



# Exploring the Potential of Social Finance for the Settlement and Integration Sector

Webinar Presentation

Purpose Capital

April 7, 2016

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# Agenda

1. Project context and objectives – Mary Da Costa Lauzon
2. Project overview and lessons – Karim Harji
3. Summary: social finance market assessment – Tessa Hebb
4. Example: Immigrant Access Fund Microloan Program – Dianne Fehr
5. Example: Community Employment Loan Program – Magnus Sandberg
6. Summary: findings and implications – Heather Hachigian
7. Q&A session – Purpose Capital

# **Project Context and Objectives**

Mary Da Costa Lauzon

Immigration, Refugees and Citizenship  
Canada



# Social Finance Feasibility Study

Policy Innovation Division; Integration-Foreign  
Credential Referrals Office

Immigration, Refugees and Citizenship Canada



Immigration, Refugees  
and Citizenship Canada

Immigration, Réfugiés  
et Citoyenneté Canada



Canada

# Social Finance Feasibility Study: Purpose

- This webinar marks the completion of an extensive study of social finance and its feasibility for the settlement and integration sector.
- Through a competitive process, Purpose Capital was awarded the contribution agreement to conduct the study and deliver a detailed report which forms the basis of this webinar.
- The project involved primary and secondary research, including direct participation with settlement and integration stakeholders. That participation, at all the stages of the study, has been very valuable and appreciated.
- The study was designed to build on the Department's work related to social finance by providing a practical way forward for social finance and identifying models best suited to achieve positive settlement and integration outcomes for newcomers and refugees.
- In this presentation the models that show the most promise to deliver on that opportunity and the final report recommendations are the focus of the presentation and discussion.



# Social Finance Feasibility Study: Next Steps

- IRCC's next steps on social finance are to consider the models selected and the recommendations, explore their applicability to the Settlement Program, and to continue to engage both settlement sector and social finance experts.
- With the results of this study and the information provided in the recommendations, IRCC will develop a strategic plan for testing some elements of social finance in the medium term with settlement sector partners, in keeping with the Settlement Program terms and conditions\*.
- The primary objective is to use social finance as an instrument to further engage new partners, including the private sector, to leverage new resources and foster program innovation and effectiveness.

\*Minor changes to the Terms and Conditions of the Settlement Program were approved by the Minister in January 2016. These changes allow the Department to pilot alternative funding models such as third-party leveraging, pay-for-performance and to research how to potentially develop a social impact bond and/or social investment fund.

# **Project Overview and Lessons**

Karim Harji

Purpose Capital

# Project Overview

- Research to review, analyze and to evaluate social finance models that could be applied to the settlement and integration (S&I) sector.
  - Informed by IRCC's prior work and broader GoC priorities
- **Methodology**
  - Secondary research – desk review from S&I and social finance
  - Primary research – targeted interviews with experts and practitioners
  - Expertise and experience from project partners

# Project Overview

- Objectives for the webinar
  - Provide an overview of social finance models for S&I
  - Describe the broad slate of models and their application to S&I
  - Examples of two Canadian models
  - Findings and Implications
- From today's webinar, we hope to:
  - Elevate your knowledge around social finance for S&I
  - Provide an overview of potential and current applications
  - Share initial thoughts on implications for the S&I sector
- However, this webinar is not about:
  - What decisions IRCC will or should make around social finance
  - There is no impact on SPO funding; therefore IRCC SPO funding is not a topic for this webinar.

# Project Lessons (selected)

- **Potential benefits of social finance approaches**
  - Leverage new funding sources for individuals, organizations, networks
  - Improve the sustainability and impact of service provider organizations
  - Encourage partnerships with the private sector to respond to the changing needs and demands from newcomers
- **Application of social finance is context-specific**
  - A combination of models is necessary to achieve the range of S&I policy objectives that respond to a diverse set of newcomer needs
  - Each of the models have strengths in different stages of S&I
- **Social finance as an enabler**
  - Social finance as a means to the ends, to achieve better outcomes for newcomers through leveraged/increased funding, innovation, etc.
  - There will be services required by newcomers that could be met through some social finance models, but others will not (apply)

# **Social Finance Market Assessment**

Tessa Hebb, Director

Carleton Centre for Community Innovation

Carleton University

# SF Models Compared by S&I Needs

1. Immediate/Short-term (up to the first three years)
  - Settlement is primary objective, where grant support is necessary
  - Settlement agencies play a vital front-line role
  - SF models best suited to addressing individual needs
  - Models focus on financial inclusion and employment/training (individuals) often through micro-loan programs / funds
2. Medium-term (three to five years)
  - Integration as primary objective, using grants and social finance
  - Models focus on access to capital for immigrant-owned small and medium enterprises (SMES)
  - Potential overlap/synergy with non-S&I programs
3. Long-term (five years and more)
  - Full integration and social inclusion as primary objective, but limited data available on this
  - Models focus on access to mainstream programs for inclusive and innovative economic development
  - Models often build capacity across the full SF ecosystem

## **Social Finance Models for the S&I Sector**

- Micro-Lending Programs and Micro-Lending Funds
- Social Small and Medium Enterprise Lending Programs
- Social Investment Funds (SIFs) for Enterprise Financing
- Pay for Performance Contracts (P<sub>4</sub>P)
- Market-Building Initiatives



# Example: Microloans

SEED and Assiniboine Credit Union  
*Recognition Counts Program*  
*Manitoba*

## First stage of S&I (immediate short-term needs)

- Target beneficiaries: Individual entrepreneurs (PRs < 3 yrs.)
- Supports professional accreditation in Canada
- Finance Range and Type: Character-based loans, up to \$10,000
- Non-Financial Support: mentoring and support from referral agencies
- Role of Government: First loss guarantee on loans of up to 70%
- Role of Private Sector: Credit unions administer loans

# Example: Loan Guarantee Program

Nova Scotia Loan Guarantee Program

*Nova Scotia*

Second stage of S&I (newcomer entrepreneurs that are ready for capital investment)

- Target beneficiaries: Individual entrepreneurs (PRs < 5 yrs.)
- Finance Range and Type: Character-based loans, up to \$500,000
- Non-Financial Support: mentoring and networking support provided by community partners
- Role of Government: Provides guarantee on loans of up to 90% (75% on lines of credit)
- Role of Private Sector: Credit unions administer loans and make lending decisions

## Example: Massachusetts Pay-for-Performance Bond

Massachusetts Basic Adult Education Program

*Massachusetts, USA*

First Stage of S&I (immediate short term needs)

- Target beneficiaries: Individuals (PRs < 3 yrs.)
- Finance Type: Social Impact Bond model
- 1,000 students including newcomers, per year over a three-year service delivery period
- 3,000 target for postsecondary degree or certificate attainment to improve education and employment outcomes

# Implications

1. A combination of models will likely be necessary to achieve policy objectives.
  - Each of the models have strengths in different stages of the settlement and integration process
2. Newcomers have diverse needs, and as such, a variety of financing mechanisms are needed.
  - e.g. distinguish between access to finance for skilled immigrants vs. subsidized loans for less educated workers
3. Settlement and integration is best considered a lens, and not an impact sector in its own right.
  - As well, the social finance sector has not yet considered S&I as a thematic focus

# **Immigrant Access Fund Microloans for Newcomers**

Dianne Fehr

Executive Director, Immigrant Access Fund



# Immigrant Access Fund Canada

**Issue:** Immigrants lack the funds to obtain the licensing/training they need to work in their field in Canada, and often end up underemployed in their field, or in survival jobs.

**Solution:** IAF provides micro loans up to \$10,000 to immigrants who lack the funds to pay for the Canadian exams/training they require to work in their field.

- Same or related field of work only
- Type of occupation/level of education not relevant
- Not for business
- Exams fees, tuition, books, living allowance etc.
- Applicants find it difficult to access mainstream credit due to low/no income, no credit history, no collateral



# IAF Loan Capital

**Our need for loan capital:**

To date: \$14.6M approved, \$12M advanced

- ***This year alone: \$3+M required***
- ***Expected 20% annual growth = require many million \$\$***

**Loan capital pool: \$7.4M**

46% line of credit guarantee model → → →

50% grants, donations

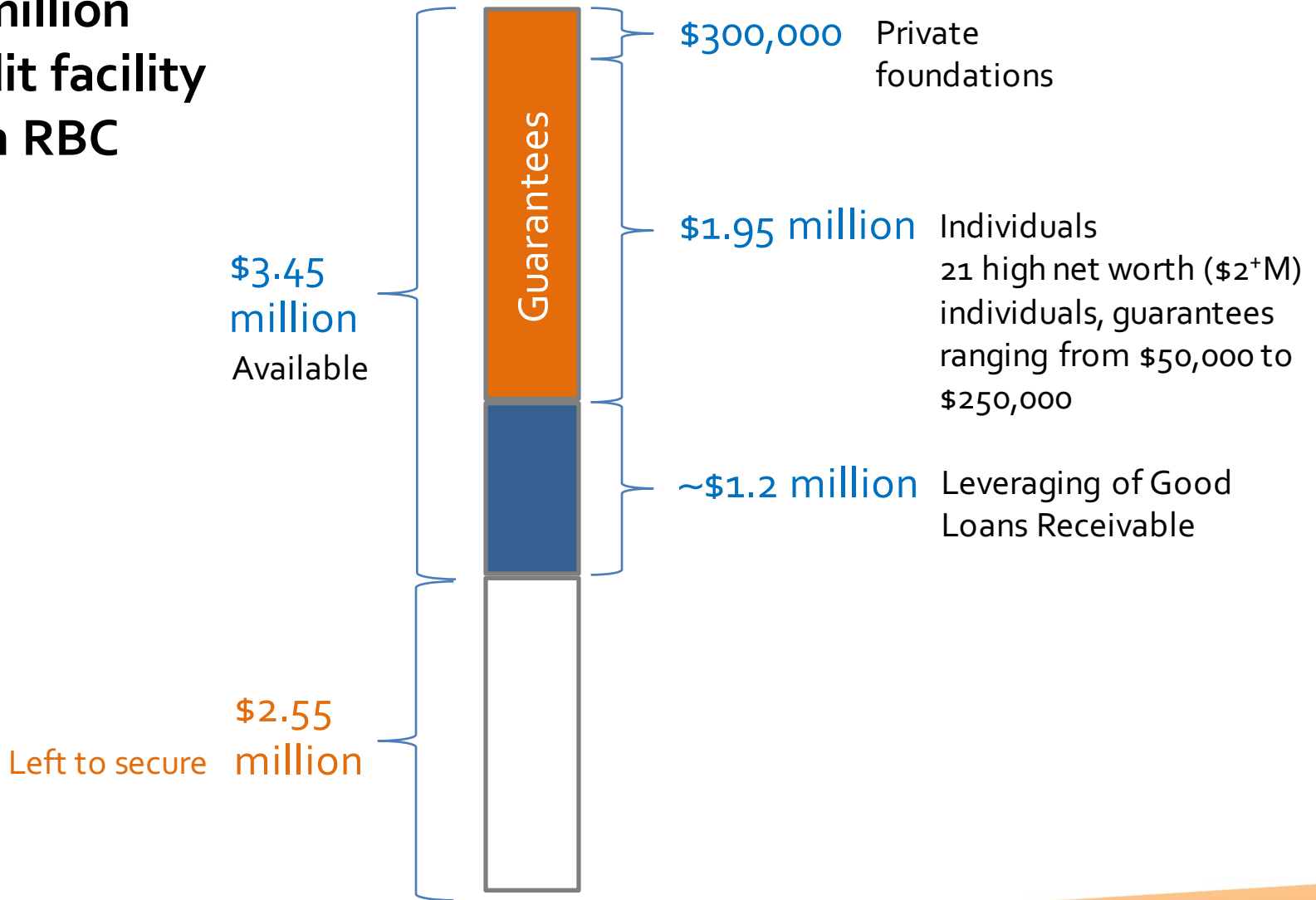
4% net interest





# IAF LOC Guarantee Model

**\$6 million  
credit facility  
with RBC**





# IAF Outcomes

## 80%

Recipients who find work in their field matching their skills, education and experience

### Average income

**\$16,000**

At application



**\$50,000**

After loan

### Income tax paid

**\$1,945**

At application



**\$8,452**

After loan

**+ \$6,507 in taxes ... 1<sup>st</sup> year!**



# Learnings

## **Key success factors:**

1. Strategic partner
2. Access to networks
3. Solid program

## **Lessons learned:**

1. Full-time attention is needed
2. Keep investors engaged...
3. And be prepared for them to be engaged

# Community Employment Loan Program

Magnus Sandberg

VP and General Manager, Social Capital Partners

## Social Enterprise Investments



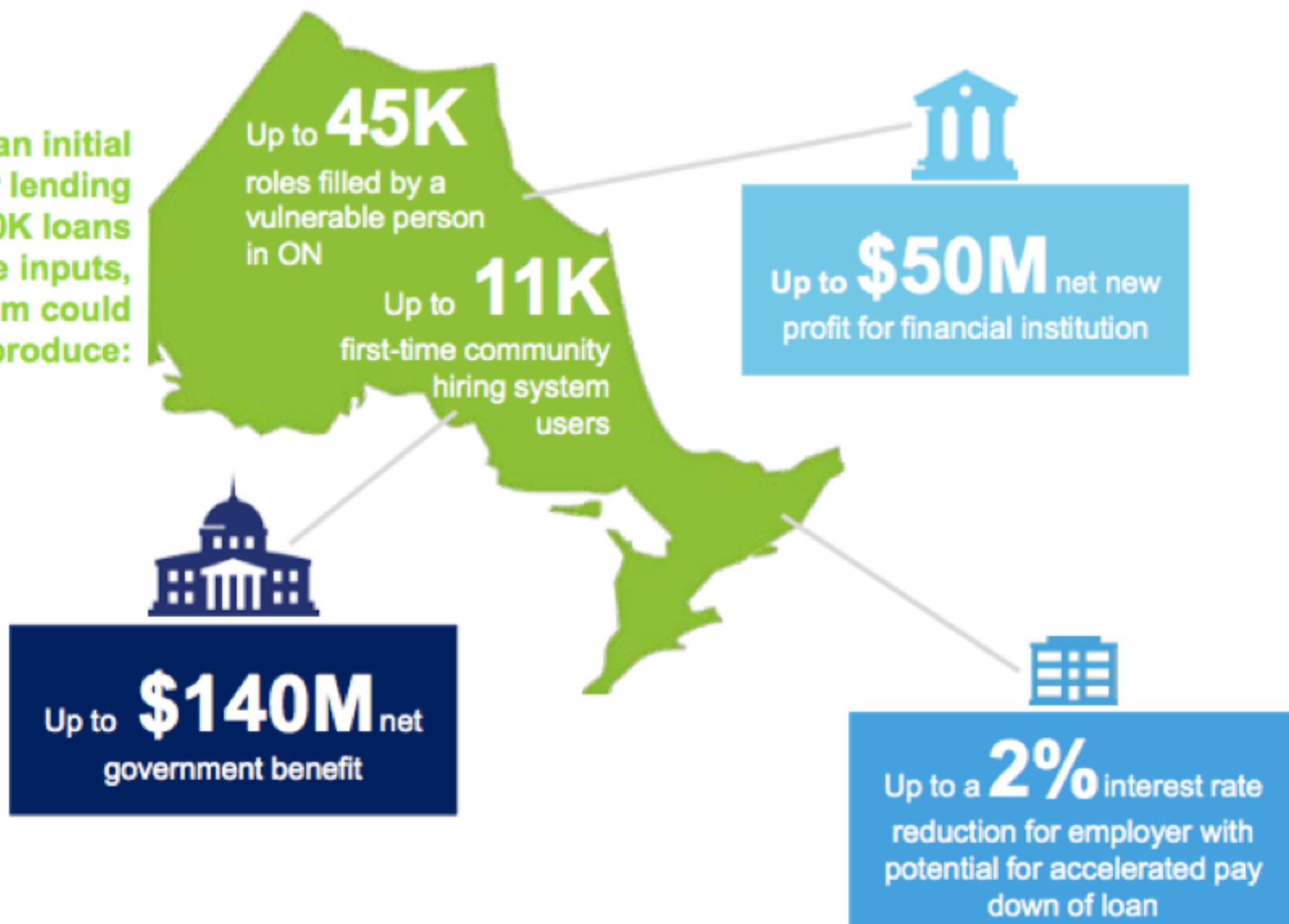
## Community Employment Loan Program



## Demand Led System Change



Based on an initial five year lending period of \$200K loans and mid-range inputs, this program could produce:



# Get



A cash back rebate worth up to 4%  
off the interest rate on your term loan or up to  
2 years interest-free on your line of credit



# Give

Your community's economy a boost  
by hiring qualified, pre-screened candidates

# Grow

Your business, with increased cash flow  
and employees who are just the right fit



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# RATE DROP REBATE



## Get, Give, Grow

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# Why we are excited about the Rate Drop Rebate Pilot

- 10X impact in pilot, 100X in full provincial roll out
- Get mainstream banks and credit unions involved in social finance and impact - huge lever
- Change the hiring behaviour of businesses/borrowers by:
  - Leveraging the distribution channels
  - Leveraging interest rate reductions
  - Leverage the messenger
- Catalyst for innovation – scalable model both nationally and internationally
- An alternative model to SIBs
- Learnings for system change





# Summary of Findings and Implications

Heather Hachigian  
Purpose Capital

# De-risking Investment Opportunities

- **Given the nascent state of social finance, impact investment opportunities are often perceived by investors as being more risky than they actually are.**
  - Government initially has greater knowledge of risks and opportunities in the S&I sector than private investors that have limited experience with the sector.
- **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.
- **Government should 'catalyze' social finance intermediaries through de-risking, and not become an intermediary itself.**
  - A common mechanism for de-risking is the provision of first loss capital (e.g., grants for first loss reserves and guarantees).

# Fostering Partnerships to Enhance Service Delivery for Newcomers

- **Partnerships in social finance are critical to deliver non-financial supports.**
  - 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.
- **Social finance models must leverage partnerships, particularly with settlement agencies in Canada.**
  - The interests of partners must be aligned to ensure successful outcomes for newcomers.
- **Government should recognize the value of partnerships** in delivering services to newcomers and to supporting SPOs, beyond simply access to capital.

# Capacity Building for the Sector

- **Most social investment funds find a lack of investment-ready opportunities.**
  - Significant resources will be required to provide assistance for both newcomers and enterprises as they move to investment readiness.
- **The funding cycle is too short to allow the sector to adequately plan and implement its programs.**
  - Diversifying revenue sources can help to ensure sustainability of SPOs and networks in the sector.
- **Government can play an important role through helping to build the demand-side.**
  - Examples include capacity funds that provide grants for social sector organizations to access supports such as business planning and financial modelling that are necessary to pursue specific investment opportunity.

# Best Practice Model Design and Implementation

- **Ensure that each social finance tool matches the problem it is intended to solve**
  - Use a combination of social finance models
  - Recognize that social finance models should be implemented as part of a broader strategy
- **Adopt a multi-stakeholder approach within the social finance and S&I sectors**
  - Understand that social finance is the means to the ends
  - Work collaboratively with other departments and levels of government
- **Ensure transparency and clarity about objectives and commitment**
  - Be transparent and clear about expectations of a social finance approach
  - Be clear about the opportunities and limitations of social finance

# **Q&A Session**

AMSSA & Purpose Capital

# Q&A Session

Type your questions in the [Question Box](#)

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Email to [events@amssa.org](mailto:events@amssa.org)



# Wrap Up

- Acknowledgements
  - Participants
  - Speakers – IAF, SCP, 3ci
  - Supporters – IRCC, AMSSA
- Market assessment report will be available shortly
  - If you have signed up, you will receive it via email
  - Will be available at websites of: AMSSA, Purpose Capital, Carleton Centre for Community Innovation
- Webinar recording will be made available at the AMSSA website and Purpose Capital website
- Email any questions or suggestions to: [innovation@cic.gc.ca](mailto:innovation@cic.gc.ca)