprise and Development Investment Fund invested $1M in a recycling plant that employs disadvantaged persons, including newcomers and refugees.

In Canada, the majority of SIFs are established by charitable foundations (NMF 2014). The scan identified several funds that have investment mandates relevant to the S&I context, and that are supported by government in the form of operational funding and/or enhancements. The funds range in size from $0.2 M to $60 M. Some funds have been successful in leveraging a significant amount of private capital, such as the Fiducie du Chantier in Quebec that leveraged $22 M grant to attract $30 M in private investment. We also identified one fund that co-invests with private investors: the Ontario Social Enterprise Demonstration Fund. The Ontario Government matches funds that are leveraged by fund intermediaries, up to a maximum provincial grant of $500,000 per initiative. Investments can be made in intermediaries or directly in social sector organizations. The Fund has recently selected eleven intermediaries and social enterprises, a few of which have a specific focus on immigrant and refugee populations (e.g., Ottawa Community Loan Fund, the Toronto Enterprise Fund and the PARO Centre).

A challenge identified for Canadian investment funds is the lack of a sufficient number of investment ready opportunities, given the funds' narrow geographic scope (NMF 2014). Moreover, the strongest investment opportunities for these funds "quickly graduate to the conventional market" (NMF 2014). To address this challenge, some funds identified in the scan provide investment readiness and technical support. For example, the Community Forward Fund provides the nonprofit sector with financial coaching and capacity building services. Support for business development is often provided prior to making the investment, but support can also be provided on an on-going basis after social ventures have received investment.

Some SIFs could also offer financial support to SPOs that serve newcomers in **the first stage of settlement**. However, early stage settlement activities would more likely be supported by SIFs that provide access to below-market capital and grants, since the services that SPOs offer to early-stage newcomers are not likely candidates for developing into robust enterprise activities.

SME LOAN PROGRAMS

Similar to SIFs, SME loan programs provide access to capital that would not be offered by traditional lending institutions. However, SME loan programs are designed to support newcomer entrepreneurs, and not SPOs. In our scan we identified three models that provide affordable loans to immigrant-owned business. The Nova Scotia Loan Guarantee Program lends to SMEs in Nova Scotia and it has a specialized stream for newcomers' enterprises. The Nova Scotia Government provides a guarantee of up to 90% of the loan value. In addition to the loan, support in the form of mentorship and networking is offered to the immigrant entrepreneurs. In the US, we identified two examples of community development financial institutions (CDFIs) that provide loans to immigrant and refugee populations. The first example is the Fresno CDFI, which provides loans to social enterprise, with a focus on immigrant farmers. The second example is FINANTA, which provides loans to local small businesses, most of which are minority-owned.

As with other Canadians, newcomers in this second stage continue to need access to affordable long-term and stable housing, access to health services, access to child-care and access to education and training opportunities in order to fully integrate into Canadian society. While social finance may have an important role to play for these areas and sectors, newcomers in this stage involve a much broader set of issues to discuss beyond the scope of this report.

4.3 Third Stage Newcomer Integration (5 years or more)

In the third stage (beyond five years) it is anticipated that the newcomer is now integrated in Canadian society. What is not known is how fully integrated they are, as there are few longitudinal studies that measure social inclusion and other long-term impacts in the sector. Similar to the second stage of integration, this third stage finds newcomer needs are similar to those of other Canadians.

> Most social finance models that would serve newcomers in this stage do not have specialized newcomer programs or targets, but are sensitive to not placing barriers in the way of access to capital.

This third stage is beyond the scope of our report, since activities in this stage extend beyond the mandate of IRCC settlement and integration funding. However, we did identify a few models that are worth mentioning, as these models could support SPOs that operate enterprise activities that aim to offer services to private and public sector clients that fall into this third stage. For example, the scan identified a few SIFs that invest in SPOs that operate social enterprises that provide diversity and cultural sensitivity training to the private and public sector, for a fee.

The overall objective in this third stage is for integration to become a two-way street. This means that it is not only foreign-born individuals that must integrate into Canadian society, but also Canadian employers and social service providers (including hospitals, schools and libraries) that must adapt in order to remove barriers for newcomers and to realize the economic and social benefits of immigration.

4.4 Market-building initiatives (all stages of S&I)

Finally, the scan identifies several social finance models that are aimed at supporting SIFs and other intermediaries across all stages of S&I. These market-building models are often aimed at **facilitating the growth and capacity of other social finance intermediaries, regional governments and other actors that are involved in the social finance ecosystem to strengthen their ability to provide access to capital to the S&I sector (including individual newcomers, SPOs and networks) and beyond.**

The scan identifies the following types of market-building initiatives: wholesale funds, investment and contract readiness funds, social incubator funds, funds designed to catalyze the development of new social impact bonds and public development banks. Details of each model are provided in the appendix.

The UK is well known for the wholesale fund model, where government funds are provided to intermediaries rather than directly invested in social sector organizations (ASCI 2014). **These wholesale models are aimed at supporting social finance intermediaries to achieve the scale that is necessary to meet market demand for accessible and affordable capital** from individuals and social sector organizations. Australia created the Social Enterprise Development Investment Fund (SEDIF) in 2011, which catalyzed three new intermediaries. While there are no social finance models of this type currently in Canada, the UK's Big Society Capital and the Australian SEDIF provide two interesting models for the development of these enabling platforms.

The UK and Australia have also established investment and contract readiness funds (ICRF) to support social sector organizations in the early stages of development. More specifically, **the primary aim of these funds is to assist social sector organizations to build their internal capacity up to a level that is necessary to succeed in pursuing an opportunity linked to a specific investment or contract.** While it is still early days for the Australian fund, the UK fund has experienced considerable success in helping social sector organizations to secure public sector contracts and to attract private investment. For example, a recent evaluation of the ICRF finds that for every £1 spent the fund unlocked £18 in private investment and contracts, and 78 of 155 ventures supported by the Fund have secured contracts and/or investments (Ronicle and Fox 2015).

Public development banks are capitalized with public funds and have broad mandates to support domestic SMEs. Some of these banks have special programs to invest specifically in social enterprise. Development banks do not make direct investments but rather, they co-invest with private investors in social sector organizations. For example, the US Small Business Association Impact Investment Fund provides capital to designated intermediaries (small business investment companies). The German Reconstruction Credit Institute (KfW) co-invests with private investors on a matching basis, using equity investments to leverage debt financing from commercial banks. While we find no evidence of development banks being applied specifically to the S&I sector, the scope of the German or US bank programs do not preclude investment in these organizations. Canada's Business Development Bank could be an example of a public development bank that possesses a set of national processes, infrastructure and expertise and is keen to strengthen its commitment to social enterprise and social finance.

4.5 Comparative Analysis of Models Across Stages

The scan identified a wide range of social finance models applicable to the S&I context. These models vary across design dimensions, such as financing mechanism (loans, equity, quasi-equity), suitability to stage of settlement (immediate, medium and long-term) and investment target (individuals, organizations, governments, intermediaries). While many of these models are based in the US or overseas, we also identified several Canadian models. We conclude from this research that a diversity of social finance models is necessary to address policy objectives in the area of S&I, since the various social finance models identified in the scan have strengths and weaknesses in relation to the different stages of S&I. These strengths and weaknesses are summarized in the table below.

TABLE 1: SOCIAL FINANCE MODELS COMPARED TO S&I NEEDS[23] AND SERVICES[24]

S&I NEEDS: SHORT-TERM (<3 YEARS)	SOCIAL FINANCE MODELS	STRENGTHS OF MODELS (FOR IDENTIFIED S&I AREA)	WEAKNESSES OF MODELS (FOR IDENTIFIED S&I AREA)
Affordable access to credit for: foreign credential recognition, equipment, skills upgrade, certification, language training.	• Micro-loan Program (Vancity Jumpstart) • Micro-loan Fund (e.g., SEED Winnipeg, IAF)	• Rapid deployment for individuals that need immediate access to capital • Borrowers build credit history • High potential social return • Low risk for investors (high repayment rates)	• Borrowers may lack trust of lending institution • Difficult to scale due to high operating costs of administering character base loans • Lending limited by size of loss reserve
Labour market access: soft employment skills, basic education, job-seeking skills, networking, employment bridging, language training.	• Pay-for-Performance Contract (e.g., Mass. Adult Basic Education) • Social Investment Fund (e.g., Refugee and Immigrant Fund – RSF Social Investment Fund)	• P4P pilots allow for experimentation • Governments can transfer some risk of failure to private sector with P4P • SIFs allow SEs to provide comprehensive set of services to newcomers (combination of services, potential for synergies and cost savings)	• SPOs in P4P arrangements may experience cash flow problems • Lengthy and complex P4P contract negotiation • Small scale P4P pilots make it difficult to plan for the future • Significant amount of time to deploy capital due to lack of viable investment opportunities (SIFs)
Support services to access settlement services: childcare, translation and interpretation services, counseling, transportation and Information, orientation and referral.[25]	Social Investment Fund (e.g., Community Forward Fund)	• Guarantees can offset perceived or actual risk to investors • Suited to programs with outcomes that are not easy to quantify • Business development support- SPOs • SIFs allow SEs to provide comprehensive set of services to newcomers (combination of services, potential for synergies and cost savings)	• Difficult to measure social return on investment in some areas • Significant amount of time to deploy capital due to lack of viable investment opportunities
Community connections: cross-cultural activities, connecting clients to public institutions and their communities, mentoring and networking.[26]	Social Investment Fund (e.g. Community Forward Fund)	• Guarantees can offset perceived or actual risk to investors • Suited to programs with outcomes that are not easy to quantify • Business development support- SPOs	• Difficult to measure social return on investment in some areas • Significant amount of time to deploy capital due to lack of viable investment opportunities
Work experience in new country, prior to being 'job ready'.	Social Investment Fund (e.g., Toronto Enterprise Fund; Ontario Social Enterprise Demonstration Fund)	Employment integration provides holistic support for target population (confidence, informal language training, income, networking, etc.)	• Difficult to balance social objectives with revenue generation, given the early stages of settlement of target population • Grants may be more applicable than loans

S&I NEEDS: MEDIUM-TERM (<5 YEARS)	SOCIAL FINANCE MODELS	STRENGTHS OF MODELS (FOR IDENTIFIED S&I AREA)	WEAKNESSES OF MODELS (FOR IDENTIFIED S&I AREA)
Entry-level employment, with opportunities for advancement.	Pay for Performance Contract, with incentive (e.g., Community Employment Loan Program)*	• Directly links social outcomes with financial incentives • Scale potential community branches to all SMEs seeking finance and positions	• Depends on employment that provides advancement opportunities • May require on-going language training
Mentorship for 'job ready' candidates.	Social Impact Bond (e.g., Belgian Duo for a Job SIB)	• Pilot allows for experimentation • Governments can transfer some risk of failure to private sector	• SPOs may experience cash flow problems • Lengthy and complex contract negotiation • Small scale pilots make it difficult to plan for the future • Difficulty finding payer organization (TRIEC's experience)
Affordable access to small business loans and business development support (Permanent residents, no longer than 5 years in Canada).	SME loan program (e.g., Nova Scotia Loan Guarantee Program)	• Immigrant entrepreneur has direct access to affordable finance • Mentorship and business support • Guarantee offsets perceived or actual risk to investors	• Newcomers in rural areas experience difficulty accessing mentorship or business support services • Limited to debt finance (currently no equity investment available)
Affordable access to small business finance (equity and debt).	• Tax-credited Investment Funds (CEDIFs) • Social Investment Fund (e.g., Social Enterprise Fund)	• Affordable access to finance for social enterprises serving S&I • Potential to attract large number of retail investors (tax credits)	• These models are not suited for lending to individual immigrant entrepreneurs, due to high costs of administering micro-loans • While S&I sector is not excluded from investment criteria, it is not a focus area

*Could also be applied to the first stage, depending on the level of settlement progress made by the newcomer.

S&I NEEDS: LONG-TERM (>5 YEARS)	SOCIAL FINANCE MODELS	STRENGTHS OF MODELS (FOR IDENTIFIED S&I AREA)	WEAKNESSES OF MODELS (FOR IDENTIFIED S&I AREA)
Affordable access to credit for fees associated with attaining citizenship.	Micro-loan Program (Casa de Maryland and Citi program)	• High potential social return on investment • Short-time horizon to deploy capital	Difficult to scale due to high operating costs of administering loans
Diversity and cultural sensitivity training for private employers and public service providers.	Social Investment Fund	• Support for early stage ventures • Privileged access of S&I SPOs to cultural knowledge, language skills opportunity for revenue generation and strong financial returns	May take significant time to deploy capital
On-going integration: Multi-cultural programs; civic engagement, social cohesion.	Social Investment Fund (e.g., Social Enterprise Fund)	• Support for early stage ventures • Privileged access of S&I SPOs to cultural knowledge, language skills opportunity for revenue generation and strong financial returns	May take significant time to deploy capital

5. FINDINGS FROM KEY INFORMANT INTERVIEWS

To provide additional context and rationale on the social finance models identified in this scan, phase one research included a set of semi-structured interviews with key informants. The appendix includes full details of each of the social finance models that were profiled. Drawing on the secondary research conducted earlier, this section integrates the main themes of the interviews, including findings related to metrics and measurement, success indicators, challenges, lessons learned and the potential role of government, as identified by the interviewees.

5.1 Metrics and Measurement

As with most financial models, SIFs, micro-loan programs and funds and SME loan programs keep close record on their financial data (often referred to as their 'book of business'), tracking loans out, clients served, and repayment rates. Many investment funds also track the employment outcomes, qualifications gained, employment in own field, ability to pay back loan, and asset building, that are a result of the loan or investment. Several enterprise funds ask their investee enterprises to track longer-term outcomes and impacts.

All interviewees expressed an interest in having **more outcome and impact data, and many suggested that government could be helpful in ensuring greater access to such data**. However most suggested that longitudinal data and areas such as social inclusion are hard to track. Several suggested that attribution is a problem in long-term measurement within the sector. Some organizations train and utilize their investee enterprise's client base to provide the interviews for the survey data needed for long-term tracking.

A few organizations are using random control groups, particularly for pay-for-success and social impact bond models. A few mentioned using social return on investment (SROI) methodologies, but said this was time consuming and expensive. Several used external evaluators to measure their impact (Social Enterprise Fund, SEED), while others have embraced measurement technologies in the S & I sector and are offering their methods and services to others in the sector, sometimes as a way to access a new revenue stream themselves.

5.2 Success Indicators

Most social finance models measure success in terms of the growth and sustainability of their program. For many this means their ability to grow their investment pool, combined with the results of their investments and their ability to achieve their stated mission. Both the Immigrant Access Fund and Community Forward Fund indicate that this is their measurement of success. **Ability to scale is a key success indicator for many social finance models.**

If the model is a loan fund, for example, success lies in the size of the fund, its ability to scale, the number of loans generated with their target audience, the repayment rates and whether access to capital led to the stated aims of the fund (whether individual loan recipients were able to achieve their employment goals and/or whether organizations accessing capital where able to meet their program objectives).

5.3 Challenges

As to be expected, a raft of challenges exists for social finance funds and programs as these innovative models develop and grow in Canada. This means considerable room for experimentation is required.

Most funds find a lack of investment-ready opportunities in their early stages. These include both investment in individuals and enterprises. As a result, significant resources must go to technical assistance for both newcomers and enterprises as they move to investment readiness. The UK's Contract and Investment Readiness Program is a direct result of responding to the identified needs in the sector to build capacity on the demand side. The Social Enterprise Fund in Alberta also identified and responded to the technical requirements of enterprises to become investment ready and in recent years has significantly grown their loan portfolio. The longer the track record of the model, the greater the availability of investment ready opportunities.

Risk aversion remains high in this arena, both with the investee and with the investor. For the investor, the lack of track records for these models is an inhibitor. Many social finance models indicate that the simpler and more straight forward the investment opportunity is the more likely it is to attract investors. As indicated above many see the federal government's role is to de-risk these models for investors and financial institutions. Bridges Ventures has identified seven ways to de-risk impact investing, including the use of strategies such as bundling, technical assistance, and downside protection (Bridges Ventures, 2014)

A further challenge when attracting individual investors into social finance models is the **difficulty in accessing RRSP contributions** and the myriad of rules and regulations that inhibit individual investors from participating in these community-based investment opportunities.

Newcomers themselves face a number of challenges including financial literacy, lack of credit history, lack of assets, lack of employment, and in some cases, distrust of financial institutions. Character-based lending with a strong referral system from partner agencies addresses these challenges.

But character-based lending itself poses challenges for financial institutions and many currently do not have systems that can handle this type of lending. One interviewee suggested that while it is difficult to design programs that work with large, mainstream institutions, it is essential because the breadth of their distribution network allows social finance models to get to scale and truly meet the needs they seek to address.

5.4 Lessons Learned

A key lesson learned from interviewees' experiences with social finance models, both within and beyond the S&I sector, is **the importance of partners and champions in enabling these models to develop and grow**. Most successful social finance models have strong champions within and beyond the organization. As one interviewees suggested, "it will take committed people to drive this forward, it won't happen by accident."

A second key lesson learned is that social finance models must work closely with partners, particularly settlement agencies in Canada. These partnerships are key to delivering services to newcomers beyond simply access to capital. **Many interviewees felt that, while access to capital and financial inclusion are essential, without the additional support and assistance offered by partners the objectives of the social finance model would not be met.**

Several interviewees suggested that with hindsight there should have been more resources available from the start. The initial ramping up period is long and costly for social finance models and must be factored in. This point was raised by the Community Forward Fund, Unleashing Local Capital, and the Social Enterprise Fund.

Several suggested that social finance models should not be overly restricted in their investee criteria to ensure future success. This is particularly so for equity social finance models. When government places too many restrictions on these investments it is hard for these funds to grow and become sustainable, as they are not able to fund the best opportunities in the sector. These restrictions may be either by type of investment opportunity, size, or geographic location of the investee. This would suggest that when SIFs are established, that the funds themselves set the criteria and take responsibility for investment selection.

5.5 Role of the Federal Government

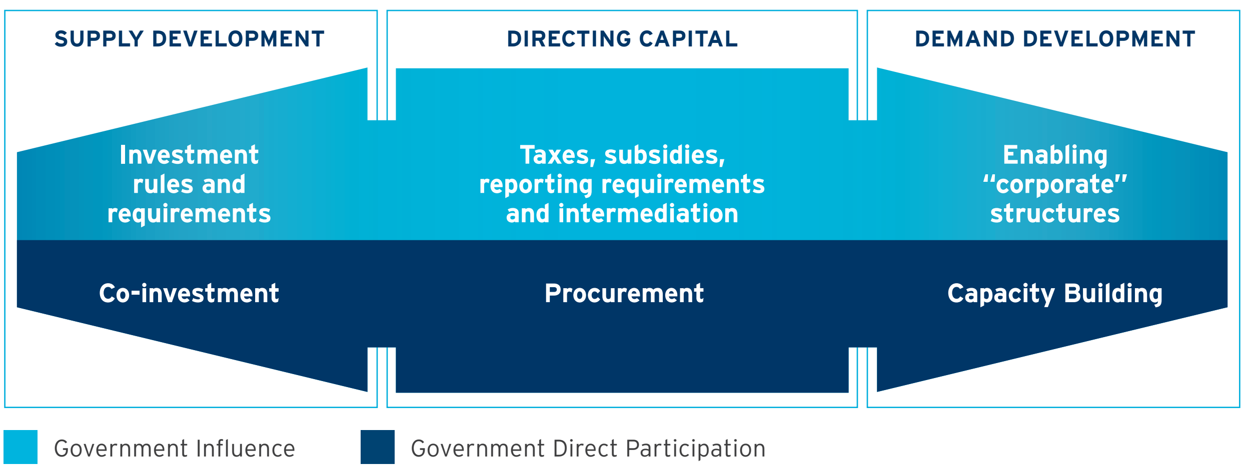
Most significantly, the federal government must continue to play and active role in funding S&I of newcomers to Canada. This includes grant support for settlement agencies to provide much needed services to Canadian newcomers. While many interviewees applaud the federal government's willingness to look at new social finance models in the sector, it was noted that many services required by newcomers will not be met through these models, and government must be aware of any unintended consequences in the adoption of these models going forward. Most interviewees felt that the **federal government should not try to become intermediaries themselves but should 'catalyze' social finance intermediaries through de-risking, partnering, and providing 'wholesale' access to capital for the sector**.

6. BEST PRACTICES FOR GOVERNMENT ENGAGEMENT IN SOCIAL FINANCE

There are several ways in which the federal government can play a role in supporting the market for social finance (figure 2). Indirectly, government can seek to shape the market for social finance by changing **investment rules** to allow for greater investments, or by **enabling hybrid corporate structures** to encourage social enterprise activity in the settlement sector.

Another indirect role for government is directing capital through **de-risking and providing subsidies and return enhancements**. More direct action by government could include the procurement of services, such as the pay-for-performance model, co-investing through a SIF, and providing capacity building funds. While IRCC may not be able to engage directly in some of these roles (e.g., tax credits or investment rules), it is important that IRCC is aware of these options when engaging with other government departments on social finance. The sections below focus on the roles that IRCC could play to implement a social finance approach, drawing on interviews, the literature review and the scan of models.

FIGURE 2 POTENTIAL ROLES FOR GOVERNMENT IN SOCIAL FINANCE[27]



SIX CRITERIA TO DESIGN AND ASSESS POTENTIAL POLICY

Targeting: The focus of a policy must be carefully matched to its objectives

Transparency: The detailed substance and mechanism of policy should be known to investors

Coordination: A policy is likely to be more effective if it builds on and leverages existing policies and markets

Engagement: Up-front and ongoing engagement with impact investors is important for clarifying needs and building support

Commitment: The level of real or presumed commitment to a policy from government, both in duration and resources, should be consistent with the need

Implementation: An institutional context and infrastructure that supports efficient delivery and modification is critical to succes

6.1 Government Role in Directing Capital (de-risking and providing return enhancements)

Policies directing capital change the way existing investments are made in the capital markets, shifting more toward impact opportunities. Policies that direct existing capital change the perceived risk and return characteristics of impact investments by adjusting market prices and costs and improving transaction efficiency and market information.

Within the social finance models themselves there is a strong consensus among interviewees and within the social finance literature that the federal government should play a key role in helping to de-risk these models for investors.

De-risking refers to an intervention to alter the risk and return profile of the investment. Given the nascent state of social finance, impact investment opportunities are often perceived by private investors as being more risky than they actually are. This perception is partially due to information asymmetries. That is, government often has greater knowledge of risks and opportunities in the S&I sector than private investors that have limited experience with the sector. In these instances, the government plays an important role in de-risking investments to attract risk-averse investors.

A common mechanism for de-risking is the provision of first loss capital. First loss capital refers to a range of tools that governments can use to alter the perceived risk of an investment. These tools include grants for first loss reserves, guarantees, junior positions in equity and subordinated debt.[28] All of these tools could be used by government to take the first loss on an investment. In doing so, the government can encourage the flow of private capital to these investment opportunities. The sections below demonstrate how these de-risking tools are used across the model archetypes in the scan.

MICRO-LOANS AND SME LOAN PROGRAMS AND FUNDS

Because these loans are 'character based' most financial institutions, including credit unions, require some form of guarantee to ensure against any losses that might be incurred through this type of lending. Guarantees are generally provided by government (federal, provincial, municipal) and/or foundations and individuals. In many cases guarantees take the form of a loan loss reserve capital pool seeded by an initial grant. Interestingly these micro-loan funds have not experienced significant losses in their portfolios and the loan loss reserves has been used infrequently or in some cases, not at all. Recently Assiniboine Credit Union reduced the amount of required loan loss reserve from 80% to 70% as it felt that the excellent track record of repayment in the program no longer required such a high loan loss reserve ratio. This has allowed for an expansion of the SEED program. The Nova Scotia Government provides the loan guarantee for SME lending, for up to 90% of the value of the loan. The guarantee has been successful in leveraging an overall lending portfolio to all SMEs (not just immigrant-owned) of $90M.

SOCIAL INVESTMENT FUNDS

Many SIFs struggle to attract investors in Canada if they do not have guarantees or loan loss reserves, which restricts their ability to scale.

Many interviewees see that the role of the federal government is to de-risk SIFs through guarantees, loan loss reserves, as first investors, and potentially to provide tax credits for accredited and retail investors to incentivize private capital to flow to SIFs in Canada.

Most SIFs identified in our scan provide a credit or a return enhancement. Funds that offer guarantees or loan loss reserve include the Resilient Capital Program, the Social Enterprise Fund, the Nova Scotia Impact Infinity Fund (planned), the St John Community Loan Fund and the SEED Program. In most cases the provincial government provides the guarantee or first loss capital. The Resilient Capital Program was initially established without a guarantee or first loss capital, but after experiencing difficulty in raising capital the fund changed its approach (NMF 2014).[29]

Tax credits work on the return side (as opposed to the risk side). Tax credits are not suitable for attracting all investor types (e.g., pension funds are exempt from taxes) but the credits have the advantage of incentivizing retail investors to make large investments, as opposed to small donations (CPPF 2010). In the UK, the new Social Investment Tax Relief program offers individual investors a 30% tax credit for investing in social enterprise. In Canada, the Nova Scotia CEDIF provides an incentive for residents of Nova Scotia to make equity investment in local business to achieve job creation, business development and economic development goals. The program provides investors with a

35% tax credit through RRSP eligible investments. Since its creation in 1999, the program has attracted over $60 M in investment. Investments can be made directly in businesses or in capital pools. The model has been adopted with some variation in PEI, Quebec, Manitoba, New Brunswick and Alberta (CSPC 2014).

PAY-FOR-PERFORMANCE CONTRACTS

Like SIFs, the government can play a role to de-risk social impact bond (SIB) models, often by providing a guarantee. In a recent survey of Canadian investors, the majority of respondents indicated that SIBs offering guarantees are more attractive than SIBs without guarantees, despite the lower expected returns (MaRS 2014). Some SIBs in our scan, such as the Rotterdam SIB, provide partial guarantees, while others, such as the Belgium Duo for a Job SIB, do not. In the case of the Community Employment Loan Program, there is no need to de-risk on the lending side, as incentives to SMEs (in the form of a reduction on loan interest rate) will be provided as a reimbursement, funded by the government, after having hired a disadvantaged worker for at least six months.

6.2 Government Role in Supply Development (e.g., co-investor)

Supply development policies increase the amount of impact capital. Policies dealing with investment rules or requirements, and policies that provide co-investment, increase the supply of impact investing capital by mandating such investment or by enticing investors through risk-sharing with government.

> Most interviewees felt that government partners in these funds should not make investment decisions, but rather set wide parameters for the social finance models and allow community-based and intermediary- based investment decision-making to take place.

This point was made for example by those involved with the Nova Scotia CEDIF model, where local arms-length investment decision-making provides a recognized strength for the program. Another example of how government can play an important role as a partner is demonstrated by the Community Employment Loan Program. It is anticipated that the government will use savings accrued from the program intervention to provide an incentive to SMEs that hire disadvantaged persons. The lending decisions will remain under the authority of the lending institutions.

6.3 Government Role in Demand Development (capacity-building funds)

Demand development policies increase the demand for impact capital. Policies that build demand include those that build institutional capacity, create enabling structures, and contribute generally to the development of impact investment-related projects and capital recipients.

An important role for government to play in a social finance approach is to promote the growth of social finance intermediaries and to address the needs among social sector organizations that intermediaries have identified in order to scale up (i.e. support of the demand side and catalytic capital). Indeed, some interviewees suggested that the funding cycle is too short, and does not allow the sector to adequately plan and implement its programs. Also, it was suggested that 'seed funding' is often too small and restrictive to allow for social finance models to become sustainable over time.

The scan identified several market-building initiatives that provide this form of support, such as the Social Outcomes Fund in the UK that provides capital to regional governments to initiate new SIBs, or the investment and contract readiness funds that helps build capacity among social sector organizations. Certainly in the UK experience, the role of the national government has been to support the social finance intermediaries and to provide capital to intermediaries for purposes such as building capacity, rather than to deliver access to capital directly to either enterprises or individuals.

TABLE 2: SUMMARY OF POTENTIAL GOVERNMENT ROLES, WITH EXAMPLES

ROLE OF GOVERNMENT*	MECHANISMS	SF MODELS	EXAMPLES
Supply development (Direct participant)	Co-investment	• Social investment fund • Public development bank • Fund of funds	• Vancity Resilient Capital (BC) • KfW Germany • Big Society Capital (UK)
Supply development (Indirect 'influencer')	Investment rules	• Mandatory for corporate pensions offer social investment options	• France 90/10 Solidarity funds
Directing capital (Direct participant)	Procurement	• Pay-for-performance	• Massachusetts SIB (US)
Directing capital (Indirect 'influencer')	• De-risking (e.g., first loss capital) • Incentive provision (e.g. subsidy) • Return enhancement (tax credit)	• Pay-for-performance with guarantee • Social investment fund with guarantee • Pay-for performance with incentive • Social investment fund with tax credit	• Rotterdam SIB (Netherlands) • SEED Winnipeg Recognition Counts (MB) • CELP (Ontario) • CEDIF (NS) – Tax credit
Demand development (Direct participant)	Capacity-building funds	• Investment and contract readiness funds • Social investment fund with demand capacity support • SIB fund	• Investment and Contract Readiness Fund (UK) • Community Forward Fund (Canada) • Social Outcomes Fund (UK)
Demand development (Indirect 'influencer')	Enabling corporate structures	• Social purpose business structures	• 90/10 Solidarity funds (France) • Community Contribution Companies (British Columbia)

TABLE 3: DETAILED MODEL ARCHETYPES AND VARIATIONS FROM SCAN

SOCIAL INVESTMENT FUNDS (FOR SERVICE PROVIDER ORGANIZATIONS)			
MODEL	**DESCRIPTION**	**EXAMPLES**	**ROLE OF GOVERNMENT***
SIF with guarantee/ loss reserve	SPO has access to affordable finance; guarantee/loss reserve used to attract private investors by offsetting actual or perceived risk.	Vancity Resilient Capital Program (British Columbia)	Supply development (co-investment) and Directing capital (de-risking)
SIF with no guarantee / loss reserve	SPO has access to affordable finance; private investors may perceive these funds to be high risk.	Community Forward Fund (Canada)	Supply development (co-investment)
SIF with business development support	SPO has access to affordable finance and business development support is integrated into the program.	Impact Infinity Fund (proposed, Nova Scotia); Community Forward Fund (Canada)	Demand development (capacity building)
SIF, no business development support	SPO has access to affordable finance but must rely on civil society for business development support (not well suited for early stage ventures).	Social Enterprise Fund (Alberta)	Supply development (co-investment)
SIF with tax credit	SPO has access to affordable finance directly or through capital pools; investors get a tax credit.	Nova Scotia, PEI, Manitoba Tax credit funds (CEDIFs)	Directing capital (tax credit)
SIF cooperative, TFSA/ RRSP eligible	SPO has access to affordable finance; investment is made by community investment cooperatives; retail investments that are TFSA and RRSP eligible.	Unleashing local capital (Alberta)	Supply development (investment rules)

SOCIAL INVESTMENT FUNDS (FOR INDIVIDUALS)			
MODEL	**DESCRIPTION**	**EXAMPLES**	**ROLE OF GOVERNMENT***
Loan fund with guarantee/ loss reserve	Individuals have access to affordable loans and support for developing career plans. Lending is based on character. Loss reserve and guarantee attracts larger investors.	SEED Winnipeg Recognition Counts Program (Manitoba)	Directing capital (de-risking) and Supply development
Loan fund with no guarantee (for investors) or loss reserve	Individuals have access to affordable loans and support for developing career plans. Lending is based on character. High net worth individuals/ donors act as guarantors of loans; fund draws on line of credit from traditional lending institutions.	Immigrant Access Fund (Canada)	Supply develop-ment (co-investment)

MICRO-LOAN PROGRAMS (INDIVIDUALS)			
MODEL	**DESCRIPTION**	**EXAMPLES**	**ROLE OF GOVERNMENT***
Loan program with guarantee	Immigrant entrepreneurs have access to affordable loans, business development support and mentoring; loans are administered by local credit unions and partially guaranteed by the government.	Nova Scotia Loan Guarantee Program	Directing capital (de-risking)
Loan program, no guarantee	Individuals have affordable access to loans for accessing labour market, attaining citizenship status, etc.; loans are administered by credit unions (Jumpstart) or community development finance institutions (CASA); character based lending.	Vancity Jumpstart Savings Program (British Columbia); CASA de Maryland and Citibank microloan program for citizenship (US)	Supply development (co-investment)

PAY FOR PERFORMANCE (P4P) (INDIVIDUALS)			
MODEL	**DESCRIPTION**	**EXAMPLES**	**ROLE OF GOVERNMENT***
P4P with incentive	SMEs are incentivized to hire individuals facing barriers to employment with reductions of interest rates on loans directly linked to the number of employees hired from community agency partner; government provides capital for incentive; loans are administered by local bank branches.	Community Employment Loan Program (Ontario)	Directing capital (procurement and subsidies)
P4P, no guarantee	Service provider or intermediary raises investment capital; intervention targets individuals; if successful, government sponsor pays investors; investors' maximum potential loss is 100%.	Massachusetts Adult Basic Education (US)	Directing capital (procurement)
SIB, full/ partial guarantee	Service provider or intermediary raises investment capital; intervention targets individuals; if successful, government sponsor pays investors; investors' maximum potential loss is capped.	Rotterdam SIB (Netherlands)	Directing capital (procurement and de-risking)
SIB, no guarantee	Service provider or intermediary raises investment capital; intervention targets individuals; if successful, government sponsor pays investors; investors' maximum potential loss is 100%.	Duo for a Job SIB (Belgium); Juvat SIB (Germany)	Directing capital (procurement)

DEVELOPMENT BANKS (FOR SERVICE PROVIDER ORGANIZATIONS)			
MODEL	**DESCRIPTION**	**EXAMPLES**	**ROLE OF GOVERNMENT***
Public social innovation funds	Public investment funds that invest in social enterprise	KfW (Germany); Public Investment Bank (France)	Supply development

MARKET-BUILDING INITIATIVES (FOR INTERMEDIARIES)			
MODEL	**DESCRIPTION**	**EXAMPLES**	**ROLE OF GOVERNMENT***
Wholesale funds (Fund of funds)	Funds only invest in designated intermediaries and do not directly invest in SPOs; funds seek to build up intermediaries and crowd in investment from private investors.	Big Society Capital, Access Growth Fund (UK) Impact SBIC, CDFIs (US); Social Enterprise Dev. Investment Fund (AUS)	Supply development
Savings funds options	Corporate pension plans are obligated to offer members the option to invest portion of savings in intermediaries that specialize in investing in designated social purpose business.	90/10 Solidarity Funds (France)	Supply development (investment rules) and demand development (enabling corp. structures)
Social incubator funds	Provides grants to social incubators that support early stage ventures; does not invest directly in SPOs.	Social Incubator Funds (Big Lottery Fund, UK)	Supply development

MARKET-BUILDING INITIATIVES (FOR SERVICE PROVIDER ORGANIZATIONS)			
MODEL	**DESCRIPTION**	**EXAMPLES**	**ROLE OF GOVERNMENT***
Investment and contract readiness funds	Supports early stage ventures to win contracts with public sector and attract private investment.	Investment and Contract Readiness Fund (UK and AUS)	Demand development (capacity building)

MARKET-BUILDING INITIATIVES (FOR REGIONAL GOVERNMENTS)			
MODEL	**DESCRIPTION**	**EXAMPLES**	**ROLE OF GOVERNMENT***
Social impact bond investment funds	Funds provided to governments and local authorities to create new SIBs; a portion of the funds may be used for covering outcomes payments; funds also used for development (contracting technical support).	Social Outcomes Fund and Commissioning Better Outcomes Fund (UK)	Demand development (capacity building)

*The table column refers to dimensions of the Impact Investment Policy Collaborative policy framework (see above). The framework models government involvement (direct participation and indirect influence) across three dimensions (supply development, directing capital and demand development).

7. CONCLUSION

This report considers the extent to which social finance approaches can leverage new funding sources, improve the sustainability and impact of SPOs, and encourage partnerships with the private sector in the S&I context. Based on an extensive literature review, a scan of social finance models in Canada and abroad, and twenty semi-structured key informant interviews, this report suggests a number of promising practices for social finance in Canadian newcomer settlement and integration.

This report finds that many newcomers to Canada face immediate needs that range from stable long-term housing, food security, child-care, health services, education, training and employment, among several others. But even as these needs are met, newcomers will continue to need support in the medium-term and long-term, such as assistance with securing meaningful employment or starting a business, and more broadly, with becoming fully integrated into Canadian society. All five primary social finance models[30] have the potential to address the needs of newcomers across these stages of S&I, either directly by providing individuals with access to capital, or indirectly by investing in organizations that support newcomers, including SPOs, networks and private employers.

A key theme from this research is that government has an important role to play in social finance. Indeed, across all of the profiled models, government involvement was identified as a strong determinant of success. What is different about a social finance approach in comparison to the traditional role of government in supporting the social sector is the nature of this role. With a traditional approach, the role of government is to make granting and contribution decisions for programs, and to monitor performance across activities or outputs.

In contrast, the role of government in the context of a social finance approach shifts in several ways. A social finance approach focuses on blending different forms of capital, each with its own specific intent. In this case, government can provide funding that can reduce the risk profile of an approach or strategy, deepen the commitment to social outcomes or public good benefits, or leverage new partnerships to foster innovation. We have highlighted several examples of this role for government in this report. In some cases, government can use existing mechanisms in similar or adapted conditions for S&I, while in other cases, new mechanisms and approaches may need to be established.

Contrary to some beliefs, however, social finance is not necessarily riskier than traditional funding approaches. Addressing this perception requires changing the narrative to emphasize both the benefits and the costs over time, and beyond discussing capital. For example, pay-for-performance mechanisms are a tool that can incentivize the delivery of outcomes, and can create a different culture around service delivery, while recognizing that it may require technical capacity building for SPOs to operate in this way. For some issues, such as newcomer credentialing, there is a significant opportunity cost if access to capital restricts newcomers from displaying their qualifications to a job market that is demanding it.

Given the diversity of needs across the S&I sector, this report recommends that a combination of models be used to address S&I policy objectives. Moreover, many of the social finance models we identified in our scan could not be implemented by IRCC acting alone. Indeed, all levels of government, working in partnership with settlement agencies, will be critical in funding and addressing these needs for newcomers. Finally, this report suggests that the Federal Government should not try to become intermediaries themselves but rather should 'catalyze' social finance intermediaries through de-risking, partnering and providing 'wholesale' access to capital for the sector.

APPENDIX
PROFILES OF SOCIAL FINANCE MODELS

1. Vancity Jumpstart High Interest Saving Program Micro-Lending Program[1]

LOCATION: British Columbia
FUNDING MODEL: Retail savings accounts that provide community-based micro-loans

OVERVIEW (PARTNERS AND OBJECTIVES):
The program "directly supports the community in fighting poverty and achieving economic self-reliance." Working with four community partners in the settlement and integration sector (Abbotsford Community Services Society; MOSAIC: Diverse City; and Intercultural Assoc. of Greater Victoria), the program provides newcomers and refugees with micro-loans to assist with finding employment in their chosen field.

INVESTORS AND DISTRIBUTED FUNDS: Investors include individual credit union members investing through a designated savings program. Investment accounts are insured by the Credit Union Deposit Insurance Corporation. In addition to the loans, Vancity provides small grants to settlement agencies to assist in their counselling services with clients.

TARGETS (INCL. S&I SECTOR): The program specifically targets newcomers that require a loan to pursue training related to employment or and businesses. Loans can also help build credit rating in Canada. There are three relevant streams: With these Hands: use loans for purchasing tools or equipment needed to enter the labour market; Back to Work: upgrade or certify in a field of work in which they already have some training and Be My Own Boss, Business Lending Program, which does not specifically target newcomers, but could apply. Clients are referred to the programs by settlement agencies. The aim of Vancity is social justice and financial inclusion and this program meets that aim.

Vancity works with many S & I agency partners and are a part of the Multi-Agencies Partnership Table, that meets monthly to co-ordinate services to newcomers, the Red Cross is a key part of this group. They also have partnered with ISS of BC and provide financial services to newcomers at Vancouver's Welcome House. Financial literacy training is also provided.

MODEL (INCL. TYPES OF FINANCE AND TARGET FINANCIAL RETURN): The program provides micro-loans to newcomers and refugees using a portion of the investment revenue earned on Jumpstart Savings program. For the micro-lending programs to individuals, financial return is prime plus 4%. There is no government involvement in this program. There was some initial support from Western Development through loan loss guarantee, this program was wound up.

MODEL IMPLEMENTATION AND GOVERNANCE:
Individuals can borrow up to $15,000) for each program (up to $50,000 for the Business Program). This model uses character-based lending. Initially it used a peer-lending model, but shifted to partnerships with settlement and integration agencies to provide referrals and character references. To qualify for business lending, the applicant must first complete a training program. The four community agencies also have some of their own criteria for applications. Loans are administered by Vancity's local branches / and or community partners, depending on the type of microloan. There are 1.5 dedicated Vancity staff to run this program who act as a champion for the program together with agency partners. Significant outreach is done with Vancity frontline branch staff. It serves approximately 150 clients a year. They have explored other social enterprise models such as SIBs and community bonds together with other BC partners.

METRICS: While Vancity tracks its financial metrics in the program (number of loans outstanding, payback rates etc.) it lacks the resources to measure its longitudinal impacts of their actual settlement into Canadian society. It remains difficult to track clients once loans are paid, while the actual book of business is easiest to track. A pilot project with Welcome House will track this over time.

SUCCESS INDICATORS: The existence of the program speaks to its success. Many newcomers are not

[1] Profiles are based on the literature review and one-hour personal interviews conducted between October 9th - October 30th 2015.

considered bankable because of the lack of a credit bureau (commonly used by financial institutions to determine bankability), so the provision of services, credit cards, bank accounts are all elements of important financial inclusion.

CHALLENGES: For newcomers themselves, their past experience with financial institutions may not have been positive. Building trust between the client and the financial institution is critical, and seeking understanding with newcomers is important for the program.

OUTCOMES AND LESSONS LEARNED: Looking back, the program should have asked for more resources in order to have longer term relationships over time and offered more support. As the program grows it will utilize more front line branch staff, and provide training for these staff to work with newcomers. While Vancity could use the client groups themselves to do this, there is a concern 'this will do more harm than good,' if staff of client groups are repeating imperfect financial education to vulnerable clients.

ROLE OF GOVERNMENT: There is a need for government to listen to the requests of the Canadian Immigrant Settlement Sector Alliance. There is a heavy burden of fees and taxes placed on newcomers that should be 'wiped out'. Many newcomers start life in Canada with the disadvantage of being thousands of dollars in debt with no way to repay.

CONTACTS AND RESOURCES:

Vancity Credit Union
Website: https://www.vancity.com

Catherine Ludgate

2. Vancity Resilient Capital Program

LOCATION: British Columbia
FUNDING MODEL: Investment Fund with Guarantee/ First Loss Capital

OVERVIEW (PARTNERS AND OBJECTIVES): The Program aims to support businesses that "add to the social, economic and environmental well being of their communities." The program is the result of a partnership between Vancity Credit Union, the Vancouver Foundation and the Provincial Government.

INVESTORS AND DISTRIBUTED FUNDS: Foundations, unions, BC Government and retail investors (5, 6 or 7 year term deposits); the fund has deployed $5.6 M of the total $14.5 M, as of 2014.

TARGETS (INCL. S&I SECTOR): The program targets social enterprises in British Columbia (and lower mainland/Squamish/Greater Victoria), though technically the program is not restricted from making investments anywhere in Canada. The program is not specific to immigrants, newcomers or refugees, but it could be applied to the settlement and integration context given that its scope is broad and covers employment of marginalized individuals, affordable and supportive housing, social purpose real estate and arts and culture. To date it has not included any focus on newcomers to Canada.

MODEL (INCL. TYPES OF FINANCE AND TARGET FINANCIAL RETURN): The program targets a slight premium to market return. Investment is made primarily through loans but equity investment is also an option. Vancity Capital Corporation (subsidiary of Vancity) and the Vancouver foundation provide the first loss reserve capital reserve. Any loss exceeding $3.5M is covered by Vancity. Term deposits are 100% insured by the Credit Union Deposit Insurance Corporation.

MODEL IMPLEMENTATION AND GOVERNANCE: The program is run as a partnership between Vancity Capital Corporation and Vancouver Foundation, with operational support from the government. An advisory board made up of representatives from Vancity, the Vancouver Foundation and mutually appointed independent advisors provides strategic advice. The program is administered by the Vancity Capital Corporation. The program also provides technical support to organizations receiving investment.

METRICS: Investee organizations must demonstrate and measure their social impact

SUCCESS INDICATORS: The fund received more interest from investors than it could accommodate due to the limitations set by its size of loss reserve capital.

Challenges: Limit to the amount despite more the loss reserve capital that could raise. The program has been slow to deploy capital (finding investment-ready opportunities takes time). Originally the fund was conceived as a limited partnership structure. It was revised after limited success in attracting investors. The fund also lacked a track record, which made raising capital difficult in the early phases. Some investors have complained that the impact areas targeted by the fund were too broad and did not match up with their interests.

OUTCOMES AND LESSONS LEARNED: As of 2014, 16 social enterprises have received investment from the program. Communication with investors was identified as key to the success of the program.

ROLE OF GOVERNMENT: The provincial government provided a guarantee and operating funds of $2.2 M. The government is not involved in investment decision-making.

3. Social Enterprise Fund

LOCATION: Alberta
FUNDING MODEL: SIF with no ongoing government guarantee

OVERVIEW (PARTNERS AND OBJECTIVES):
In 2008, the municipal government of Edmonton, Alberta, and the Edmonton Community Foundation (ECF) partnered to initiate the Social Enterprise Fund (SEF). The City of Edmonton contributed $2.5 million in initial capital for the fund as well as operational funding for the first two years of the project. The Edmonton Community Foundation undertook to match the City's $2.5 million for additional operating and capital funding. The fund aims to address a lack of access to capital for non-profits, social enterprises, small businesses, and individual entrepreneurs (with any corporate structure) by providing loans to organizations in Alberta that are launching or growing a social enterprise.

DISTRIBUTED FUNDS: SEF has made a total of $25m in loans to forty clients since 2008, with $21m currently in circulation (at 27 November 2015). There are no formal minimum or maximum loan amounts.

PARTNERS: Beyond the commitments of the initial investors, the Fund does not rely on grants for day to day operations. The Fund continues to work with new partners who have specialized expertise in delivering services to targeted sectors. Currently there are no formal partnerships with either the federal or provincial governments.

TARGETS (INCL. S&I SECTOR): The Social Enterprise Fund targets social enterprises in the province of Alberta. No corporate forms or sectors of social enterprises are excluded. The fund does not have a particular S & I focus. However, some loans to social enterprises have been made to newcomers. One client in the S&I sector, the Centre for Race and Culture, offers training, research, community programs and consulting services to further its mission of creating a more inclusive society. ED Jane Bisbee finds that newcomers to Canada generally need access to micro-loans. This is an area that the Social Enterprise Fund does not currently address as the loans are too small to sustain the costs associated with them for the Fund.

MODEL (INCL. TYPES OF FINANCE AND TARGET FINANCIAL RETURN): The Social Enterprise Fund uses an investment fund model by providing patient capital to social enterprises, mainly in the form of term loans to enterprises to support operating capital, mortgages, bridge financing, startups and growth capital. The targeted financial return on investment is 5-6% gross.

SEF has grown rapidly, expanding their portfolio from seven loans placed between 2008 and 2011, with 33 additional loans since 2011. They have 1.5 staff and should be self-funded through the loan spread to borrowers in 2015. (The Edmonton Community Foundation has continued in its commitment to the fund by covering operating shortfalls to date.)

SEF has focused on debt financing to date, but is interested in other investment tools, such as equity investment and micro-loans. While SEF has not been drawn to SIBS, the fund did lend operating capital to a SIB facilitator, in hopes of supporting a means for those organizations interested in this financing tool reach a professional level.

MODEL IMPLEMENTATION AND GOVERNANCE:
SEF is not a legal entity. The fund operates through 'envelopes' which are defined by the source of capital, and the envelope defines what type of client each source of capital can support. Each envelope is structured as a legal entity, with its own governance and decision making process. For example, the Alberta Social Enterprise Venture Fund 'envelope' has an independent LP structure that allows accredited investors to place funds in impact investment (ECF invests and treats this fund as a separate asset class as part of its commitment to engage in program related investments).

METRICS: The fund continues to explore impact measurement frameworks to find a suitable model for its work. SEF is aware that its partners are interested in a more formal kind of data than was the case originally. It has experimented with a number of forms including SROI, but finds these time consuming and expensive, and less than satisfactory in the impact data produced. SEF wants clarity around what information is actually useful to its investors before imposing a system on their clients. The fund's current portfolio stretches across a wide range of sectors, and it is unlikely that one size of measurement will fit all. Additionally, SEF would like to be able to conduct evaluations in-house.

SUCCESS INDICATORS: Getting money into the community in the right way, at the right time. Are the enterprises able to meet their objectives to deliver on mission, and are they able to repay their loans?

CHALLENGES: Given that SEF was one of the first doing this kind of work in English Canada, much had to be learned by 'the seat of their pants'. Many areas were unknown and significant experimentation was required.

OUTCOMES AND LESSONS LEARNED: SEF went through all the growing pains of any new enterprise in a new field, including overcoming initial assumptions about its customer base and appropriate eligibility criteria, a lack of operational systems and what kind of on-going support would be necessary for borrowers. The organization still works to overcome these challenges, while trying to remain open and responsive to enterprises and new possibilities.

ROLE OF FEDERAL GOVERNMENT IN ADDRESSING CHALLENGES: Enabling legislative changes would be helpful. For example, having the CRA clarify the rules for charities and not-for-profits vis a vis social enterprise. Enabling RSP investments into impact investment funds is another area that could be addressed. Investing in the intermediaries who know how to deliver these types of services—acting as a partner, rather than trying to place investments themselves.

CONTACTS AND RESOURCES:

Social Enterprise Fund
Website: http://socialenterprisefund.ca/

Jane Bisbee
Executive Director

4. Unleashing Local Capital

LOCATION: Alberta
FUNDING MODEL: SIF with no guarantee and grant supported operational costs

OVERVIEW (PARTNERS AND OBJECTIVES):
In 2012 Alberta Community Cooperative Association initiated the Unleashing Local Capital Program as a pilot funded by the Government of Alberta's Rural Alberta Development Fund, in partnership with Community Futures Alberta; Alberta Business Family Institute; Athabasca University; Rural Development Network; and Conseil de développement économique de l'Alberta. The goal of the Unleashing Local Capital Program is to "empower communities to invest locally, direct their own economic development and reduce dependency on government supports by directing outward-bound investments towards local businesses."

INVESTORS AND DISTRIBUTED FUNDS: The main investors in the ULCP are individual investors with RRSP/TFSA eligible investments. Currently nine Opportunity Development Co-ops have been set up across the Province.

TARGETS (INCL. S&I SECTOR): The ULCP supports he creation of "Opportunity Development Cooperatives" (ODCs) which are for-profit co-operatives that pool money within the community to finance business development. Initial projects focused on funding agricultural and infrastructure projects in rural Alberta. The program does not specifically target the S&I sector.

MODEL (INCL. TYPES OF FINANCE AND TARGET FINANCIAL RETURN): This model has been based on the NS CEDIF model, but operates without a provincial tax credit. The types of finance in the ULCP community investment co-op model are tax credits on TFSA/RRSP eligible investments sold through ODCs. Capital raised is 100% at risk, with no credit enhancements or guarantees, however most investment is made in secured assets in the community.

The Unleashing Local Capital Program is administered by the Alberta Community and Co-operative Association. Two staff are involved in administering the program. This program began as a pilot in 2012. The target return on investment varies by project. For example, the ODC in Crowsnest, Alberta, has used the program to invest in real estate in the community. The targeted financial return for the Crowsnest project is 5%. The Sangudo Opportunity Development Co-operative (SODC) raised $220,000 to purchase Sangudo Custom Meat Packers, expanding the business and jobs in the area.

MODEL IMPLEMENTATION AND GOVERNANCE:
ODCs are comprised of member investors. All members must purchase a Class A voting share to be able to purchase investment shares. Only investors can be members and vice versa. The board of the ODC identifies the capital need for a local business opportunity that will create both a financial and social return on investment. The ODC raises the capital through the sale of RRSP and TFSA eligible shares. Once the minimum amount is raised the funds are released into the project. The maintenance of the shares over the duration of the investment through the Canadian Worker Co-operative Federation (CWCF) RRSP program.

Funds are invested into community assets that create jobs in the community. ODC members are thus the investment shareholders. In contrast to the corporate model of governance, a co-op membership gives equal voting rights to each member and eligibility to run for the Board of Directors of the ODC. Some technical assistance is provided through on line learning material offered through University of Athabasca.

METRICS: Primarily the $s invested and the jobs created. An evaluation of the pilot was required by the Rural Alberta Development Fund that funded the pilot.

SUCCESS INDICATORS: Making investments that generate both financial and social returns. That this program is able to scale up. That a mindset shift is created around investment in local economies that enables more of this type of investment.

CHALLENGES: There remains a high degree of risk aversion among the ODCs that have formed. Many have not made any type of investment as of yet. Additionally, the regulatory environment continues to be difficult particularly with the Provincial Government and Alberta Securities Commission. Within the S&I sector itself, models from other countries don't necessarily work here. Engaging newcomers in these models would be essential.

OUTCOMES AND LESSONS LEARNED: The ULCP funded five ODCs in its pilot year in 2012. To date nine have been formed, but many have not made a single investment. There is need to go deeper in building capacity of the ODCs, and to build stronger partnerships and work more closely with communities.

ROLE OF GOVERNMENT: Reexamine the required offering documents etc. for co-op investments. Offer federal tax credits to incentivize local investment.

CONTACTS AND RESOURCES:

Websites:
http://acca.coop/unleashing/about-the-project/
http://acca.coop/unleashing/odc/

Seth Leon
Research Officer
ACCA, Calgary

5. SEED Winnipeg: Recognition Counts Program

LOCATION: Manitoba
FUNDING MODEL: Micro-loan Fund with Guarantee

OVERVIEW (PARTNERS AND OBJECTIVES):
The Recognition Counts program offers accessible, low interest loans to low income skilled immigrants to help them meet Canada's re-accreditation and upgrading and/or training requirements for employment in the fields for which they have obtained education outside of Canada. Loan size is up to $10,000 and character-based loans where individuals are referred and supported by SEED. Character-based loans are critical when serving a population that has no credit history or assets. The goal of the program is assist newcomers to Canada in gaining qualification recognition and employment in their professional field of expertise.

Supporting Employment and Economic Development (SEED) Winnipeg Inc. began the program in 2011 in partnership with Assiniboine Credit Union (ACU) and both the federal and provincial governments. The following year it received additional support from the Jubilee Fund. The Province of Manitoba currently funds the Recognition Counts program through the Ministries of Labor and Immigration and Jobs and the Economy. The Ministry of Labor and Immigration as well as Federal funds support Manitoba Start, which is a key referral partner to the Recognition Counts program.

Employment and Social Development Canada (ESDC) provided the initial loan loss reserve funds. Assiniboine Credit Union (ACU) administers the loans and also provides loss reserve funds. The ESDC call for proposals in 2011 was able to bring the partners together to launch this program. There is a loan loss reserve of $1 million from the Federal Government that is further leveraged by ACU.

SEED works with referral agencies in Manitoba, provides assistance to borrowers. SEED reviews career paths developed by the client and referral partners, provides financial literacy training, and some personal financial management with budget development, provides support accessing financing from ACU. SEED employs two staff.

INVESTORS AND DISTRIBUTED FUNDS: Investment is channeled through the loan loss reserve fund at Assiniboine Credit Union. $1.3 million in loans have been distributed to 170 individuals (150 are active loans and 20 have been paid back. In the past year SEED had 83 clients of whom 52 received loans.

TARGETS (INCL. S&I SECTOR): Recognition Counts targets low-income skilled immigrants, newcomers and refugees, in line with the targets for the S&I sector. Beyond loans it also provides financial literacy training and other supports that SEED believes is critical to the success of the program. SEED has several referral agency partners.

MODEL (INCL. TYPES OF FINANCE AND TARGET FINANCIAL RETURN): The Recognition Counts program uses a "Guarantee, Loss Reserve" social finance model whereby individual loans of up to $10,000 are offered to immigrants over a 5-year term at a fixed rate of interest. The fixed interest rate is calculated using ACU's Prime Lending Rate plus 2%. ACU makes final lending decisions, though the process is collaborative if there any questions or concerns.

All clients must first visit a referral agency for triage and to ensure the client has a current career plan. Clients can then apply to Recognition Counts for supports with financing. ACU makes a decision regarding the loan in accordance with approved lending guidelines. Both SEED and ACU provide consistent and long term 'aftercare' or post loan monitoring and supports.

MODEL IMPLEMENTATION AND GOVERNANCE:
Fundraising for a loan loss reserve was required. ESDC provided SEED Winnipeg with $1.2 million, of which $1 million is earmarked for a loan loss reserve. Initially this was set at guarantees of 80% of each loan. The remaining risk assumed by ACU, however this has recently been adjusted to 70% because of the successful track record of the loans. To date there have been no defaults in the program.

METRICS: Recognition Counts looks at qualifications gained, employment in own field, ability to pay back loan, and asset building. Measurement occurs till the loan is paid back (can be up to five years). External groups were initially used for the pilot phase of the program to measure these outputs, outcomes and impacts. These were Social Research Development Canada (SRDC), as well as a local external evaluator, ProActive Information Services. SEED continues to use these metrics. ACU also tracks loans, repayment rates etc.

The greatest challenge is in measuring actual cultural integration and social impacts for the programs clients. Outcomes are measured by how many people find employment in their field of expertise. As of 2014, 28 of the 96 individuals that have accessed Recognition Counts loans have completed study. Of those 28 individuals, 25 of them have found employment in same sector they were employed before coming to Canada.

SUCCESS INDICATORS: While the number of loans, and pay back are critical, success is also demonstrated through the number of partnerships, longevity and trust, and ability to work with referral partners.

CHALLENGES: There continues to be a need for greater financial literacy for newcomers to Canada. Additionally, more support is needed for those not able to pay back their loans. Character based lending is always harder to assess, and requires the expertise that SEED provides ACU. SEED would like to scale up, but currently there are no financial resources to do so.

OUTCOMES AND LESSONS LEARNED: ACU has brought the credit union's valuable experience in designing and delivering loan products, loan adjudication, credit counselling, and portfolio management to the partnership with SEED for this project.

ROLE OF GOVERNMENT: Systemic barriers remain for newcomers arriving in Canada, with considerable complexity and limited resources. All to often newcomers (particularly those with professional skills), are given a 'rosy picture' that doesn't reflect the challenges they face when arriving in Canada. Within the social finance field, government can be part of on-going process of consultation and collaboration to create tools and resources for local delivery. This can only be effective if government works in true consultation with service providers, not a top down method- but one that comes from the sector.

CONTACTS AND RESOURCES:

Websites:
http://seedwinnipeg.ca/programs/detail/recognition-counts

http://www.assiniboine.mb.ca/Files/Documents/News/Recognition%20Counts%20Backgrounder.pdf

Carinna Rosales
Director, Business Development Services
SEED Winnipeg Inc.

Nigel Mohammed
Director, Community Financial Centre
Assiniboine Credit Union

6. Toronto Region Immigrant Employment Council

LOCATION: Toronto
FUNDING MODEL: Volunteer Mentoring Model

OVERVIEW (PARTNERS AND OBJECTIVES): The Toronto Region Immigrant Employment Council (TRIEC) brings together employers and immigrant service providers across the Greater Toronto Area (GTA) who are committed to helping immigrants and employers succeed. TRIEC began in 2002 as a program of Maytree until 2010 when it became a not-for-profit organization. In 2011 it gained charitable status in its own right. Through their flagship Mentorship Program, TRIEC connects employers with 1300 skilled immigrants per year to help employers get the most of the GTA's culturally diverse workforce and help immigrants connect to employment that fully leverages their skills and talents. The program hopes to grow to 6000 a year. Currently employer partners commit to providing at least 25 mentors to the program annually.

The program matches newcomers with mentors who volunteer their expertise and time and is four months long. TRIEC provides the IT system that efficiently matches mentors with mentees, by having a single point of entry it able to make these matches efficiently. S & I agency partners select mentees who are 'job ready".

Currently, 40% of TRIEC's costs for the program are funded by the Provincial Ministry of Citizenship and Immigration, which is matched at the federal level by CIC. $1.5 million in funding is also provided by Employment Ontario to the 15 immigrant service providers that deliver the program, with additional private funding from Manulife. Some of these service providers also receive funding from other sources to support their work. The mentorship program currently has 25 employer partners, including KPMG, Deloitte, ScotiaBank, the City of Toronto, and TD Bank.

TARGETS (INCL. S&I SECTOR): TRIEC targets skilled immigrants selected through immigrant service provider organizations and employers in various sectors of the labor market within the GTA. It targets newcomers of under three years in Canada, to fit with other government funded programs. It does not target permanent residents of Canada.

MODEL (INCL. TYPES OF FINANCE AND TARGET FINANCIAL RETURN): TRIEC has been attempting to secure funding to scale up their successful mentorship program through various social finance models. They made progress to develop a social impact bond that was to be unique without government funding. They secured a partnership with the RBC Generator Fund (RBC committed $1 million) but in the end, they were unable to secure a matching payer organization. They were also approached by the Trillium Foundation to adopt a payment for success/performance model but the board ultimately decided not to pursue social finance and instead encouraged applying for traditional grant streams.

METRICS: Although the program remains largely government funded it has proven to result in impressive social dividends. One consulting group found that for every dollar invested in the program there is a return on investment of $10.50 back to the economy within two years.

Mentees are surveyed on entry to the program, and at the 3 month, six month, and twelve month points. After 12 months 75% of mentees have found jobs in their field; on average their salary have increased 65%.

SUCCESS INDICATORS: The program successful because it is built on relationships between the mentor and the mentee. It gives mentee confidence and support and professional capital. Mentors also have a high level of satisfaction with the program, finding 97% rate it highly in ongoing evaluations.

CHALLENGES: The lack of progress on the social impact bond is an indicator that there is still a lot of hesitancy in taking on new social finance models.

OUTCOMES AND LESSONS LEARNED: TRIEC's mentorship program has produced excellent results. There are high rates of satisfaction from both employers and immigrants who participate in the program (97% love the program) and after the conclusion of the program, 86% of mentors who participated are found to be more likely to interview, recruit and hire an immigrant. For immigrants, 12 months after the program, 75% of mentees have found jobs in their field and their salaries have increased by 65% on average. These results are driving TRIEC's search for ways to scale up their program as they would like to reach 6000 mentees a year in the future. TRIEC is also seeking ways to expand their model to other cities in Canada.

ROLE OF GOVERNMENT: While many of these new models offer interesting new opportunities, government still has a role to play in funding the sector through grants and contributions. As new policies are developed government should be aware of any unintended consequences of its actions, though new models are worth trying and learning from.

CONTACTS AND RESOURCES:

Toronto Region Immigrant Employment Council
Website: http://triec.ca/

Margaret Eaton
Executive Director

7. Immigrant Access Fund Canada

LOCATION: Toronto, National Program
FUNDING MODEL: Micro-loan Fund: line of credit guaranteed by fund investors

OVERVIEW (PARTNERS AND OBJECTIVES): Immigrant Access Fund Canada (IAF) is a micro loan program designed to help immigrants initiate the process of accreditation including licensing and training, thereby securing employment in their profession or trade. The program began in 2005 in Alberta and expanded nationally (excluding Quebec) in 2014 to address a key gap in services for immigrants and respond to an immediate and growing need for skills. Partners funding and delivering the program include: CIC and ESDC at the federal level; the provincial governments of Alberta, Saskatchewan, and Ontario. Private donors make up a small but growing portion of operating funds. Operating funding is needed to administer the program as the interest received is only enough to cover costs of capital, write-offs and bank fees.

The portfolio size is currently $5 to $6 million. In 2014-15 it administered 466 new loans with 23 staff. It refers clients to other immigrant-serving agencies and supports when appropriate. 88% of clients become employed at the level of their education/skills with a 97% payback of the loans (this evaluation is based on the Alberta-based program as IAF rolls out nationally, long term results will also be measured).

INVESTORS AND DISTRIBUTED FUNDS: Individual investors provide guarantees on a line of credit facility used exclusively for the loan capital. IAF has a $1.5 million line of credit (LOC) with RBC and an $850,000 LOC with HSBC. Having its LOCs guaranteed allows IAF to make final loan decisions. Since the program's start in 2005 to Sept 30/15, IAF has approved $13 million in micro loans to 2,200 internationally-trained professionals and tradespeople in Canada. The average size of the loan is $6,500 with maximum loans of $10,000. IAF is seeking partners to provide increased leverage of its funds.

TARGET (INCL. IN THE S&I SECTOR): The IAF targets individual immigrants that require loans used to help with exam fees, tuition, books and supplies, qualification assessments, living allowance while studying, and other costs newcomers incur as they work toward becoming employed in their field in Canada. IAF lends to immigrants who typically cannot access mainstream credit because they lack a credit history in Canada, and have no or low income. This gap in available financing was identified by early champions of the program. No specific sector is identified and IAF has a very open application process. IAF relies on partners for referrals to the program.

MODEL (INCL. TYPES OF FINANCE AND TARGET FINANCIAL RETURN): IAF is based on a model where the operating costs are mostly covered by the government while loan capital is provided by the private sector, in addition to funds granted by ESDC. IAF does not recoup loan delivery costs though the loan contract. The type of finance is debt (loans up to $10,000 to individuals). Interest charged on the loans is 1.5% above prime, which is significantly lower than other financial institutions. Character-based lending allows newcomers to access capital who would otherwise not be able to.

There has been some discussion with partners about using other SF models such as SIBs. Though experience in this area is limited for all partners. A major challenge in this area for S & I would be the time period over which the results would be measured. However, demonstrated outcomes would make this model attractive for possible SIB (see metrics).

MODEL IMPLEMENTATION AND GOVERNANCE: LOCs are used for loan capital and secured with personal guarantees from community-minded individuals and foundations. IAF draws from the LOC and transfers funds into its loan capital fund when needed, up to the maximum amount secured by guarantees. IAF presently contracts the loan portfolio administration to a third party, which trains loan delivery staff and provides support to build a character based loan culture (IAF will be conducting an assessment its loan portfolio administration model in fiscal 2016/17. Loan approval is based on character, not collateral, which allows loan recipients to build their credit rating.

IAF has experienced only 3% losses, which have been covered by interest payments. To date, IAF has not had to call on line of credit guarantors to cover losses. After completing their learning plan, about 88% of IAF loan recipients find work in their field at the same level or above what they had before immigrating to Canada. 732 loans have been paid in full as of March

31/15 in an average time of 2.3 years. It is estimated that the real rates of return to public funds invested in the program are $3 for every $1 invested (Emery and Ferrer 2015).

METRICS: IAF measures a range of outputs, outcomes and impacts. Government funders are primarily interested in IAFs program outcomes (number of clients working in their field, changes in income, increased tax yields) and loan/financial statistics (number of loans outstanding, pay back rates, interest paid, write offs). IAF find financial statistics are the easiest to measure, while factors that lead to long term successful integration are hardest to measure. IAF has conducted an SROI analysis of its Alberta portfolio by Dr. Herbert Emery (2015) and plans to continue this type of longitudinal analysis of its national portfolio.

SUCCESS INDICATORS: IAF is in a period of major growth, as it scales up as a national fund following the success of its Alberta-based program. Success will be measured by this expansion. IAF estimates demand at 8000 loans required on an annual basis in this field.

CHALLENGES: These models need to be as simple as possible, particularly for investors. The ability to offer investors standard units would help in attracting investors to the fund. IAF has learned for example that having two financial institutions provide lines of credit added to complexity for the fund.

OUTCOMES AND LESSONS LEARNED: Scaling up is a challenge for social finance and outreach is critical as funds move into new territories. But outreach adds to operating costs, and there has to be funders willing to cover these costs.

ROLE OF GOVERNMENT: Currently the way funding arrangements are structured on an annual cycle makes it hard for funds to plan and grow. Longer term arrangements are needed. True pay-for performance would benefit funds rather than such structures being limited by upper bands. Finally Decision making for the S & I sector across all government departments would be helpful, rather than just by single department.

RESOURCES AND CONTACTS

Websites:
http://www.iafcanada.org/assets/230/Emery2015.pdf;
http://www.cic.gc.ca/english/department/partner/bpss/iaf.asp

Chris Baker

8. Community Forward Fund

LOCATION: Toronto, National Program
FUNDING MODEL: SIF with no or limited guarantee/first loss and grant supported operational costs

OVERVIEW (PARTNERS AND OBJECTIVES):
CFF is a not-for-profit and a registered Investment Fund Manager, established in 2010 to provide loan capital to the not-for-profit sector in Canada. Three Community Foundations (Ottawa, Hamilton and Kitchener) provided initial investments in the fund that allowed it to grow without an explicit first loss or guarantee. Other early partners include Trillium Foundation and Vancity that provided operational grant support.

As a not-for-profit trust structure, CFF has several advantages over an LP structure, particularly in attracting social investors, as charities do not need to worry about their investments contravening CRA restrictions. The structure also allows for an "evergreen" fund, as most LP structures have a terminal date.

INVESTORS AND DISTRIBUTED FUNDS: Community Foundations and three private foundations in Canada have been the primary investors in this fund. The fund has conducted 18 transactions as of 2014.

Model (Incl. types of finance and target financial return): CFF is a loan fund that serves the not-for-profit sector in Canada. It operates without guarantees for its investors. It currently has approximately $10 million of assets under management. Its target size is $20 million of AUM and once it reaches this size, the fund will be able to sustain its operating costs including anticipated write offs. Investor's returns are anticipated at 3.5% per annum rising to 4.5% at maturity. Investments are 'locked in' for a 5 year minimum.

MODEL IMPLEMENTATION AND GOVERNANCE:
The fund operates autonomously with a Board of Directors. Ontario Trillium Foundation (OTF) provided grant to cover management and capacity building expenses. Grant funding also provided by Vancity. A significant amount of pro bono work by legal and financial experts also contributed to the launch of the fund.

All loan decisions are made by CFF. The Director of Lending conducts loan assessment and the CFO and CEO review loans, which submitted for approval by the Board Lending Committee. Because the CFF operates as a fund manager, it must provide reporting to each registration entity in provinces where it is registered.

TARGETS (INCL. S&I SECTOR): There are no specific targets for the S & I sector, but some newcomer organizations do apply for loans from CFF. Examples of an S&I organization funded by CFF: OCISO Nonprofit Housing Corporation received a loan for program support and for a building to provide affordable housing for immigrants and refugees in Ottawa; and Farm Start in Guelph. CFF has also worked with Farm Start in Guelph on the potential for loans to new farmers, many of whom are new Canadians.

METRICS: CFF provides financial data to its investors on portfolio performance. CFF relies on its investee firms to measure outputs, outcomes and impacts of its loans.

SUCCESS INDICATORS: The S & I sector is no different from all loan applicants. They need a robust business plan, clarity on their goals, and an ability to efficiently deliver finance to the sector.

CHALLENGES: Greatest challenge identified is finding good candidates for the loans. Registration in provinces with securities commissions was also time consuming requiring individual applications to each province. Moreover, loan placement in not-for-profits takes significant time as most require capacity building first. In the S & I sector their business models must be viable, often they are heavily dependent on subsidies and that makes them vulnerable.

OUTCOMES AND LESSONS LEARNED: "CFF was designed to minimize barriers for philanthropic investors in the Fund. It was established as registered fund. This brings with it significant start up and operating costs. Groups contemplating similar fund structures should weigh carefully these costs, and whether they are sufficient to overcome potential investor barriers.

For all funds, the business model works once the fund is mature. There is a relatively long period until the funds reach this point. Having sufficient sponsor resources to bridge this time is essential.

A good idea is not the same as market demand. CFF spent considerable time testing the investor and borrower markets. There is an appetite for both. It is strongly advised that where individuals or groups are seeking to establish funds, considerable time and resources should be spent on market testing." (Eight Tracks Report, 2014)

ROLE OF GOVERNMENT: A key role of government is in de-risking the investment for investors and making these investments more attractive. This can be done through first loss guarantees, or tax treatment of the investments. Similarly as government provides subsidy to small and medium sized business investment, government has a role to play through the tax system.

CONTACTS AND RESOURCES:

Community Forward Fund
Website: www.communityforwardfund.ca

Derek Ballantyne
Chief Executive Officer

9. Toronto Enterprise Fund

LOCATION: Greater Toronto Area, Ontario
FUNDING MODEL: Grant funding to social enterprise

OVERVIEW (PARTNERS AND OBJECTIVES): Founded in 2000, TEF is funded by United Way of Greater Toronto and three levels of government: the federal Homelessness Partnership Strategy; the City of Toronto and the Ontario Provincial Government. TEF aims to support social enterprises in Toronto/Greater Toronto Area (GTA) that have a focus on employment opportunities for marginalized people. TEF has recently been selected by the Ontario Social Enterprise Demonstration Fund to receive funding (up to $125,000 matched by private investors).

INVESTORS AND DISTRIBUTED FUNDS: The TEF has attracted over $1M in funding annually from foundations and government partners, including donations through United Way. It has provided grants to 50 social enterprises since 2000.

TARGETS (INCL. S&I SECTOR): TEF has a mandate to fund social enterprises that provide employment to people who are marginalized. , This can include newcomers to Canada, but there is no specific focus on this sector. Several social enterprises funded by TEF directly aim to address employment barriers facing newcomer and refugee populations (for example, Haween Enterprises, Furniture Bank, Interpreter Services Toronto).

MODEL (INCL. TYPES OF FINANCE AND TARGET FINANCIAL RETURN): The fund primarily provides grants, including seed funding and on-going operational funds for social enterprises in Toronto/GTA. The fund recently announced a new mixed capital program to provide social enterprises with a product that is 50% loan and 50% grant up to $30,000. The mixed capital stream is being offered in partnership with Alterna Savings and provides market-rate loans. Alterna Savings hopes to scale this up if successful.

MODEL IMPLEMENTATION AND GOVERNANCE: This is a non-profit charity. It has three primary streams of funding: The Business Competition is an annual program that funds new social enterprises with seed funding. Funding decisions are made by a volunteer panel, represented by funders and other community members. On-going operational grants are provided on a renewable, three-year basis, though ultimately the goal is to help social enterprises become less dependent on grant funding. To this effect, TEF also provides business development support to social enterprises. Finally, the new mixed capital program provides funding between $10,000 and $30,000 to social enterprises, with half in the form of a loan and half as a grant. TEF has looked at the possibility of being an intermediary for a social impact bond, but to date this has not been a fit for the organization.

METRICS: TEF has three methods of evaluation: semi-annual reports from the social enterprises, interviews with participants at regular intervals over a five-year period, and annual focus groups. It tracks the earnings and employment metrics of the social enterprises it funds. For individuals it tracks housing improvements, long term attachment to the work force, and increased earnings over a five year period TEF trains and pays community researchers to undertake interviews with their peers in the funded SEs as a way to measure outcomes and impacts for individuals over time. This helps overcome cultural and language barriers in the interviewing process.

SUCCESS INDICATORS: TEF measures both business results and social outcomes to evaluate the success of a social enterprise: sales volume, sales growth, business cost recovery, proportion of sales revenue to total revenue, wages paid to participants, proportion of participant wages to management salaries, long-term attachment to the labour market, improvements in income, housing, food security, health, connections to community and overall quality of life. TEF has developed the Business Cost Recovery metric to assess how well the business side of the social enterprise is doing: at 100% BCR, the enterprise is covering all of its costs with sales. At less than 100%, the business is operating at a loss, and at more than 100%, the business is contributing to the social costs of an enterprise.

CHALLENGES: Would have built in more ability to experiment with the model over time, and be more deliberate in the use of the business model. It remains difficult for SEs to become self-sufficient and to achieve scale.

OUTCOMES AND LESSONS LEARNED: the social enterprises that TEF funds incur social costs that are, on average, 33% or more of total costs; since operating margins for businesses are rarely as high as 33%, employment social enterprises require ongoing funding to cover their social costs. Meeting the needs of both the business and the participants is a constant balancing act that is hard work and hard to get right all the time. Scaling up can be a challenge as there seems be an optimal point beyond which the social mission becomes harder to maintain (for example, more people with fewer barriers to employment are required to maintain the larger operation). TEF will be publishing a full report on 'lessons learned'. TEF would like to see other similar funds develop, but that is not their mandate. TEF has expanded its activities to include the Social Purchasing Project, which is working to have government infrastructure projects purchase goods and services from social enterprises.

ROLE OF GOVERNMENT: Government plays a key role in funding services to newcomers in Canada. A national fund could be helpful but it needs to be significant and beyond seed funding. Social enterprises can't replace this role of government, as one of its common features is social purpose that addresses major social challenges. SROI needs to have a simplified methodology for employment-based social enterprise if it is to be used by the sector.

CONTACTS AND RESOURCES:

Toronto Enterprise Fund
Website: http://www.torontoenterprisefund.ca

Anne Jamieson
Senior Manager

10. Social Capital Partners - Community Employment Loan Program

LOCATION: Toronto, Ontario-based program
FUNDING MODEL: Pay for Performance with Incentives: Partnership with bank lenders to deliver loans. Provincial government provides loan recipients with reduced loan rates when they employ community hires when targets are met.

OVERVIEW (PARTNERS AND OBJECTIVES): CELP provides employment opportunities for people with disabilities and other vulnerable populations. It does so by providing an interest rate reduction on financing for entrepreneurs, franchisees and small business owners who commit to hiring disadvantaged workers. The cost of finance varies according to the number of community hires made. They must be retained for a period of six months. New Canadians are one of the target populations addressed through the fund. Community Hiring Loan Program (CHLP) is a proposed pilot project of Social Capital Partners. It launches in March 2016.

INVESTORS AND DISTRIBUTED FUNDS: Province of Ontario (MEDIE) as a pilot project. Banks and credit unions are partners in the pilot. Province of Ontario receives the direct cost reduction as the new hires move from Ont. Government assistance to employment and saves at a 2 to 1 rate.

TARGETS (INCL. S&I SECTOR): This is an employment-based program for people with disabilities and other vulnerable populations including newcomers to Canada.

MODEL (INCL. TYPES OF FINANCE AND TARGET FINANCIAL RETURN): Pay for performance: the proposed pilot is $4 million, with $3 million going to the loan interest rate reduction and $1 million for marketing support. The incentive would be 0.5% interest rate reduction refund agreed upon hires and their retention rate. This program yields gov. at least a 2 to 1 savings of at least 6 months of direct assistance costs. Financial institutions provide a distribution channel.

MODEL IMPLEMENTATION AND GOVERNANCE: Employees are eligible for the program if they are on Ont. Gov. assistance. Community agencies and other employment service provide appropriate match making between the loan recipients and the community hires. Local financial institution branches provide access to capital to the businesses and a new distribution channel. The interest rates of the loans are directly linked to the social outcome: for every employee hired from a community agency partner, the interest rate on the loan will decrease (in form of a refund) up to a max. cap of 3%.

To qualify, employees must be retained for at least six months. The participating local bank and credit union branches are responsible for administering the loans as they have done in the past. Two banks and four credit unions are partnering on this program. Financial institutions maintain the same lending process. The pilot will likely be based in Ottawa, London, Mississauga, and Hamilton. It could be an interest free line of credit for six months, or a reduced interest rate up to a max. reduction of 3%. SCP conducted a feasibility study from Deloitte in spring 2015 post pilot $140 million in savings. The study outlines proposal for a pilot in Ontario. The Deloitte Study recommends that SCP partners with the MEDEI and that government be represented on a steering committee.

METRICS: Given that this is a pay for performance vehicle, borrowers will need to demonstrate the number of hires that meet the requirements for loan reduction. The impact on newcomers to Canada is not explicitly tracked however. In the pilot phase it is anticipated that the program would support 500 small businesses in creating up to 1,100 new employment opportunities. The Deloitte Feasibility study estimates that "under moderate-case scenarios, government net benefit could be as larges as $140 M, and up to 45,000 unemployed persons from vulnerable population groups could attain employment."

SUCCESS INDICATORS: The number of community hires and their retention rates will be the primary success indicator.

CHALLENGES: Scaling up these models with mainstream institutions can be difficult, but their distribution networks can lead to large-scale changes that address social challenges in an innovative.

OUTCOMES AND LESSONS LEARNED: There is a problem with purpose-built, small programs and projects. Often they cannot be scaled up successfully. We need to get these projects to operate in the mainstream, with mainstream players. The attractiveness of this model for government is that it provides upside advantage (cost savings) with no risk (the government does not pay for loan subsidies unless bigger savings have generated).

ROLE OF GOVERNMENT: Government needs to look for other large existing opportunities to leverage large distribution networks, like the small and medium sized business loans, that results in a desired social outcomes and generate larger savings for government then they cost, as we find in this program. We need to look across government for total savings through social finance models that address social problems on a large scale. This requires the Finance Department or another department that cross cut silos be part of the pay-for-performance calculus, otherwise it falls back into silos and individual ministries who don't necessarily have the muscle to deliver on this model. Savings can come from a different ministry. If this isn't the approach used government may miss the self financing opportunities. You have to look across all government to see the full range of savings that are possible.

Government can catalyze funds, but in most cases shouldn't try to 'go it alone' without strong community based intermediaries.

CONTACTS AND RESOURCES:

Social Capital Partners
Website: http://socialcapitalpartners.ca

Bill Young
President

11. Community Economic Development Investment Funds (CEDIFs)

LOCATION: Nova Scotia
FUNDING MODEL: Tax Credited Investment Fund

OVERVIEW (PARTNERS AND OBJECTIVES): CEDIFs are pools of capital formed through sale of shares to persons in a defined community, which is invested in creation or growth of local business. "The goal of the CEDIF program is to capture a portion of the funds that would otherwise leave the province in order to add value to local communities". CEDIF investments must be made in for-profit businesses (They cannot be charities, non-taxable or not-for-profit).

CEDIFs are a tax-credit funds that incentivize individuals to invest locally. The Nova Scotia CEDIF program aims to "capture a portion of the funds that would otherwise leave the province in order to add value to local communities".

INVESTORS AND DISTRIBUTED FUNDS: Over $60 M in investments has been made in over 60 local CEDIFS. Most CEDIFs make investment in one business, but at least six CEDIFs have made repeated investments.

TARGETS (INCL. S&I SECTOR): The program does not specifically target settlement and integration sector organizations. The program is also limited to for-profit business. Investment scope is limited to Nova Scotia. There is no requirement to demonstrate social impact, though it is expected that investment generated by the CEDIF program is meeting underserved needs in the province. By providing equity financing, CEDIFs offer long-term patient capital that gives businesses a chance to grow. Newcomers usually need micro-loans.

MODEL (INCL. TYPES OF FINANCE AND TARGET FINANCIAL RETURN): Investments are made in the form of equity and subordinated debt. The program provides individual investors with a 35% tax credit for committing to investment for five years. Investors can invest up to $50,000 per year. The individual investor qualifies for an additional 20% tax credit if they commit to an additional five-year period, and an additional 10% credit if they commit to a third five-year investment term. The actual returns on investment are complex and costly to calculate, target returns are market (NMF 2014).

MODEL IMPLEMENTATION AND GOVERNANCE: Investments can be made directly in eligible businesses or through a CEDIF (pooled capital fund). CEDIF boards sell shares and manage the fund. CEDIFs must hold an AGM and provide financial information to investors, though they are not subject to continuous reporting requirements standard for other investment funds. There was a working group on the use of SIBs in Nova Scotia for two years, with many meetings, however no SIBs resulted from this exploration. The CEDIF model is open to a range of possibilities in terms of what can be invested in – this is a strength. Many social finance models can be overly prescriptive.

METRICS: Financial metrics and business success are tracked. Overall the CEDIFs have a 90% success rate.

SUCCESS INDICATORS: The program has been successful in attracting large investments from retail investors and has inspiration for similar tax credit funds in other provinces, including Manitoba and PEI. The program has cost the NS government $20 million dollars and leveraged $100 million of impact (Eight Tracks, 2014).

CHALLENGES: The model is highly dependent on tax credit (without it, NMF estimates that funds raised would only achieve 10% of what currently has raised from investors). Other challenges include: dealing with RRSP (RRIF) investments, selling through registered dealers and evolving the model so that it can be replicated elsewhere outside Nova Scotia (Eight Tracks, 2014)

OUTCOMES AND LESSONS LEARNED: The Simplified Offering Document makes the CEDIFs easy to administer, – the program initially offered a guarantee but in 2006 was replaced with the addition terms tax credits. This was done to encourage longer-term commitments among investors. The program represents a paradigm shift, where communities are making decisions about where to invest, rather than the government. Trust is critical in these relationships. These programs are successful because they are embedded in their community.

ROLE OF GOVERNMENT: Government needs to keep programs open and not be too restrictive if it wants success with these models. It is hard to align time frames, innovation and government accountability (control) in the same government program.

CONTACTS AND RESOURCES:

Community Economic Development Investment Funds
Website: http://novascotia.ca/business/CEDIF/

Christopher Payne
Former Senior Advisor (retired), Evaluation of Finance and Private Sector Initiatives
NS Economic and Rural Development

12. Nova Scotia Loan Guarantee Program

LOCATION: Nova Scotia
FUNDING MODEL: Small and Medium Sized Business Loans backed by Government Guarantees

OVERVIEW (PARTNERS AND OBJECTIVES):
The program provides loans to all types of businesses operating in Nova Scotia, with the exception of residential and commercial real estate, beverage rooms and taverns and any venture of 'questionable ethical or legal nature'. There is a 75% guarantee provided by the Province of Nova Scotia on lines of credit. The specialized program for Immigrant and social enterprise streams provides a 90% guarantee (similar to that for other term loans). The aim of the full program is to support small and medium enterprises in Nova Scotia. Local credit unions provide the loans to these businesses.

INVESTORS AND DISTRIBUTED FUNDS: Local credit unions provide investment funds to small and medium sized Nova Scotia based businesses. The program represents a $90 M portfolio in active and repaid loans.

TARGETS (INCL. S&I SECTOR): The program has a special stream for immigrant entrepreneurs that began in 2010. To qualify, borrowers must be permanent residents of Canada for no longer than five years, or a Canadian citizen born outside of Canada and now a resident for at least one year, or a Canadian living abroad but returning home and facing credit challenges. This specialized program represents $6 million in loans (as of spring 2015_; with 79 loans since inception to June 2015. 30 to 40 of these loans have been repaid. These loans represent 15 countries of origin.

In addition to the S&I sector, a pilot was also created to loan to social enterprise in Nova Scotia.

MODEL IMPLEMENTATION AND GOVERNANCE:
Credit unions in Nova Scotia are responsible for distributing and administering the loans, using their own lending criteria. The province provides the guarantee for the loans. The maximum guarantee is 90% (and 75% on lines of credit). Loans can be granted for up to 10 years, and for amounts of up to $500,000. Credit unions also provide technical assistance to newcomer clients through the Co-Operative Council staff and resources. This includes a mentoring network and a Newcomer Welcoming Program run by credit union volunteers in the community.

The program resulted from demand at the credit unions within the main loan program that began in 2004. It connects with a range of partners that includes regional development authorities, provincial government departments (Labor, Business, NS Business Inc.), and credit unions. All funding decisions are made by the credit unions making the loans. Referrals come from partner agencies.

METRICS: Repayment rates are tracked and the credit unions track financial data, longevity of the business, plus job creation and overall asset building. While global metrics for the program are available, it is difficult to get statistics at the individual level in this program. The program has had an independent program review conducted in 2015.

SUCCESS INDICATORS: The overall program has disbursed over 1700 loans to small businesses and experienced losses of 5.9%. The overall program has just recently been expanded, growing from $6 m (in 2003) to a $50 million cap (in 2014) which encompasses the immigrant & social enterprise streams.

CONTACTS AND RESOURCES:

NS Business Inc.
Website: http://www.novascotiabusiness.com/en/home/businesssupport/default.aspx

NS Co-operative Council
Website: http://www.novascotia.coop

Christine Chisholm and Dale Proude
Nova Scotia Business Inc.

Dianne Kelderman
President and CEO
NS Coop Council, President of Impact Infinity Fund

13. Nova Scotia Infinity Impact Fund

LOCATION: Nova Scotia
FUNDING MODEL: Equity Investment Fund with First Loss Reserve

OVERVIEW (PARTNERS AND OBJECTIVES):
In 2015, the Nova Scotia Cooperative Council (NSCC) partnered with the provincial government to develop an investment fund that would provide investment, technical assistance and mentoring support to business enterprises that are not adequately served by the conventional finance sector in Nova Scotia. NSCC will provide $450,000 annually in operating expenses over three years while the Province will contribute $5 million initially and provide an additional $0.6 million for operational costs.

INVESTORS AND TOTAL FUNDS DISTRIBUTED: The goal of the fund is to distribute $40 million fund over 10 years, with $20 million supplied by private and institutional investors, including private retail investors, foundations, and charities.

TARGETS (INCL. S&I SECTOR): The fund targets social enterprises and for-profit cooperatives that demonstrate social impacts such as increasing employment, providing goods and services that are not otherwise available to a community, or meeting social or cultural needs. The fund does not specifically target organizations or services connected to the S&I sector.

MODEL (INCL. TYPES OF FINANCE AND TARGET FINANCIAL RETURN): The Investment Fund utilizes a first loss reserve with the government's investment. Private investor funds are then deposited in GIC accounts in credit unions. The credit unions convert the investment funds into a line of credit for the Fund, partially secured by deposits. Investments in form of loans, equity, convertible debentures, subordinated loans, royalty agreements will be between $25,000 and $500,000. The target financial return is both market and below market returns. The Impact Fund has secured conditional commitments of $1.7 million from private investors to date. The NSCC is asking the government for operational funding to ensure good governance off the fund into the future.

This fund has not yet been launched.

RESOURCES AND CONTACTS:

Nova Scotia Cooperative Council
Website: http://www.novascotia.coop/

Dianne Kelderman
President and CEO, NSCC
President of Impact Infinity Fund

14. Massachusetts Adult Basic Education Program

LOCATION: Massachusetts, USA
FUNDING MODEL: Pay-For-Performance - SIB

OVERVIEW (PARTNERS AND OBJECTIVES): The Massachusetts Adult Basic Education Program is an initiative of the State Finance Office, Social Finance US and Jewish Vocational Services Boston to address the lack of education services, and ESOL services in particular, that newcomers face, which acts as a barrier to employment for immigrants. This program is still in the development phase. It uses a pay-for-performance model delivered through a social impact bond and is currently in the design phase.

The project will attempt to serve approximately 1,000 students including newcomers, per year over a three-year service delivery period (3000 target) for post-secondary degree or certificate attainment to improve education and employment outcomes. See JVS Boston for more detail on Adult Basic Training Program.

INVESTORS AND TOTAL FUNDS DISTRIBUTED: The program is designed to pay investors from the savings generated by the State Government. It was developed with the full backing of the Finance Dept. and the Budgeting Office. A State Trust fund was created to pay out private investors from government-wide savings backed by the 'full faith and credit of the government'. The Trust fund is designed as a sinking fund with appropriations accruing in advance of potential success payments. As with other social impact bonds because of the time to ramp up, operate and then evaluate the program, the SIB is likely to have a term of five to seven years, with intermittent payouts . There will be a sliding-scale for pay backs, above a certain threshold of achievement, investors will receive a return of capital with potential of some higher return if higher success is achieved.

TARGET (INCL. S&I SECTOR): The program is mandated to support adult newcomers (immigrants and refugees) so as to assist them in making successful transitions to employment, higher wage jobs, and/or higher education. A bond offering will be created to fund the program and investors will be paid when certain thresholds are reached.

MODEL (INCL. TYPES OF FINANCE AND TARGET FINANCIAL RETURN): The program is a pay for success model where investors enter into a service contract that establishes a reimbursement schedule based on negotiated performance benchmarks and outcomes in the program.

METRICS: It will use Random Control Group evaluation methods and compare a control group versus the measured effects of the program for individuals. Potential measurable outcomes include increased earnings, improved employment, and post-secondary enrollment.

MODEL IMPLEMENTATION: An independent evaluator will determine the success of the contracts and will communicate with JVS, Social Finance and the Government in progress meetings. The evaluator will compare the BAE program participants with a "control group" that did not receive the program's services and will observe differences in employment, earnings, and enrollment in post-secondary education, using data made available through data sharing agreements with the state Departments of Labor and Workforce Development, and Higher Education.

OUTCOMES AND LESSONS LEARNED: While the partners had been working closely with the previous governor's administration to design this project, a new administration took office in January 2015. However, both administrations have backed the pay-for-success model despite being from two different political parties. Senior leadership from JVS met with key elected officials and stakeholders to educate them about the project and ensure its continuity.

The areas chosen for pay-for-success must have measurable results and a clear link to savings for government. While there is some innovation from the non-profits in terms of service delivery, results take many years and are hard to scale. The upfront costs are extensive in these programs and it takes a large commitment to take pay-for-performance SIBs on.

In addition, the involvement of multiple state agencies in securing the necessary data sharing agreements for the project has been challenging for project partners because each data sharing agreement must be reviewed and approved by counsel from each of the cabinets. An early lesson is to maintain regular communications with government contacts in order to address the challenges of project planning.

RESOURCES AND CONTACTS:

Website: http://www.payforsuccess.org/blog/PFS-pioneers-MA-Adult-Education

Liz Thorne,
Director, Finance
MA Commonwealth

15. Investment and Contract Readiness Fund

LOCATION: United Kingdom
FUNDING MODEL: Investment and contract readiness funds

OVERVIEW (PARTNERS AND OBJECTIVES):
In the United Kingdom, the development of the social sector has been held back because many charities and social enterprises lack the skills or experience to successfully raise investment or compete for public sector contracts. Many have also been unable or unwilling to pay for specialist support and there has been a limited market of organizations offering these services. Therefore in 2013, the English Office of Civil Society partnered with Social Investment Business (SIB) Group to establish the Investment and Contract Readiness Fund (ICRF) to help charities and social enterprises acquire the skills they needed to raise investment and compete for public service contracts.

INVESTORS AND TOTAL FUNDS DISTRIBUTED:
Investors include credit unions, banks, Big Society Capital and other foundations. The ICRF has distributed 10 million pounds to date in the form of repayable grants.

TARGET (INCL. S&I): The ICRF targets social enterprise located in England. The ICRF does not specifically target the settlement and immigration sector.

MODEL (INCL. TYPES OF FINANCE AND TARGET FINANCIAL RETURN): The ICRF distributes partially repayable grants of between £50,000 and £150,000 to ambitious social ventures who are expected to go on to raise at least £500,000 in investment, or bid for contracts over £1 million. Up to 40% of grant can be allocated to administration costs.

MODEL IMPLEMENTATION AND GOVERNANCE:
Applications to the ICRF are assessed by an Investor Panel, chaired by Big Society Capital. The Investor Panel is made up of social investors with experience in the social investment market and does not include any public sector commissioners.

OUTCOMES AND LESSONS LEARNED: A recent evaluation of the ICRF finds that 155 social sector organizations have received funding from ICRF, and 78 of these organizations have secured private investment or contracts. As a result of the program support, £79 M of private investment has been unlocked and £154 M of contracts have been granted. For every £1 spent by the ICRF £18 was raised in private investment (Ronicle and Fox 2015).

The Boston Consulting Group (BCG) impact review (2014) noted challenges relating to having investment readiness and contract readiness administered from the same fund. One commentator notes, for example, "the timelines for contract readiness will often be determined by a specific commissioning event whereas investment is more likely to be a negotiation between two or more parties" (BCG, 2014). BCG also noted the need for enhanced transparency and expertise on the Investment Panel and better feedback mechanisms.

RESOURCES AND CONTACTS:

Websites:
http://www.beinvestmentready.org.uk/fund-performance/
http://www.advantage-ba.com/programmes/icrf

Resources:
BCG [Boston Consulting Group]. (2014). "Ready, Willing and Able: A Review of the Investment and Contract Readiness Fund."

Retrieved from http://www.sibgroup.org.uk/news/news/2014/world-leading-fund-helps-charities-and-social-enterprises-win-multi-million-pound-deals/

Chris Dadson
Social Investment Business

16. Big Society Capital

LOCATION: United Kingdom
FUNDING MODEL: Wholesale funds

OVERVIEW (PARTNERS AND OBJECTIVES): BSC aims to build the market for social investment in the UK by "supporting social investment finance intermediaries to become financially robust and able to attract greater and more diverse sources of investment, channel capital to the social sector and provide support services." The Fund does not invest directly in social sector organizations. Instead, it acts as an investment wholesale fund that provides capital to intermediaries, such as social investment funds and exchange platforms.

INVESTORS AND DISTRIBUTED FUNDS: The wholesale fund was created with the funds of unclaimed deposit accounts in the UK (400 M) and capital provided by commercial banks (200 M). Foundations and trust also support BSC.

TARGETS (INCL. S&I SECTOR): BSC has a broad range of social and environmental impact targets across the UK, given its role as a wholesale fund. Examples of where the BSC has provided funds to intermediaries that invest in the settlement and integration sector include: Franchising Works (job creation for disadvantaged), Community Investment Fund (vulnerable and disadvantaged and Commonweal (a housing initiative for migrants).

MODEL (INCL. TYPES OF FINANCE AND TARGET FINANCIAL RETURN): Grants and equity to financial intermediaries and seek to crowd in additional funds from private investors, currently matching on a 1:1 basis, but it aspires to achieve a 4:1 matching basis with private sector.

MODEL IMPLEMENTATION AND GOVERNANCE: BSC acts as a fund of funds, providing investment capital to intermediaries. The BSC three independent organizations: Big Society Trust, Big Society Capital and Big Society Foundation.

METRICS: BSC has its own outcomes matrix that intermediaries use to evaluate their social impact. Areas of the outcomes matrix that are relevant to settlement and integration activities include: mental health and well-being, citizenship and community; and employment training and education.

SUCCESS INDICATORS: As of 2015, BSC has allocated 162M to 39 intermediaries and leveraged over 200 M in private capital to total of 370 M.

CHALLENGES: BSC has been the subject of significant scrutiny (see ASCI 2014 for example). It has been slow to deploy capital (the assumption 'build it and they will come' proved to be false, requiring BSC to revise its approach to provide more support to intermediaries). Moreover, the program faces a difficult balancing act, as it aims to create self-sustaining intermediaries that also provide affordable finance terms to social sector organizations. Some have suggested that the aim of well-capitalized market has taken priority over insuring funds are being used to offer affordable finance. Social sector organizations have little knowledge of BSC, and investment committee members are too removed from realities of social entrepreneurs.

OUTCOMES AND LESSONS LEARNED: The model reflects a broader trend in the UK of the shift toward a wholesale capital model for social finance, as opposed to directly investing government funds in social sector organizations (others include Access Growth Fund, Social Incubator Funds).

ROLE OF GOVERNMENT: The UK government contributed to capitalizing the fund with unclaimed deposit accounts. BSC operates at arms length from the government.

CONTACTS:

Simon Rosewell
Big Society Capital

17. Social Enterprise Finance Australia (SEFA)

LOCATION: Australia
FUNDING MODEL: Investment Fund with Government Grant Funding

OVERVIEW (PARTNERS AND OBJECTIVES): SEFA was established in August 2011 with a $10 million grant from the Government of Australia's Social Enterprise Development and Investment Fund (SEDIF). An additional $10 million was raised for SEFA by equity investors and lenders. The objective of SEFA is to connect investor funding with social enterprises and entrepreneurs to encourage social enterprises to develop and grow. More generally, SEFA aims to stimulate the social impact investment market in Australia. SEFA's founding investors include NSW Aboriginal Land Council, Community Sector Banking and Triodos Bank of the Netherlands.

INVESTORS AND FUNDS DISTRIBUTED: SEFA has distributed loans of between $50,000 and $1[illegible] million to fifteen different organizations in Australia since its inception (as at end October 2015).

TARGET (INCL. S&I SECTOR): The SEFA Loan Fund targets social enterprises and mission led organizations (there is not specific target on the S&I sector, though they are able to access these funds as with other enterprises and many newcomers are highly entrepreneurial). SEFA provides loans to both not-for-profit and commercial organizations that have a social, cultural or environmental mission to deliver a public or community benefit. Most of these loans are too large to be beneficial to many in the S & I sector, who are often looking for micro-loans. Other organizations such as Australian-based Global Sisters can be more effective serving this sector.

MODEL (INCL. TYPES OF FINANCE AND TARGET FINANCIAL RETURN): SEFA provides three types of loans to borrowers:

1. **Property Secured**: backed against property or equally strong assets
2. **Enterprise Growth**: where there is no property security but cash flows are strong and ideally other assets provide security
3. **Capacity**: for young social enterprises with limited or no security.

SEFA aims to provides both a social and financial return to investors. Interest rates on loans are determined on a case by case basis.

MODEL IMPLEMENTATION AND GOVERNANCE: SEFA works closely with clients through continuous relationship and portfolio management, impact monitoring, and a mentorship program.

METRICS: The fund measures financial and social impacts, but social impact measurement is still rudimentary. Most metrics used are output KPIs. The challenge in moving to outcomes is in getting the data. Access to more government data would be helpful.

CHALLENGES: Capacity building in the sector remains a challenge. In the first two years of operation the fund only made two loans. Its not all about access to capital for organizations, if organizations take loans before they are ready, it can have negative outcomes for them. Technical assistance to gain appropriate governance structures, financial reporting and other key internal systems are needed.

OUTCOMES AND LESSONS LEARNED: The following are the direct outcomes and impacts SEFA has measured and continues to anticipate from its operations:

1. to establish a pathway for mainstream institutional investors in Australia for impact investing and values based banking
2. to multiply the effect of each dollar invested in social enterprise
3. to increase awareness of the social impact investment market among social enterprises and social impact investors
4. to build capacity of social enterprises via due diligence and provision of a mentor
5. to build a more financially sustainable social enterprise sector

While SEFA has looked at social finance tools such as SIBs it found them too complex for the organization to use effectively.

ROLE OF GOVERNMENT: SEFA was established as a commercial organization, and as a result must balance risk against appropriate returns. It is not able to fill the "funding gap" that many organisations face. Government can play a role in de-risking opportunities, for example through loan guarantees, and supporting capacity building in the sector.

RESOURCES AND CONTACTS:

Social Enterprise Finance Australia (SEFA)
Website: http://sefa.com.au/

Publication: SEFA Annual Impact Report 2014:
http://sefa.com.au/wp-content/uploads/2015/03/Annual-Impact-Report-2014.pdf

Ben Gales
CEO

Key Informant List

To provide background information on the settlement and integration sector and on a variety of social finance models, a series of twenty, one-hour key informant interviews were conducted from September to November 2015 by Dr. Tessa Hebb. Some of the identified social finance models targeted the S&I sector, while others did not. The following individuals were surveyed for this report, and we are deeply grateful to them for sharing their knowledge and experience with us.

Alberta Community and Co-operative Association	Seth Leon
Assiniboine Credit Union	Nigel Mohammed
Assiniboine Credit Union	Jeffrey Paterson
Calgary Catholic Immigration Society	Fariborz Birjandian
CEDIF Nova Scotia (Retired)	Chris Payne
Community Forward Fund	Derek Ballantyne
Immigrant Access Fund	Chris Baker
Immigrant Services Association of NS - ISANS	Gerry Mills
Jumpstart Program, Vancity Credit Union	Catherine Ludgate
Massachusetts Adult Basic Education, Commonwealth of Massachusetts	Elizabeth Thorne
Nova Scotia Business Inc	Christine Chisholm
Nova Scotia Business Inc	Dale Proude
NS Coop Council, Impact Infinity Fund	Dianne Kelderman
Ontario Council of Agencies Serving Immigrants	Debbie Douglas
SEED Winnipeg Fund	Carinna Rosales
Social Capital Partners	Bill Young
Social Enterprise Finance Australia (SEFA)	Ben Gales
Social Enterprise Fund, AB	Jane Bisbee
Toronto Enterprise Fund	Anne Jamieson
Toronto Region Immigrant Employment Council	Margaret Eaton
UK Future Builder's Fund (Social Investment Business)	Chris Dadson

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ENDNOTES

1 Definitions in the glossary are drawn from the literature reviewed for this report. Some definitions have been modified to highlight their relevance in the settlement and integration context.

2 Reitz et al. (2014) estimate that $11.37 billion per year is lost in unrealized earnings due to lack of effective integration of skilled immigrants in Canada.

3 Omidvar and Richmond 2003, p. 2.

4 Gunderson, quoted in Vancouver Sun article, Accessed Nov 20, 2015 http://www.vancouversun.com/business/vancity+ramp+financial+help+refugees/11530463/story.html

5 In 2011, Canada's largest source of immigrants was Asia (56.9% of immigrants 2006-2011), although the share of immigration from Africa, Caribbean, Central and South America has also increased (NHS 2011).

6 The majority (94.8%) of Canada's foreign-born population lives in Ontario, British Columbia, Quebec and Alberta (NHS 2011).

7 In the Greater Toronto Area the share of newcomers settling in suburbs has grown from 29 per cent in 1991 to 1996 to 41% in 2001- 2006 (Lo et al. 2007). In 2011, Toronto took even smaller share of newcomers than in 2006 (NHS 2011).

8 An OCASI (2012) survey Making Ontario Home found 30% of immigrants had 'no knowledge of settlement and integration services'.

9 Growth of the largest 145 impact investors in 2015 is 16% from 2014, and the size of the market is expected to reach US$12.2 billion by the end of 2015 (JP Morgan and GIIN 2015).

10 Impact investment could potentially reach 1% of all managed US assets. Applying these assumptions to the Canadian context, the Canadian Social Investment Task (2010) force estimates the potential of Canada's impact investment market to be $30 billion.

11 "PRIs in Canada cannot be counted against charities disbursement quotas in the same way that they can be in the US, and if made to a non-qualified recipient must come under the control of the charity and advance it purpose. Any financial benefit generated by the PRI for the charity must be incidental to its purpose. As a result, PRIs have not had the effect of advancing impact investing as they have in other countries" (Harji and Hebb 2014, p. 83).

12 The CEO of Big Society Capital explains, "growing a robust social investment market will almost always mean finding ways of combining grants and investment capital or introducing other subsidies."

13 SBA (2015) 3 of the 6 impact Small Business Investment Companies have not deployed capital. See: https://www.sba.gov/content/impact-investment-fund-grows-threefold. Accessed Oct 26, 2015.

14 Social Ventures Australia; Social Enterprise Finance Australia and Foresters Community Finance

15 All currency figures are in Canadian dollars, unless otherwise noted.

16 The National Advisory Board estimates that the social finance market in Canada is $2.2 billion. That said, estimating the size of the market is difficult due to data limitations (see Harji and Reynolds 2014).

17 Applying a social finance approach requires the ability to measure impacts in this policy area. Progress is being made on measuring integration outcomes (see OECD 2015b).

18 It should be noted that while the SIF term is ubiquitous, there is no standard model, and the specific context and model components should be clarified when using this term.

19 For more information see: Harji, K. and Reynolds, K. 2014. State of the Nation: Impact Investing in Canada. PC (Purpose Capital) and MaRS Centre for Impact Investing.

20 Other pilot SIBs that could be applied in the S&I context include two SIBS in Manitoba and Nova Scotia that focus on essential skills delivery, and SIBs in Germany and the Netherlands that focus on youth employment outcomes. See the appendix for more details.

21 Employment is a crucial aspect of settlement "but having even a good job doesn't' mean all settlement needs have been met" (OCASI 2015, p. 2).

22 68% of social enterprises in the survey reported receiving income through government or foundation grants, as operating revenues exceed business generated income (CED Network 2010).

23 Needs and associated time horizons are given as ranges, reflecting the fact that newcomers will advance through stages of settlement and integration at different rates.

24 Settlement and integration services identified in this framework draws on IRCC's identified areas

for funding priorities and areas identified by service providers.

[25] The scan did not identify specific examples of social finance models that address these needs, though most of the models did not have barriers that would restrict their application to these areas in the future.

[26] The scan did not identify specific examples of social finance models that address these needs (outside of the context of specific employment mentoring and entrepreneurship networking programs), though most of the models did not have barriers that would restrict their application to these areas in the future.

[27] (IIPC) Impact Investing policy Collaborative. (2011). Impact Investing: A Framework for Policy Design and Analysis, p. 8. Available at: http://globalpolicy.iipcollaborative.org/wp-content/uploads/sites/5/2014/10/Impact_Investing_Policy_Full_Report_1.pdf

[28] Subordinated debt refers to a loan that ranks below other loans with regard to claims on assets or earnings. Similarly, junior equity refers to taking the most junior position in the overall capital structure (Catalytic First-loss Capital, Global Impact Investing Network, 2013).

[29] Guarantees are particularly important for attracting institutional investors. For example, the Australian Christian Superannuation Fund credits its investment in the Foresters Community Finance intermediary to a guarantee (SEDIF 2013).

[30] We identify five social finance models that could apply to various stages of S&I, including micro-loan programs and funds, SME loan programs, social investment funds, pay-for-performance contracts (including social impact bonds) and market-building initiatives (including wholesale capital funds, social incubator funds and funds to support social impact bonds).