



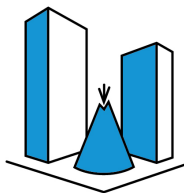
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National Secretariat

Social Innovation and Aboriginal Communities Policy Recommendations

UAKN National Secretariat

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Policy Recommendations

General policy recommendations to strengthen the impact investing market in Canada and thus contribute to the success and development of Indigenous social enterprises and/or social enterprises employing Indigenous workers

1. Federal and provincial-territorial governments should embrace the sustainability of Canada's non-profit and charitable sector as a policy goal and address problems in the current policy and regulatory frameworks governing the sector that are barriers to this.

While there has been some progress across the country in establishing regulatory environments that support the development of the impact investing market, there is still room for improvement. In terms of regulation, despite early attempts to begin unlocking capital through changing rules and requirements, there remains a lack of clarity, as well as restrictions on the activities of charities and non-profits, which continue to delay the placement of capital.

The federal government should undertake changes to the *Income Tax Act* and interpretations of the *Act* to allow charities and non-profits more flexibility in how they generate funds, giving attention to the example of the UK and the Province of Ontario which have liberalized rules to allow enterprising activity as long as all proceeds are directed to fulfillment of the organization's mission.

Provincial-territorial governments should establish a joint process to modernize and harmonize provincial-territorial rules and regulations affecting the sector on a national basis. These efforts would ideally result in consistent national treatment through an agreed upon mechanism developed in consultation with provincial-territorial governments and sector representatives, drawing on successful mechanisms from other jurisdictions.

More specifically, to better enable social entrepreneurship and impact investment in Canada's non-profit and charitable sector Canadian policy-makers should:

1) Enable charity and NPO social enterprise activity.

Allow charities and a sub-set of NPOs with clear public benefit objectives to pursue certain related business activities on an income tax exempt basis, and to pursue other business activities subject to income tax.

This would provide charities and NPOs with increased flexibility to generate revenue for the purpose of advancing their public benefit objectives, while addressing concerns about unfair competitive advantage and mission drift.

2) Unlock foundation capital for impact investing.

Existing legislative and policy frameworks allow foundations to make a wide range of impact investments, however, a strong signal from provincial governments is needed to encourage impact investment activity. In addition, certain impact investment opportunities that are currently off-limits for foundations should be permitted through targeted legislative changes.

Allow charities to make below market rate investments, where appropriate to advance their charitable objectives.

2. Federal government should implement the following recommendations in order to catalyze the development of the impact investment market in Canada:

1) Establish an impact investing matching program, paired with appropriate incentives.

Such program could be geared towards direct investment opportunities, with the government co-investing directly in organizations alongside private sector investors. Alternatively, the program could support development of a fund of funds, which would serve to aggregate investment opportunities in existing Canadian impact investment funds. The fund of funds would provide the scale necessary to attract large institutional investors (such as pension funds) to the market, and which could be established through co-investments in partnership with these investors. Incentives are recommended to attract new capital, for example, in the form of tax credits.

2) Establish an outcomes payment fund.

An outcomes payment fund could be used to catalyze the use of outcomes-based approaches (e.g. Social Impact Bonds) to service delivery. This model would provide organizations with access to capital markets through government commitments to pay for outcomes. The bigger the fund, the stronger the market signal, and the greater the potential impact. U.K. equivalents have ranged from £20-40 million.

3. In order to promote and enable Social Impact Bonds (SIBs) the government of Canada needs to ensure prior development of background supports for these activities in terms of legislation, government policy, budgetary practices and institutions and lobbyists promoting SIBs.

4. Governments at all levels should share their successes with co-investment and procurement more widely so that other jurisdictions can learn from their experiences. Although procurement initiatives are not considered to be impact investments, they are significant in driving demand for socially and environmentally beneficial products and services.

5. Governments at all levels need to provide incentives to integrate and strengthen the practice of impact measurement. Improved access to and sophistication of data is required in order to facilitate impact investing and track growth, including market-sizing, accurate and timely reporting, and verification of realized financial and social performance.

6. Policy-makers should establish reporting to share stories of successful impact investments, as well as those that have been less successful, more widely in order to strengthen the practice of prudent investment analysis, decisions and monitoring.

7. Federal and provincial governments should develop proven tax-incentive models in order to encourage private investors to provide the lower-cost and patient capital that social enterprises need for maximizing their social and environmental impact. Manitoba *Neighbourhoods Alive! Tax Credit* as well as Nova Scotia and Ontario

programs of tax breaks to investors in certain types of social purpose organizations should be considered in developing of the tax-incentive models. A refundable tax credit for social hires introduced in the U.K.'s Access to Work program is another stimulus to consider.

Policy recommendations to stimulate Indigenous social enterprises creation and development.

1. Following Australian example, a national Indigenous Social Enterprise Fund should be created to increase access to funding for the sector.

Such Fund would provide both debt and equity financing to emerging and expanding social enterprises and could offer investment packages tailored to the needs of each organization, potentially consisting of a combination of grant funding and concessional business loans.

2. Urban Aboriginal organizations should be provided with a mandate and a budget to develop an Indigenous social enterprises pipeline and to build the capacity to support Indigenous social enterprise.

Building on the success of the existing programs in British Columbia and other leading provinces in social innovation, ***Urban Aboriginal organizations*** could share best practices across Canada through its member centers in:

- partnering with existing resources in the community and offering effective services and workshops to social enterprises;
- knowledge-sharing and capacity building in the off-reserve Indigenous communities;
- developing a Job Strategy of employing off-reserve Aboriginal people and getting the provincial government onboard as a partner;
- organizing provincial Social Enterprise Contests that engage Indigenous community.

Social Ventures Australia investment and support approach when working with social enterprises should be considered for implementation. The approach includes the following criteria: make investments contingent on the achievement of milestones, invest time to ensure mentors are matched appropriately to entrepreneurs, particularly in terms of personality and relevant experience, ensure access to appropriate pro bono support, assist social enterprises to be clear about the social impact they are aiming for, invest additional resources to support organisations to explore social procurement opportunities, and to develop the social procurement market, incorporate access to support services as part of the funding agreement when targeting youth or other challenging population groups.

Less-developed provinces can use the experience of leading provinces such as B.C., Quebec and Ontario to support Indigenous social enterprises.

3. The government should offer promising procurement initiatives at the federal, provincial and municipal levels that would stimulate Indigenous businesses and social enterprises in particular.

Manitoba Aboriginal Procurement Initiative could be used in developing a consistent strategy for such programs: since 2009 the initiative directs all provincial government departments to increase the participation of Aboriginal businesses in providing goods and services to the Manitoba government through Aboriginal business sourcing, Aboriginal business content, and set-aside and scoping programs.

Policy recommendations affecting labour market policies and job skills training and employment programs that impact the Indigenous workforce.

1. Given the potential that employment social enterprises (ESEs) may offer as a strategy for successfully integrating highly disadvantaged urban Aboriginal workforce into the labour market, Canadian policy-makers should:

- 1) *Clearly identify and formally include ESEs within government employment programs (e.g., as training institutions and agencies that provide customized employment support).*
- 2) *Consider a variety of financial supports for ESEs such as wage subsidies, in recognition that ESEs are employers that play a specific and ongoing role in support of people facing multiple barriers to employment.*
- 3) *Compensate social enterprises for their training and employment support role related to government employment programs or other programs working to address issues of unemployment.*
- 4) *Include social enterprises in government business development resources and activities: increase ESE access to the suite of services and programs already available to private sector businesses and entrepreneurs. Clearly identify ESEs in SME programs and supports.*
- 5) *Make procurement opportunities and procedures more accessible to ESEs. Establish a metric for community benefit in the scoring of public bids.*
- 6) *Update/improve social assistance policies and regulations to ensure that they do not create disincentives to work. One suggestion is to explore graduated reductions in social assistance once recipients reach a threshold of earned income.*
- 7) *Move away from short-term, project-driven funding and towards long-term investments in ESEs based on their mission and impact. Accompany this transition with greater access to public procurement opportunities, partnerships, funding, tax credits and investment opportunities.*

The changes to the procurement policies that would support ESEs are necessary as the U.K. example with WISEs illustrated. It is important to maintain the ESEs “niche” role and not to move into the “work first”, mass market, highly standardized professional services with little tailoring or programs to meet the distinct needs of the highly disadvantaged. That way ESEs will be able to benefit the labour market increasing workers’ employability through such things as supporting their social integration, and interest in supporting the highly disadvantaged.

A growing supply of employment and work integration social enterprises is required to create a significant number of jobs for urban Aboriginal communities. This, in turn, requires a government investment in intermediary organizations that maintain a ‘social enterprise pipeline’. Significant investment in such a pipeline would enable reducing employment exclusion, in a way that is productive for the economy.

In focusing on the creation of an Indigenous social enterprises pipeline, cultural aspects and organizational structure as well as requirements for tailor-made training of the employees of such enterprises should be taken into account. The success of two social enterprises - the Gumatj Corporation in Australia and Pioneer Human Services in the U.S. - are good examples of how understanding and addressing these aspects lead organizations to thrive.

The Gumatj Corporation (GC) of the Yolgnu clan in Australia pursues sustainable economic development for the community. One of the key success factors behind the GC is its organisational structure that integrates Yolgnu clan structures and law with pragmatic rules. The GC employs an entrepreneurial organisational arrangement governed by community-based ideals and is considered a 'promising framework for Australian Indigenous entrepreneurship. For example, the organisational structure remained true to Yolgnu culture by having an executive council of 6 family Elders who were responsible for decision making and communicating orally rather than relying solely on written documentation. This result is a remarkable achievement given the reported lack of sustainability of Australian Indigenous enterprises.

Pioneer Human Services implemented a structured and elaborate training system. Key factors for the success of the system include establishing a formal infrastructure for managing new clients, careful documentation of all the procedures and detailed work instructions for the employees, supervisory staff that understands the unique issues – addiction, legal matters, housing – that these workers bring with them to the workplace.

2. Demand-led solutions to job skills and training systems should be applied by the government at the federal and provincial levels.

Demand-led solutions require system-wide, collaborative participation between governments, employers, community service providers, jobseekers and organized labour. Supply and demand can be connected in a more efficient way to better meet citizen, employer and government needs. The demand-led solutions to job skills training are to change the labour market functioning through the innovative approach. A shift to a demand-led system will inherently benefit jobseekers by increasing access to opportunities, improving the effectiveness of the skills training provided and improving support to individuals throughout the process. Urban Indigenous job skills training and employment programs should be upgraded to engage employers' contribution into these programs.