The Honourable Jean-Yves Duclos, MP, PC
Minister of Families, Children and Social Development
Jean-Yves.Duclos@parl.gc.ca

13 February 2019

Re: Social Innovation and Social Finance

Minister Duclos,

Since 2008, a group of leading Canadian organizations representing social economy, social enterprise, co-operatives, social finance and community economic development organizations has been collaborating to identify and support common priorities and policies to strengthen the social and economic fabric of our communities.

Building on that collaboration, the signatories below greatly applaud the work that you and your officials have been leading on Social Innovation and Social Finance and congratulate you on the announcement of the Social Finance Fund in the Fall Economic Statement. We are eager to work with you closely on the roll-out of the Fund and continue the co-creation process that will build a more inclusive and equitable Canadian economy.

As you prepare the parameters of the Investment and Readiness Stream of the Fund, we wish to convey the following six recommendations which represent our shared view on how the Stream could best address the needs of charities, non-profits and social purpose organizations to access the social finance marketplace, and maximize impact and value for communities:

1. Maintain the social enterprise definition established by Innovation, Science and Economic Development Canada
2. Take an ecosystem approach
3. Favour a regional scale for program delivery
4. Build from demand
5. Adopt open and representative governance
6. Follow a developmental trajectory

Further detail on each of these recommendations is provided in the appendix to this letter.

We thank the Government of Canada for making this bold commitment and important first step towards a social innovation and social finance strategy, and would of course welcome a deeper discussion on how this historic investment can help make Canada a more equitable and inclusive country.

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Chantier de l'économie sociale

David LePage
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Bruce MacDonald
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Hazel Corcoran
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PARO Centre
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Community Futures Ontario

Encl.

APPENDIX –
Recommendations for the SFF Investment and Readiness Stream

1. **Maintain the Social Enterprise Definition Established by Innovation Science and Economic Development Canada -** We strongly concur with the recommendations of the Co-Creation Steering Group's call for improved access to federal innovation, business development and skills training programs, but those changes will take time, and currently many programs remain inaccessible to charities, non-profits and social purpose organizations. The Social Finance Fund can best address this pressing gap by maintaining the social enterprise definition established by ISED and focusing on charities, non-profits and social purpose organizations, including co-operatives, which have a statutory or irrevocable constitutional requirement to reinvest the majority of net profits into a social objective with limited distribution to shareholders and owners.

2. **Take an Ecosystem Approach** – As the report of the Co-Creation Steering Group makes clear, the most advanced social innovation jurisdictions in the world have a sophisticated ecosystem of supports that are required to engage a range of stakeholders, deliver core functions and help project and business ideas emerge and grow. Whether it is the international best practices that inspired the Social Enterprise Council of Canada's six pillars of a supportive social enterprise ecosystem, or the global leadership demonstrated by Québec, several key roles are consistent: convening / governance; finance; training; procurement / market access; and research, impact measurement and knowledge mobilization. All of these functions are required to establish a viable and consistent pipeline of quality, investment-ready ventures.

3. **Favour a Regional Scale for Program Delivery** – While an ecosystem approach is necessary, the landscape of ecosystems for social and financial innovation in Canada is as varied as the culture and socio-economic conditions, as well as different communities of people across Canada. Some provinces, regions, and communities have a vibrant connected ecosystem, while others are in a more nascent condition, thus each will require different strategies and support mechanisms. Some regions and sectors are well-positioned to focus on scaling up long-standing innovations while others will need more support in preparing the soil. This variety in conditions and capacity means that the initiative may be ill-served by a centralized program with an overly structured and potentially inflexible central delivery system or vision. The structure used recently for the Women Entrepreneurship Strategy Ecosystem Fund, where approximately 80% of resources were designated for regional projects, and 20% designated for national or multi-regional projects. provides a useful reference. As such, we believe that the Investment and Readiness Stream should put the largest proportion of funds into regional envelopes that are adaptable to existing local conditions on the ground, with the remaining portion for multi-regional or national initiatives, including considerations for First Nations approaches, supporting Indigenous leadership, focusing on people with disabilities, and sectors such as worker / social co-operatives.

4. **Build from Demand** – In order to achieve its desired goals, the social finance component of the federal strategy will require innovative approaches to leveraging and investing capital. These approaches must be grounded in community and respond to community needs and capacity. The capacity-building programs for non-profits, charities, co-operatives and social purpose organizations that will be supported by the Investment and Readiness Stream will facilitate this process; it should be designed and developed based on the priorities set by those expected recipients. This same approach should apply to the delivery of the social finance investments. Product design and governance, while relying on the expertise in the field, must be grounded and reflect the needs and capacities of communities, regions and sectors in order to assure that the ensuing financial products are adapted to the reality of community entrepreneurs and enterprises and not the desires of investors in a top-down, investor-controlled approach.

5. **Adopt Open and Representative Governance** – One of the strengths of the work carried out by the Social Innovation and Social Finance Co-Creation Steering Group came from the representative mix of actors it brought together. We highly recommend that this approach be used for the ongoing governance of this initiative. As such, we urge that the strategy and programs be overseen by ESDC in conjunction with a steering committee composed of broad representation of actors in the field, ranging from larger financial institutions to smaller grassroots innovators. Ideally, seats on this committee will be nominated by various sectors and institutions, with ESDC acting as the executive secretariat to the committee. We would recommend that representation on this committee be reserved for individuals representing specific and diverse networks of institutions or territorial and sectoral actors. A continued balance of strong sector support with continued active engagement of ESDC in the process will ensure equitable representation by the sector and position ESDC to more directly influence policy both within its own department and in related departments. The legitimacy of these actors, i.e. the extent to which they are recognized by their constituencies as representatives of the sector through representative mandates and/or organizational accountability to a constituency, is key. It ensures that that the information regarding realities and concerns on the ground is widely held and that other actors of the ecosystem feel enabled to support and have the levers to disagree with orientations.

6. **Follow a Developmental Trajectory** - The 10-year span of the Fund wisely provides time for Canada's social finance landscape to evolve and grow. Currently, the spectrum of social finance supply and demand is very diverse and inconsistent across the country. A developmental and incremental approach over the lifespan of the Fund will give time for underserved regions and populations to build their capacity and access the fund in later years. Consequently, investment flexibility in later years of the fund should not be compromised with significant multi-year commitments early on. Similarly, capacity building requirements will extend well beyond the current 2-year commitment of the Investment and Readiness Stream. We recommend a subsequent program to continue capacity-building activities over the full 10-year course of the Fund, building on the learning generated by the first 2-year I&R Stream.