

Eight Tracks

Impact Investing in Canadian Communities

MAY 2014

A joint project of the National Impact Investment Practitioners of Canada, in partnership with Employment and Social Development Canada.

Edited by New Market Funds Society



Contributors



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Foreword and Acknowledgements

The state of social finance in Canada is rich and complex, but faces considerable challenges. This compilation includes case studies of social finance investment funds (“SFIF”) from across Canada, focusing on the formation, capital raising and capital deployment of each individual SFIF. By having each SFIF tell its own story, the intention is to better understand the opportunities and challenges that SFIFs face in getting off the ground and in securing and deploying capital. Each case study represents a possible model that may help inform others when considering SFIF creation, development or transformation. Some of these models are born out of community experience, while others have been inspired by examples from outside of Canada. Now, thanks to these case studies, there is a compendium of some of the many and diverse Canadian SFIF models that currently exist. The target audiences of this publication are social financiers, developing and existing Canadian SFIFs, community and private foundations, community development groups, financial co-operatives, and all levels of government.

While this compilation is labelled a “how it has been done” guide, it is important to acknowledge its limitations. First, this document does not purport to be an “off-the-shelf” comprehensive manual, but rather a resource containing a summary of a diverse set of SFIF models that includes many of the lessons of what has worked, and what has not. Thankfully, all of the individual contributing SFIFs have offered to make themselves available for further conversations if there is a desire to dig deeper into a particular model. Second, this work is not meant to be an all-encompassing summary of SFIFs in Canada, but to provide a better understanding of some of the existing models across the country. This caveat must also be accompanied by an apology to those SFIFs we were unable to include, owing to the scale and timing of this project. Finally, the scope of this compilation does not include any analysis of how successful each SFIF has been, relative to its own or a standard definition of success with respect to financial and social returns. Thus, while this compilation hopes constructively to build on the understanding of how SFIFs have formed, secured capital, and deployed that capital, it does not purport in any way to judge the relative success of each SFIF or to be an evaluation of how best to generate social and financial returns.

The genesis of this compilation began as part of conversations among Vancity Credit Union, Employment and Social Development Canada (“ESDC”), the MaRS Centre for Impact Investing, and New Market Funds Society. A broad cross section of SFIFs, stretching from the Pacific to the Atlantic was invited to participate in a series of conference calls that informed an agenda for an in person workshop in Ottawa in September 2013, attended by ten SFIFs, ESDC, New Market Funds Society, and Jay Kaufman, of KTA Inc. as facilitator. Following this national gathering, New Market Funds Society developed a template to guide the SFIF case studies, though authors were welcome to take a more narrative approach if preferred. Ultimately eight SFIFs completed case studies, while the foreword and acknowledgements, overview, and executive summary for the compilation were written by New Market Funds Society.

New Market Funds Society is a federally registered charity, the purpose of which is to increase the efficiency and effectiveness of charities. Through the development and dissemination of

this compilation, New Market Funds Society seeks to improve the efficiency and effectiveness of its own charitable work in relation SFIFs, as well as the similar work of other charities. New Market Funds Society found that charitably registered foundations were key stakeholders in the establishment of most of the SFIFs under review, as part of their programming, operations, and/or investment. These case studies point to many important lessons for the role of charitable foundations in the formation, capital funding, and capital deployment of SFIFs.

This guide would not have been possible without the contribution of each SFIF case study. The generosity of time and resources of the following contributors must be acknowledged¹: to Derek Ballantyne (Community Forward Fund), Jane Bisbee and Martin Garber-Conrad (Social Enterprise Fund), Chris Payne (Nova Scotia CEDIF Program), Seth Asimakos (Saint John Community Loan Fund), Alan Sung and Andrea di Lucca (Resilient Capital Program), Irene Gannitsos (Affinity Credit Union's Community Development Department), Carinna Rosales and Nigel Mohammed (SEED Winnipeg/Assiniboine Credit Union), and Agnès Dupriez (Desjardins Social Responsibility Programs).

There are two important conditions that will also help to give the reader a better understanding of this guide, and in particular, each of the individual SFIF case studies. First, if the SFIFs included in this compilation are any indication, it is often very challenging for them to free up special resources for a project of this nature. And second, these tend to be small operations, even if inside a larger operation. When key people move on, these SFIFs often lose the knowledge of significant parts of their history and the lessons learned by these individuals.

Of course without the financial, convening, logistical and technical assistance of ESDC, the compilation would have been extremely challenging. A special thanks to the long list of contributors from ESDC, including, but not limited to, John Walker, Susan Tolton, Andrew Staples, Carrie Hill, Debora Stone, Tina Walter, Kirsty Jackson, Behnaz Behnia, Johanna Hove, Gilles Potvin, Janette Derue-Lane, Nancy Wasserman, Blair McMurren, Joel Gauthier, and Carole Gagnon.

The preliminary draft was reviewed by the individual SFIF contributors, ESDC, and the board of directors of New Market Fund Society (Sarah Goodman, Nancy Neamtan, Wayne Chiu, Bill Young and Derek Gent), as well as its legal counsel, Richard Bridge. Assistance in preparing the final draft was also provided by ESDC, Emilija Kolar of New Market Funds Society, and Vera LeFranc, who supplied welcome edits, in addition to administering the contract for this publication on behalf of the Vancity Community Foundation.

Derek Ballantyne played a critical refining role throughout the process and in the drafting. Andy Broderick of Vancity Credit Union provided valuable Vermont-specific examples, broader

¹ The contributors have been recognized by the order in which their individual case studies were substantially completed.

US-based community development perspectives, and a helpful straightforward American approach throughout the year-long process, as well as important drafting input. There were points in this journey where the mosaic of social finance investment funds probably seemed more like a set of unconnected rail spurs, rather than the early makings of a real national network. With this context, sincere gratitude is extended to Lauren Dobell of Vancity Credit Union whose vision of a truly national compendium on social finance investment funds galvanizing a community of practice has survived, developed and evolved in large measure because of her capable diplomacy and subtle tenacity over the course of the last year.

Garth Davis
New Market Funds Society
May 2014

Overview

For the purposes of this compilation, a social finance investment fund (“SFIF”) is a Canadian-based entity or program operated by a Canadian entity, defined by the following conditions²:

- Has an established capital base
- Provides capital to generate market-based or concessionary financial returns and measurable social and/or environmental returns
- Invests primarily in non-publicly traded Canadian enterprises
- Provides publicly accessible reports on its activities

What will be immediately obvious to the reader upon review of the case studies is that there is no “one size fits all” approach to SFIFs in Canada.

- They may be fully independent entities or programs within larger institutions. Many lie somewhere in between
- While all the SFIFs in the compilation have established capital bases, these range from less than a million dollars to more than sixty million dollars
- The capital provided by these SFIFs includes senior debt, subordinated debt, equity and grants; the financial return requirements range from market to concessionary; and there is a broad range of social and/or environmental missions
- The SFIFs included herein invest in the full range of enterprise - microenterprise, charities, not-for-profit, co-operative, for-profit and First Nation or Métis owned businesses

True to the characterization of Canada as a cultural mosaic, the SFIFs that completed case studies represent a plurality of approaches within an even broader diversity of existing models. The individual SFIFs represent only a small number of the organizations that fall within the definition of Canadian SFIFs. The uniqueness of each SFIF examined here should not be overlooked. The Community Forward Fund is registered in five provinces as a non-profit investment fund manager. The Social Enterprise Fund manages three separate “envelopes” of capital. The Nova Scotia CEDIF programs has leveraged over \$60 million of community investment in the past decade and a half. The Saint John Community Loan Fund has built a broad community development enterprise well beyond just providing loans within its community. The Resilient Capital Program offers its investors a BC government-insured deposit product. Affinity Credit Union’s Community Development Department leverages its own regional delegates to help develop and screen its pipeline. SEED Winnipeg/Assiniboine Credit Union involves a partnership between a charity and a financial cooperative. Desjardins CRÉAVENIR Program provides patient loans and grants to young people who do not qualify for conventional financing across eighty-two caisses. Suffice to say the differences of the contributing SFIFs vastly outnumber any similarities.

Despite this range of approaches, there are some broader common themes that weave in and among this national cross-section of SFIFs. Most fundamentally, whether it was a microloan provided to an individual who was down on his luck by the Saint John Community Loan Fund,

² This definition was produced by a smaller working group of the SFIFs included in this compilation.

a loan to an Aboriginal-owned micro enterprise under the SEED Winnipeg/Assiniboine Credit Union build-a-business program, a loan to a young entrepreneur under Desjardins CRÉAVENIR Program, or growth capital required by an emerging social enterprise sourced via the Social Enterprise Fund in Alberta, all the SFIFs were started with the objective of filling a community need that was not being provided by the conventional market.

Critically, whether it came from government (federal, provincial and/or municipal), a charitable foundation (community and/or private), or a financial co-operative, all of the SFIFs required some level of “subsidization” to form and to establish operations. Similarly, whether it was the Community Forward Fund via a registered non-profit investment fund manager platform, Affinity Credit Union’s Community Development Department securing board and regulatory approval to allow non-conventional lending, the Resilient Capital Program via provincial government insured deposits, or the immense retail investment activation of the Nova Scotia CEDIF Program, all the SFIFs have navigated the real and/or perceived risk vs. return challenges with investors and sourced or raised capital to help fill their particular targeted community need. Finally, all the SFIFs have faced the common challenge of finding a sufficient number of investment-ready opportunities, and have developed a wide range of approaches in response.

There are some additional noteworthy shared characteristics among these SFIFs as well. With the exception of the Community Forward Fund, all are “place-focused,” although this may be at a municipal, regional, or provincial scale. Similarly, with the exception of the Nova Scotia CEDIF Program, none of these SFIFs has a capital base exceeding \$15 million, although below that there is broad range of fund sizes. The SFIFs are also similar in how they differ from conventional investment funds. None of the SFIFs has taken a strictly single sector-themed approach or fully completed capital raising with a Limited Partnership/General Partnership structure, both commonplace in the conventional private investment sector.

As context for the reader, when the case study templates were provided, each SFIF was specifically asked to:

Think of the “how to guide” as the place that someone who is potentially starting a SFIF can go to read about how different SFIFs were formed, raised capital, and deploy capital. Where they can learn some of the lessons from first hand practitioners and gain an appreciation for the challenges and opportunities based on real world learning. Think about your particular SFIF and what you would have liked to have learned, before fully embarking on the journey, from someone else who had already done something similar. These lessons and experiences are of great value to (i) existing SFIFs considering expansion into new funds and products; (ii) individuals and institutions considering how to meet gaps between community need and conventional market capital; (iii) philanthropic sources of capital considering opportunities to subsidize and/or leverage potential SFIFs; and (iv) various levels of government considering opportunities to support SFIFs. The true value will surface only if we can be humble enough to share our mistakes so that others at least have the opportunity to learn from them.

So what are some of these lessons? It is tough to generalize, but included in the Executive Summary are some of the important ones.

Executive Summary

Facilitated by Vancity Credit Union, ESDC, and New Market Funds Society, social finance investment funds (“SFIF”) from across Canada worked together to provide individual case studies based on a common template. These SFIFs represent a small but diverse component of the broader SFIF universe in Canada. The objective was to create a source of SFIF models that can be accessed by social financiers, developing and existing SFIFs, community and private foundations, financial co-operatives, other community-based organizations, and all levels of government. Implicit in this undertaking was the desire to understand some of the lessons that have been learned by these SFIFs as they have formed, raised capital, and deployed capital. The SFIF models are diverse and because of this, many of the lessons are model-specific. The case studies include submissions from the Community Forward Fund, the Social Enterprise Fund, the Nova Scotia CEDIF Program, the Saint John Community Loan Fund, the Resilient Capital Program, Affinity Credit Union’s Community Development Department, SEED Winnipeg/Assiniboine Credit Union, and Desjardins CRÉAVENIR Program. While both embracing and respecting this plurality, New Market Funds Society has attempted to summarize some of the key common challenges faced by these SFIFs and their approaches for confronting these barriers.

Forming

From the case studies provided, it isn’t difficult for the reader to discern that forming a SFIF is very difficult and takes a long time. On those occasions that it doesn’t take a long time, it takes a really, really long time. Whether it was Nora Sobolov and the Community Forward Fund or Chris Payne as the self-described evangelist of the Nova Scotia CEDIF Program, having a determined individual or group dedicated to the establishment of a SFIF is a necessary condition. These individuals or groups start by getting more of the right people involved, relatively quickly. The founding groups are united by their perception of a particular need in the community and are both tenacious and agile in trying to fill that need. They generally don’t give up, even when they face seemingly insurmountable barriers, and they are good at quickly adapting their approach to move forward, without permitting mission drift. While seemingly a necessary condition, these mission-based, tenacious, and agile groups are generally not sufficient on their own for the long, or really, really, long time required to cross the chasm from SFIF concept to SFIF reality.

There is an old African proverb, which wisely suggests “if you want to go quickly, go alone, but if you want to go far, go together.” All of the SFIFs in this compilation encompassed support from government (federal, provincial and/or municipal), charitable (community and/or private foundations), and/or financial co-operative assistance, or subsidization, in travelling across this chasm from concept to capitalization and operation. By involving aligned organizations as key stakeholders, these fund concepts galvanize a group of local champions determined to see the SFIF succeed. One participating SFIF described this web of support as being “too small in size and too big in the community, to fail.” In some of the SFIF cases there are one or two dominant stakeholders or sponsors that provide subsidy and in other cases the SFIF may take a more portfolio-like approach to acquiring subsidy. Larger

subsidies typically come with more strings attached (control), but usually mean that the stakeholder or sponsor is more deeply invested in the success of a particular SFIF.

In the conventional market, private investment funds usually develop based on a blend of sweat equity and seed capital, both being typically “invested” with the belief (or hope) of significant financial upside in the future. The SFIFs included herein developed based on a blend of sweat equity and subsidization, both “invested” with the sole intention of community upside. While the required level of “subsidization” varies greatly among the SFIFs included herein, suffice to say that these are not small grants solely to cover market research, but typically to cover research, development, structuring, capital raising and operations.

Formation and Operating Subsidies by Source

SFIF	Government	Charitable	Financial Co-operative
Community Forward Fund	Yes- Provincial	Yes	Yes
Social Enterprise Fund	Yes - Municipal	Yes	
Nova Scotia CEDIF	Yes - Provincial		
Saint John Community Loan Fund	Yes - Municipal	Yes	Yes
Resilient Capital Program	Yes - Provincial	Yes	Yes
Affinity Credit Union Community Development			Yes
SEED Winnipeg/Assiniboine Credit Union	Yes - Fed/Prov.	Yes	Yes
CRÉAVENIR Program	Yes - Fed/Prov.		Yes

These subsidies represent significant critical resources for formation and operation, and in the case of embedded SFIFs (Nova Scotia CEDIF Program, Resilient Capital Program, Affinity Credit Union Community Development Department, and Desjardins CRÉAVENIR Program), the more permanent and ongoing subsidization of a SFIF program. For the non-embedded SFIFs (Community Forward Fund, Social Enterprise Fund, Saint John Community Loan Fund, and SEED Winnipeg/Assiniboine Credit Union), the requirement for ongoing operating subsidy can exist for a long time, sometimes permanently. Estimates of the required capital base for self-sufficiency should be done on a case by case basis, but based on these SFIFs, the lower end of the range is \$15-25 million. A SFIF needs ongoing sources of subsidy, alternative sources of commercial revenue, or to achieve a sustainable scale, otherwise it will not survive. This is something individuals or groups should carefully consider when forming a SFIF, but it should also be clearly understood by all the stakeholders or sponsors assisting a SFIF.

Capital Raising

If the formation of a SFIF is tough, from the case studies it should be evident that the daunting task of raising capital makes formation seem relatively easy. Capital raising takes all the tenacity, agility, and stakeholder support of formation, and a lot more. Although the concept is simple -- package up a great story of generating financial returns and impact and sell it -- in practice, the SFIF case studies show that this can be very challenging. In capital raising, the story of the SFIF is important and how you tell it is very important, but if you are trying to achieve scale, an acceptable level of risk vs. return is critical. This too, is easier said

than done; unless the SFIF has a third-party audited long-term successful investment track-record of the same team making the same size and type of investments in the same market, then the relevant level of risk and return is almost solely subject to the perception of the prospective investor. And, all investors are quite reasonably cautious when faced with unknown or unquantified risk and unproven financial and/or social returns.

As investment track-records like this rarely exist and take a couple of decades to build, the SFIFs included in this compilation have used a variety of approaches to mitigate the perceived risk vs. return challenge. Mitigating the perceived risk vs. return challenge can be grouped into four categories:

- (i) targeting mission-aligned investors
- (ii) track-record development
- (iii) credit enhancement
- (iv) return enhancement

Directly or indirectly, all of the SFIFs that submitted case studies have investors who are aligned with the mission of the particular SFIF - the bulk of which are charitable foundations, financial co-operatives, and local individuals. But mission-alignment is not sufficient on its own, and all existing and prospective SFIFs should be cognizant that this is a relatively small pool of capital that all the SFIFs are trying to tap.

Track-record development involves leveraging the successful experience of a prior or ongoing investment program to reduce the perceived risk of a new investment program. The Social Enterprise Fund has successfully managed this from one “envelope” to two and is now working on its third “envelope” of funds. The Saint John Community Loan Fund can market that it has not lost investors’ money in its decade long history, while of sixty individual funds under the Nova Scotia CEDIF Program, only three have lost investors’ money, totalling less than \$1 million of the overall \$60 million invested. Under the Desjardins CRÉAVENIR Program the average repayment rate is close to 90%. The evergreen structure of the Community Forward Fund has allowed it to start to develop a track-record while continually raising additional funds. Affinity and Vancity credit unions leveraged the track-records of previous loan programs that were supported by the Federal Government’s Western Economic Diversification (“WED”) loan loss pools in securing internal board approval for investment under the Community Development Department and Resilient Capital Program, respectively. Assiniboine Credit Union also utilized the WED program in building a track-record in its partnership with SEED Winnipeg.

Credit enhancement involves the use of reserves or insurance to reduce the actual risk for an investor. Both the Saint John Community Loan Fund and the Resilient Capital Program have utilized credit enhancement as an approach for mitigating perceived risk. Return enhancement entails providing some source to increase financial returns. Only the Nova Scotia CEDIF Program, via the 30-35% equity tax credit, has utilized return enhancement for incenting prospective investors, but the importance of this, in conjunction with the unique simplified prospectus offering, as reflected in the scale of the funds raised, cannot be overemphasized.

Approaches for Mitigating Perceived Risk vs. Return Challenges with Prospective Investors

SFIF	Target Mission-based Investors	Track-Record Development	Credit Enhancement	Return Enhancement
Community Forward Fund	Yes	Yes		
Social Enterprise Fund	Yes	Yes		
Nova Scotia CEDIF	Yes	Yes	Yes ³	Yes
Saint John Community Loan Fund	Yes	Yes	Yes	
Resilient Capital Program	Yes	Yes	Yes	
Affinity Credit Union Community Development	Yes	Yes	Yes ⁴	
SEED Winnipeg/Assiniboine Credit Union	Yes	Yes	Yes	
CRÉAVENIR Program	Yes	Yes		

However, even with these approaches for mitigating perceived risk vs. return challenges with prospective investors, many of the SFIF case studies highlight that raising capital for deployment is still incredibly difficult. Most of the contributing SFIFs, and the vast majority of other Canadian SFIFs represent long-term and relatively illiquid commitments for investors. On their own, each of these investment characteristics can be challenging, but when combined, they eliminate many potential investors and reduce the potential asset allocation from the few remaining. There are many different “missions” within the universe of Canadian mission-aligned investors. Finding geographic and/or thematic alignment with a sufficient number of prospective investors can be difficult. Another challenge noted by some SFIFs is the disconnection between early indications of interest from prospective investors when a SFIF is being formed and the lack of actual investment commitments made by the same groups once the SFIF is raising capital. To quote a stakeholder of one SFIF participant, “People lie about their interest - immediate need for \$10 million in this space turned quickly into ten dollars.” While this may be an extreme experience, the difficulty in moving from an endorsed concept to a funded capital commitment should not be underestimated.

Whether pursuing capital within a large financial institution or more broadly, it would seem a SFIF is best served by multiple approaches to mitigate perceived risk vs. return challenges, as well as diplomatic, but unrelenting champion(s). However, even with these, there is no certainty of acquiring capital to deploy. In addition to the barriers posed by risk perception, there are some real structural barriers to wide-spread investment by charitable foundations in SFIFs, which with time and effort may be overcome.

Deployment

In the area of capital deployment there is a diversity of models among the contributing SFIFs. This is partly a factor of the plurality of investment types these SFIFs make and the targeted entity types, but is also a product of the relative youth of this sector. The vast array of

³ No longer provided.

⁴ Separate federal, provincial and municipal programs at different times.

operating structures across the case studies dictates different staffing models in most, however a few smaller themes can be discerned. The importance of multi-disciplinary teams was a condition noted as helpful for capital deployment and in many cases, the initial SFIF champion is not still leading the capital deployment efforts. Both the Affinity Credit Union Community Development Department and the Resilient Capital Program provide examples of SFIFs which were established more as a silo embedded within a larger organization but are now undergoing transformation to become integrated in the broader operations of the organization. Unfortunately, as both these shifts are still in their early days, the lessons on how to, or how not to, do this within a larger organization are not yet clear. Actual capital deployment processes, portfolio monitoring and management differ greatly among the SFIF case studies and any lessons from these will depend greatly on the type of capital being invested, the sector focus, and the type and stage of investees. Nevertheless, strong community relationships accompanied by codified and disciplined investment processes are important conditions in reducing the probability of losses.

One common difficulty faced by these SFIFs is the challenge in finding a sufficient number of investment-ready opportunities. SFIFs face a fundamental difficulty in building strong portfolios. As evidenced by the SFIF case studies, generally most SFIFs start with the objective of filling a community need that was not being served by the conventional market. Therefore, as highlighted in particular by the Community Forward Fund, what appear to be robust investment opportunities, upon closer examination and with some assistance are often actually able to access conventional capital. Hence the inherent dilemma for many SFIFs in deploying capital is that the strongest opportunities should be passed along to, or quickly graduate to, the conventional market. Where the deep need for unconventional capital exists, it often requires significant work and investment of time to make opportunities investment ready. Building a business or entrepreneurial culture in charities, non-profits, social enterprises, and mission-based businesses is another common barrier to developing a strong pipeline. The strategic solutions employed by SFIFs in the face of this challenge are varied.

The Social Enterprise Fund (“SEF”) provides an interesting case study of a SFIF that set out explicitly to both increase the investment readiness of social enterprises and to invest in them. Over time, partly as a product of its own experience and the local market conditions, the SEF has decided solely to focus on investing in social enterprise and leave increasing the investment readiness of social enterprises up to other collaborators. The Saint John Community Loan Fund (“SJCLF”) and SEED Winnipeg/Assiniboine Credit Union both represent interesting counter examples. SEED Winnipeg/Assiniboine Credit Union and SJCLF started with a focus on a loan fund, but over time have both developed relatively significant additional capacity-building services. The Affinity Credit Union Community Development Department leverages both its sponsorship dollars to support sector-based organizations that work with individual entrepreneurs and organizations to support them to become finance-ready and its community-engaged elected officials (delegates) from its 11 regional district councils to build its investment pipeline. The Desjardins CRÉAVENIR Program is managed by Desjardins regional enterprise financing centres working in partnership with local municipal, federal and cooperative agencies to build its loan and grant pipeline for the eighty-two

caisses currently participating in the program. The Community Forward Fund (“CFF”) works collaboratively with community partners to offer introductory workshops on alternative financing. CFF has also offered financial review and strategy development services, but has seen limited take-up on these services. The Resilient Capital Program (“Resilient”) was established with its own pool of “last mile” grants to improve the investment readiness of its pipeline. Additionally, Resilient works collaboratively with both the Vancity Credit Union’s Community Investment Department and the Vancity Community Foundation to coordinate capacity building activities relating to investment readiness. The Nova Scotia CEDIF Program relies entirely upon the capacity of the community to develop its investment pipeline.

Conclusions

The individually unique SFIF case studies included herein represent only a small cross section of the rich mosaic of SFIFs in Canada. The case studies provide lessons from each SFIFs particular journey, and many of these are model-specific. All of the case studies underscore that the formation of a SFIF is not easy. Successful formation requires tenacity, agility, sufficient resources and a strong web of stakeholders to survive the lengthy journey from concept to capitalization and operation. The sources and amount of subsidy required for a SFIF will depend on several factors, such as fund structure, regulatory requirements, geographic reach and source of operating revenues, but the case studies provide a range of formation models as examples. Charitable foundations, financial co-operatives, and governments of all levels have served as key sponsors of SFIFs. Although the SFIF case studies demonstrate many different capital raising models, one common challenge emerges: whether trying to secure capital from inside a regulated financial co-operative or from multiple sources, raising capital for a SFIF is very difficult. Mitigating risk vs. return challenges perceived by prospective investors is a common challenge for SFIF capital raising. Targeting mission-based investors, track-record development, credit enhancement and return enhancement are all approaches used by SFIFs for confronting this challenge. Models for deploying capital within the SFIF case studies are varied, but face the common challenge of developing a robust pipeline of investment opportunities. Approaches to this challenge are diverse and usually involve adaptation, as SFIFs move from formation and early development to more established operations.

If the SFIF case studies are at all representative, existing SFIFs require subsidization and have challenges reaching self-sufficiency even in the long term. While it is clear that Canadian communities face dramatic and increasing needs, from growing income inequality to the impacts of climate change, it is not clear whether the solution lies in the creation of additional small SFIFs that may struggle to be economically viable and thus be able to fulfil their mission over the longer term.

There is a need to balance the necessity of local solutions to local problems with the necessity to achieve sustainable scale. Economist Joseph Schumpeter capably demonstrated that small is beautiful; however, only if its impact survives. SFIFs themselves need to be intentional in setting their financial and impact return objectives, diligent in tracking them and transparent in reporting on them.

Charitable foundations and financial co-operatives must continue to play an expanding role - not only sponsoring and subsidizing, but also growing their investment in SFIFs to help build track-records and assist in reducing perceived risk. This increasing collaboration and investment of resources in the social finance sector must be strategically directed, to build and strengthen existing platforms, and building or sponsoring new ones only when there is a demonstrated need that cannot be filled by existing funds. Nevertheless, this community-based catalytic capital is only a small fraction of the investment required. In the face of growing social and environmental challenges in Canada, only government has the scale and/or levers to direct capital of the scale that is required.

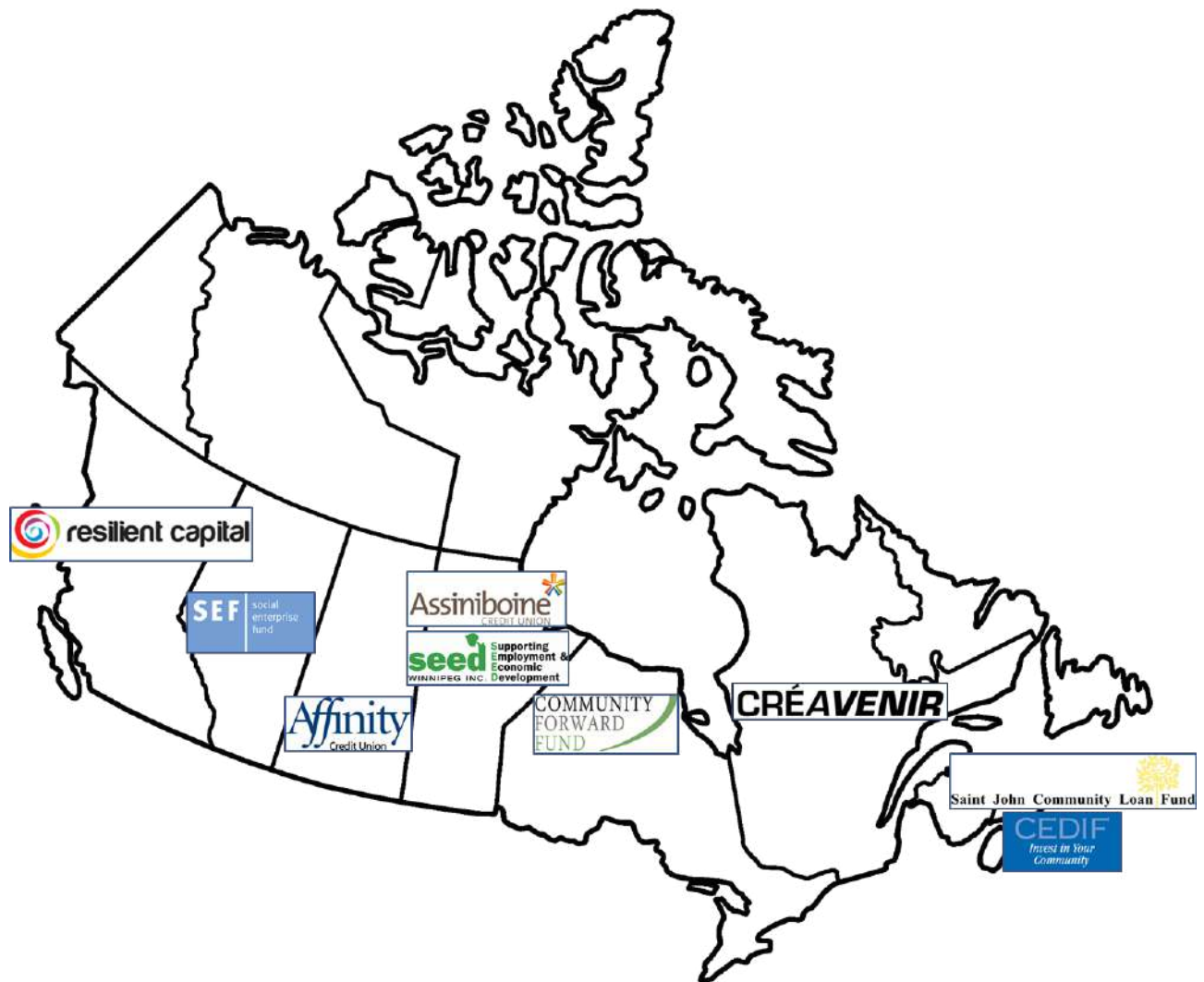
In terms of sponsoring and subsidizing SFIF formation and operation, governments have a vital role to play in further leveraging existing community-based catalytic capital. Government can also play a pivotal role in de-risking SFIF investments. The case studies herein outline how this has been done through first-loss reserves provided by municipal, provincial and federal governments, which have assisted the development of SFIF track-records. The Nova Scotia CEDIF model provides a game-changing example of how a provincial government can use an equity tax credit in combination with a simplified prospectus offering to channel significant retail investment into SFIFs. This of course could be matched or further leveraged by either or both the federal government and specific municipalities. The benefit of this model is that it moves the decision-making to the community level, where need is often best understood. However, the seemingly acutely different experiences between the Nova Scotia CEDIF model and the Labor Sponsored Venture Capital tax credit, outside of Quebec, need to be better understood so that future policies are best informed by real world lessons from here in Canada and abroad.⁵

Financial cooperatives have been leaders in community investment, but should not be the only financial institutions active in this area. Federal and provincial governments have an obligation to make sure that chartered banks and insurance companies, as regulated oligopolies, are required and/or incented to invest in their communities beyond their existing conventional financing and CSR activities.⁶ It is beyond the scope of this report to make specific recommendations to government or the financial sector, but such recommendations, generated by social finance practitioners and fund managers, will be the focus of a separate report planned for later in the year. What is clear from these pages is that only if governments at all levels fully commit to an enabling environment and architecture for social finance, including effective facilitation of, and incentives for, retail investors and financial institutions, will more significant capital be activated to tackle Canada's most critical social and environmental challenges.

⁵ In the United States, since its creation in 2000, the New Markets Tax Credit Program has allocated \$36.5 billion in tax credit authority to Community Development Entities.

⁶ In the United States the Community Reinvestment Act was adopted in 1977 to ensure that banks and other financial institutions meet the credit needs of all members of the community. The US has multiple regulators of financial institutions, but FFIEC coordinates interagency practice and reporting. National reports can be accessed here - <http://www.ffiec.gov/craadweb/national.aspx>. Under the requirements of the CRA, banks are lending in excess of \$200 million per year to small businesses and farms in low and moderate income neighbourhoods.

Case Studies



Community Forward Fund



Financing for charities and nonprofits

Name:	Community Forward Fund
Objective:	<p>Makes loans to, or arranges financing for, Canadian nonprofits and charities (Non-profit organizations - NPO)</p> <p>Our Fund addresses a gap in access to patient, working capital and provides bridge loans for small- and medium-sized sector organizations</p> <p>Provides financial review and coaching services and assessment tools to help build financial skills and capacity in the NPO sector</p>
Primary Investee Focus:	Canadian NPO
Primary Capital Type Deployed:	Loans to NPO (exclusively)
Current/Target Funds Under Management:	\$9.8 M raised, target \$20 M by 2016
Financial Returns targeted for Investors:	Target returns are 3.5% per annum
Number of Current Investees:	26 loan approvals (2013), target 18 transactions 2014
Types and Numbers of Investors:	Social impact investors - notably public and private foundations and interested individuals
Primary Geographic Scope:	First capital deployed in Ontario, target is Canada wide deployment

Introduction

Community Forward Fund (Assistance Corporation) is a registered non-profit investment fund manager that manages the invested funds held in trust by the Community Forward Fund. Together the two entities are commonly referred to as Community Forward Fund - CFF.

Forming

Community Forward Fund Inception

Origin of CFF

Community Forward Fund (CFF) was conceived in 2010. The key driving force was Nora Sobolov, who has worked in financial services, private corporations as well the non-profit sector. Nora recognized that there was pressure on the non-profit and charitable sector to evolve business models from fund raising and grant recipient revenue bases to more sophisticated models that include revenue generation from enterprise and program activities. Both government and philanthropic revenue sources are increasingly under pressure, requiring the NPO sector to seek ways to generate revenues from existing and new sources. A key ingredient in achieving this is a source of capital for investment in ideas and programs for non-profits and charities.

With the encouragement and financial support of foundations, a needs analysis was conducted in 2010. The objective was to verify whether there was in fact a gap in access to capital, and a market for a loan product for NPO. The examination also sought to identify a potential investor group in CFF. The target for CFF was philanthropic organizations with investment funds that were interested in:

- Developing the financial capacity of the NPO sector
- An independent investment vehicle that can provide access to capital for the sector
- Achieving a modest return on the capital invested (maintaining the capital base)
- Achieving social impact through the strengthening and greater financial sustainability of the non-for-profit sector

Among the key initial supporters of CFF are the Community Foundations of Ottawa, Hamilton and Kitchener. These organizations are both leaders in impact investing - investing a portion of their capital in initiatives that provide financial and social return. They committed investment funds to CFF at an early stage, and have continued as key community partners, assisting in sourcing loan candidates and in some instances participating in loan investments alongside CFF.

A key for CFF's successful launch was grant support from the Ontario Trillium Foundation. The grant assisted with covering Fund management and financial capacity building expenses in the development and initial inception stages, and allowed CFF to overcome significant barriers to start-up. This and other assistance provided to CFF is discussed below. Equally important has been grant assistance from Vancity Credit Union, which has allowed CFFAC sufficient

operating funds in the first two years of operation as there is not a sufficient earned revenue base at this time to support the costs of the fund management entity.

CFF was officially launched in July 2012 with an initial capital subscription base of approximately \$5 million. Prior to launch much of the CFF effort was focused on obtaining securities registration for CFFAC in Ontario and four other provinces. In addition, significant work was undertaken to identify potential loan candidates. CFF closed 2012 with a capital base of just under \$8 million.

CFF mission

The models for CFF exist in the United States, where Community Development Financial Institutions (CDFI) have, for a significant period of time, provided capital to the NPO sector, as well as financial support services. In the US, as in Canada NPO have difficulty accessing capital. The reasons may be related to a lack of risk appetite by traditional financial institutions, a lack of understanding of non-profit business models and therefore the risks (or lack of risk) in providing loans, or a concern with having to foreclose on a non-profit organization that has strong community ties but cannot meet its financial obligations.

Loans are the simplest and lowest risk approach to providing capital to non-profits and charities, other than grants. In Canada, there are a limited number of community-based lending bodies. CFF is the only such entity that is registered as an investment manager.

Loan pipeline

At the outset CFF identified close to 30 potential loan candidates. Of these only a handful of loans materialized. The formal process of loan application, business plan review and risk assessment of business plans and organizations eliminated a number of loan applications. In addition, certain candidates, having submitted to the CFF review process, found themselves eligible for conventional financing that could be obtained at lower rates.

Over the first 18 months of operation, CFF has built a more reliable loan pipeline through work with community partners, informational workshops and marketing to the not-for-profit sector. The greatest challenge is finding loan candidates in the social services sector. Revenues and business models for these organizations are less stable, and more dependent on grants and government subsidies, and less on enterprise and asset driven revenues.

Leadership group

Two leadership groups played key roles for CFF. The founding Board included financial institution, lending, legal and community and foundation expertise and experience. An advisory group that brought practical experience in start-ups, funds, the financial sector and the community sector augmented the Board capacity. These volunteers included persons who could assist with development of procedures and processes for investment and lending, as well as financial capacity building.

Sponsorship

CFF started without a formal sponsorship or institutional “address”. The concept at the outset was to create a registered non-profit investment fund manager, managing funds on behalf of investors.

As noted above, CFF would not have been able to get off the ground without the organizational and financial commitments of community foundations, the Ontario Trillium Foundation and Vancity. Very importantly, CFF received pro-bono legal advice and support for the development of the CFF model, and the fund registration process. Without this support CFF would not have been able to get off the ground or have the financial means to implement its business model.

Models for CFF

As noted above, the models for CFF were largely drawn from the United States. The Non-profit Finance Fund, although larger in scale than CFF provided a template for the lending and capacity-building activities of CFF. Within Canada, there are lending organizations for NPO, however, to date these organizations are not registered funds, and therefore operate from a different capital base. Most such funds have a confined geography, whereas CFF seeks to provide its services nationally.

CFF chose to become a registered investment manager for three primary reasons. First, this form allows for the Fund to be evergreen - that is it does not have to collapse and then renew its structure as a Limited Partnership might. Investors are “locked in” for a period of five years, and then are provided liquidity of their investment based on the attraction of new investments to the Fund. Second, it is a form into which charitable organizations can invest directly without the concern that they may be at odds with CRA regulations on charitable investment. Some Foundations have reservations about investing in Limited Partnerships and similar vehicles as they might be seen to be “owners of a business” - even when such investments are made through Trusts and not directly by the Foundation. Third, the registered investment manager is also a recognizable industry form and therefore is understandable to all investor classes. Payment of an annual return to investors is a simple process, and is based on the differential between earnings of the Fund and the Fund management costs. This is a less complicated distribution approach than LP’s usually are, and works in the same manner for taxable and non-taxable investors (although few taxable investors are expected). Annual disbursements assist charitable investors in meeting their charitable disbursement requirements.

CFF is available only to accredited investors (per regulatory definition). As an investment manager, CFF must register in each province in which it wishes to raise capital. This is an added cost and complexity of this model. Registration also requires that quarterly and annual reporting be made to each registration entity. To date CFF is registered in five Provinces.

Challenges and Barriers to Formation

Legal and regulatory

A key challenge for CFF was obtaining registration for CFFAC as an investment manager in Ontario, and subsequently BC, Alberta, Quebec and Newfoundland. The Ontario Securities Commission had no experience with the registration of a non-profit manager, and did not initially understand the loan fund business model as presented. It took close to 18 months to obtain registration. Extending the registration to other jurisdictions took another 10 months, as the OSC registration is on a restricted basis, resulting in each jurisdiction making its own assessment rather than relying on the OSC outcome. With each application for registration, requirements differ, and materials had to be specially prepared and formatted for this purpose. CFF could only raise investment funds once the registrations were obtained.

Strategy

The challenges for CFF are to build the pipeline at both ends - interested investors and loan candidates. For the latter, CFF worked for the first 18 months primarily in Ontario, and with community partners. Many of these partners are also investors in CFF. This has the benefit of having organizations that can identify potential NPO loan candidates, has knowledge of these organizations, and sees the immediate benefit of CFF in their communities. CFF is now expanding its reach through more direct contact with non-profits and charities, social media, and associational gatherings. It is expected that increasingly contact will be through social media and other electronic means.

Financial

The CFF business model is simple. Financial capacity building activities must, in the second year, be self-supporting (either through grant or earned revenues). CFFAC is supported by a fee charged to the Fund for raising capital, placing loans and providing related services. This fee is paid by the Fund from the revenues it earns on its lending activities. There is a cap on the overall fee that CFFAC can earn, ensuring the majority of earnings are returned to investors.

The business model is based on a mature Fund of \$20 million in capital raised and deployed in loans. As this capital base will not be achieved until 2016, the challenge for CFF and CFFAC is to generate sufficient revenues in the years prior to the Fund reaching the capital target. As noted above the financial contributions in the form of grants from the Ontario Trillium Foundation and Vancity Credit Union have been critical in supporting the CFF start-up period.

Loan pipeline

In the planning stage CFF researched loan demand and came to the conclusion that there would be sufficient demand for a \$20 to \$30 million fund. There was also recognition that this market required development and loan candidates would require some capacity-building assistance. Finding loan deals and making loans has been a significant start-up challenge. After 18 months of operation the following observations can be shared:

- The timeline from borrower inquiry to loan placement is significant, and longer than anticipated

- Loan applications are more costly to process than planned due to the effort required to perfect business plans and assist with financial modeling
- Many loan applicants require financial capacity building and more preparation before being loan ready
- There is a significant time lag between loan approval and draw on the funds - this may be due to the nature of projects which require several approvals and the flow of additional resources from government or charitable sources and therefore time to coordinate

What is evident to CFF is that there is a market for lending into the NPO sector. The challenges are to make CFF known to potential borrowers (there is no marketing budget within CFF), to work with partners on the ground who can best understand and analyze borrowers and the plans they have and whether these have community support and value, and to build financial capacity within NPO so they can understand how loans can be used.

Other - Human resources

Having engaged and very experienced persons working with CFF in financial oversight, lending operations and capacity building has been a critical part of the CFF success to date. The willingness to lend this expertise, work on a part-time basis and choose CFF for its mission rather than other employment opportunities is very significant for CFF. The skills and knowledge required for CFFAC / CFF are not commonly found in the NPO sector.

Subsidies

As noted above, grant assistance to CFFAC / CFF in the start-up period is a significant contribution to achieving the planned business model.

Formation Time and Costs

From concept to launch took close to three years. The time in early stage idea development was approximately one year. Attaining Securities registration took close to 18 months.

As many of the services provided to CFFAC / CFF were on a pro bono basis, it is not possible to provide definitive costs. At the outset it was estimated the overall resource requirements to get to Fund launch would be close to \$1 million. It is estimated actual costs were close to this figure.

The array of expertise required to launch CFF was considerable - legal, and in particular legal support for securities registration, investment offer preparation, fund subscription documents and trust arrangements. In addition, expertise in development of a policy and procedures manual and lending procedures, including a credit and risk review process required specialized resources. Having staff with knowledge of the non-profit sector and financial capacity building was essential to delivery of services.

Fund Investments

Investors

As noted above, CFF is aimed at social impact investors interested in the development of the financial capacity in the not-for-profit sector who are seeking a modest return. The initial outreach was to community and private foundations, many of which had an impact investment policy or were interested in finding impact investment opportunities.

In a second stage, CFF is reaching out to engage institutional and private investors who support the mission of CFF.

Investment Environment

Generating interest in impact investment in Canada is at an early stage, and interest in socially driven impact funds is somewhat limited. For philanthropic investors two particular barriers have been identified:

- A rate of return that is below target returns for the investment portfolio
 - CFF targets at 3.5% annual return. Most foundations seek a return of 6 to 7% that permits them to meet their capital disbursement targets (3.5% of capital base) administrative costs and keep pace with inflation. An investor in CFF generally must see that the impact benefits for non-profits make up the difference between return and portfolio return. This will also limit how much of their capital base they can afford to invest in such ventures, even if they are in full agreement with the impact outcomes. For non-philanthropic investors, there may be similar concerns with actual return, but they are not constrained by the CRA requirements imposed on foundations.
- The relative illiquidity of impact investments
 - For the most part impact investments require that funds be invested for a set period of time. Unlike traded securities, these investments cannot be cashed out on short notice should the investor require the funds or seek to deploy them elsewhere. This is a barrier a barrier to making large investments in funds such as CFF. Charitable investors cannot afford to tie up large portions of their funds in illiquid assets, should they at some point be required to liquidate these to meet program or disbursement requirements. This issue becomes increasingly important where charitable investors are seeking to make multiple impact investments (diversification) which will further restrict how much they place in any one investment.

For private foundations, there may be an option to categorize impact investments as Program Related Investment (PRI) (whereby they may seek to categorize a portion of the investment as a qualified disbursement to meet CRA disbursement requirements). However, it is very complex to accommodate this investor in a fund that has other non-PRI investors, as the contribution and use of funds agreements must be different between investors, and the fund

management becomes very complex and for the PRI investors, the use of funds must meet their programmatic requirements.

Lessons Learned

The following are observations from seeking investors for CFF:

- there is a core group of philanthropic investors who are committed to impact investing and are leaders in supporting funds such as CFF
- Beyond this core group there is limited interest in impact investing, particularly in the social sector
- Motivated impact investors have constraints on how much they can invest in the sector as a whole, and therefore even greater limits on how much any one Fund can expect to garner as investment capital
- Investors seeking social impact often are seeking local impact, and are reluctant to invest in a national fund, even though it can be demonstrated that there is local impact for them, and that this impact is larger than the amount invested in the Fund
- Social impact metrics are a concern to investors, who want to see measurement of the effect of their investment

Attraction Strategies

CFF has a dual strategy of seeking investments from foundations as well as individuals. The latter is a greater challenge as there is a less well-developed knowledge of impact investing among advisors to high net worth individuals. CFF has not had any success attracting institutional investors. The relatively small capital base creates a problem for investors with high minimum investment thresholds, and who do not want to have more than 5 % or 10% of the fund value.

CFF has joined the MaRS sponsored SVX platform. This is to seek attraction for non-foundation or institutional investors.

Investor Challenges

In addition to the challenges cited above, the relatively low return for CFF may limit the number and size of investments. While CFF is designed to return at least the disbursement value requirement for foundations, there is still an overall cost impact for foundation investors.

At the outset, with limited loan results, there was difficulty illustrating the impact of CFF for NPO. With 18 months experience, this can mostly be overcome by the number and diversity of loans placed.

Process

All investors in CFF complete a subscription agreement for the amount of their commitment. A small fee is payable at this time. Funds are drawn from investors periodically to fund loans that have been issued. These funds are drawn on a proportionate basis from all investors in the Fund at the time of the loan, such that investors are exposed to multiple loans. Investors share equally in the risk of the Fund, in proportion to their investment in the Fund.

Deployment of Funds

Lending Process

Interested borrowers make contact with CFF through the Director of Lending. Where there is a fit and a probability of making a loan, the potential borrower completes an application and pays a nominal processing fee. The Director of Lending conducts a loan assessment; organizational assessment and business plan assessment. Loans that pass this review are recommended to the CFO and CEO, who then review the loan. If there is agreement to proceed the loan is submitted for approval by a Lending Committee (Board Committee). On loans above a threshold value, Board approval is required.

Financial Capacity Building

CFF has worked collaboratively with community partners to offer introductory workshops on alternative financing. CFF has also offered financial review and strategy development services. The review services have not been widely subscribed to. In 2013 CFF developed a financial strategy clinic that provides participating organizations with an ability to understand financial trends with more detailed results, and to develop a go-forward strategy. The clinic is based on financial data analyzed using proprietary automated tools developed by CFF.

Staff

CFF operates with a staff full time equivalency of 3.5 persons. There is one full time administrative and management coordinator, and four part-time positions. In addition, communication and legal services are contracted. As noted above, particular positions require specialized skills. In addition, the persons in the fund investment advisory and Chief Compliance Officer positions must meet securities commission requirements. The Fund also requires an “Ultimate Designated Person” - UDP who has the responsibility to meet all regulatory requirements for the fund manager and the Funds.

Reporting

Investors are provided with investment reports quarterly. Where it is desired, CFF meets with each investor / investment committee annually, as well as on demand. Quarterly reports are prepared for each securities regulator, and annual filings to these bodies must be completed.

Other Comments

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.

Contact Information

For additional information, please contact:

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Chief Executive Officer

Derek Ballantyne

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Social Enterprise Fund



Name:	Social Enterprise Fund
Objective:	To meet financing needs of Alberta's social entrepreneurs and social enterprises
Primary Investee Focus:	Any organization or business that uses market-oriented production and sale of goods and/or services to pursue a public benefit mission Sectors include, but not limited to social, environmental, cultural
Primary Capital Type Deployed:	Loans (Grant facility available, but seldom used) Equity under consideration for future
Current/Target Funds Under Management:	\$12.5 million active (additional committed as needed) \$9,934,000 placed (at 24 February 2014)
Financial Returns targeted for Investors:	5-6% gross
Number of Current Investees:	Twenty two (at 24 February 2014)
Types and Numbers of Investors:	Philanthropic/Foundations :1;Municipal government: 1/ Non-profit organization: 1
Primary Geographic Scope:	Alberta

The Social Enterprise Fund makes loans to Alberta-based social enterprises and social entrepreneurs. We sometimes describe ourselves as being 'money on a mission.'

We focus on organizations and companies that work for the good of the community, taking our cue from the Canadian Task Force on Social Finance definition of social enterprise as “any organization or business that uses market-oriented production and sale of goods and/or services to pursue a public benefit mission. This covers many organizational forms - ranging from enterprising charities, non-profits and co-operatives to social purpose businesses...” SEF is willing to consider a broad range of mission-based activities; no corporate forms or sectors are excluded.

Given its operational capacity, SEF works primarily in the area of debt financing such as term loans. These funds are used by SEF's clients to support a wide range of activities, including, but not limited to:

- Operating capital
- Mortgages
- Bridge financing
- Tenant improvements
- Business start-ups
- Growth capital

SEF is a brand and 'store front' operation providing access to several related social impact investment instruments. It has been in operation since 2008, first serving social entrepreneurs in Edmonton, and now able to work anywhere in Alberta.

The Beginnings

SEF's birth can be traced to work within the City of Edmonton administration. In the early 2000s, community development staff, working from the premise that economic success is a factor in addressing many community challenges, became interested in the models of social enterprise in other parts of the world. They had had some success in nurturing organizations that sought to bring the disadvantaged into the workforce⁷, and understood the need for alternative financing mechanisms to make social change possible.

The group embarked on rigorous research and a consultation process spanning several years. Surveys, focus groups and feedback sessions were held; local and out-of-province consultants engaged. Models from other parts of the world were studied.

As with most good collaborations, success sometimes depends on the right people being in the right chairs at the right time. During its pursuit of a workable social finance solution, the City staff found a likely partner in the new Chief Executive Officer of the Edmonton Community Foundation, (ECF) who in a previous role had launched a well-known Edmonton social enterprise,⁸ and seen first-hand what the social enterprise approach can do.

During its twenty five year history, ECF has been committed to building community capacity. By investing a portion of its asset base directly in the community, the Foundation saw a way to expand its basket of philanthropic services to better fulfill its mission through what is now called 'impact investing'.

After a lengthy negotiation and approvals process, the City and ECF signed an agreement to launch the Social Enterprise Fund. The agreement calls for support to activities that have at their core a mission to "provide a social good to the community and provide valuable community benefits." The City contributed \$2.5 million, which ECF agreed to match within

⁷ Edmonton's successful *Women Building Futures* had come out of this work.

⁸ *Kids in the Hall* is a restaurant located in Edmonton's City Hall, and provides work experience and counseling to youth at risk.

three years. The City also committed operating funding for the first two years with the understanding that ECF would cover the same through year five, when the fund was expected to be self-sufficient. One third of the City's capital was placed in an operating endowment to assist with ongoing operating costs.

The City and ECF created a new legal entity, the Edmonton Social Enterprise Loan Fund (ESELF).⁹ Its investment pool in the early years was just short of \$3 million, including contributions by the United Way of Alberta Capitol Region and a three-year investment by the Alberta Real Estate Foundation. ECF also made loans directly to borrowers who were registered charities.

Building Capital One Envelope at a Time

SEF itself is not a legally constituted entity, although this would not be apparent to clients approaching it for financing. The 'envelopes' managed through SEF are defined by the source of the capital, which also defines what type of client each source of capital can support.¹⁰

For example, the original ESELF pool created by the City and ECF, can lend to any client with a *non-profit structure* (society, corporation or co-operative), while ECF can only lend to *registered charities*.

The formation of the newest envelope delivered by SEF was driven primarily by ECF's commitment to meeting the challenge put forward by the Canadian Task Force on Social Finance in 2010 - namely that Canada's public and private foundations invest at least ten percent of their capital in mission-related investments by 2020. The Foundation had made the commitment, but had to find a mechanism that would allow such investment within Canada Revenue Agency (CRA) regulations for public foundations.

SEF's newest envelope, (announced in October 2013), the Alberta Social Enterprise Venture Fund (ASEVF), is an independently owned limited partnership structure, constructed to allow accredited investors - such as the Edmonton Community Foundation - to place funds that they wish to deploy into the kind of impact investing that SEF does. ECF treats its investment in this fund as an additional asset class in its overall investment portfolio.

The ASEVF solution to enable capital in a public foundation to be used for impact investments like these was a lengthy legal process.¹¹ Not only does it solve the regulatory challenge of expanding the Foundation's participation in impact investing, it opens a straightforward way for other investors to do the same. Various investors of all types have already begun to express real interest.

At the same time, the ASEVF allowed SEF to invest in any corporate structure - not only the non-profits it initially served. It had become clear as SEF worked a variety of clients that it

⁹ ESELF is incorporated as a not-for-profit corporation as defined within Alberta's Companies Act (Part IX).

¹⁰ This structure evolved somewhat organically, but made sense as it made possible economies of scale and the ability to take advantage of shared expertise.

¹¹ Beyond the planning phase, the legal team worked about eighteen months.

was important for social entrepreneurs to create the appropriate structure for their enterprise, to enable long term success. ASEVF was also structured to encourage investments across Alberta.

This structure was not so much the result of a deliberate plan in place when SEF launched, as an evolution in response to needs that became evident as we operated. However, the structure does allow for flexibility of response to the needs of both investor and investee communities that we believe will be useful over time.

Making Decisions

SEF's clients are distinct from many businesses due to their community benefit. This additional impact beyond investment earning is central to SEF's mission, so SEF's risk assessment process focuses primarily on the financial viability of the proposals received. The sustainability of our work depends on the protection of the principal we have been entrusted to invest. There is little point in lending to an organization that is incapable of supporting that borrowing. A predictably poor loan would jeopardize not only our investment, but the valuable contribution made in the community by that organization. This central rule could be expressed as 'first, do no harm.'

This said, the very fact of the kind of operations encompassed by most of SEF's clients mean that usual levels of acceptable risk are sometimes exceeded, or that traditional security might not be available. SEF's role is to be more imaginative as well as patient in the loans we make.

If a client successfully passes the SEF risk assessment process, SEF then shepherds the application through the approvals and contracting process associated with whichever source of capital is appropriate for that client and that particular loan. That decision may be dictated by the corporate structure of the borrower, the affinity of the project to one particular fund, or influenced by cash flow availability in one fund compared to another.

ESELF is governed by its two "members", namely the City of Edmonton and Edmonton Community Foundation through a board of three members appointed by the City (2) and the Foundation (1). This group reviews and approves recommendations for loans presented by SEF staff. Non-profit clients are immediately contracted through ESELF, while recommendations for clients with charitable status may also be reviewed by the ECF board if the loan is going to come directly from the Foundation.

Staff recommendations to ASEVF are reviewed by an Advisory Committee, composed of individuals with legal, investment, real estate and business capacity building expertise. This group in turn makes recommendations to the ASEVF Directors for final approval.

Operational Structure

As noted above, the Social Enterprise Fund is a storefront brand for convenient client access. It was decided early on that given the various partners who joined together to form the lending pool, and for client clarity as to the difference between the lending and granting

roles of those partners, that SEF should have its own profile. As a result, SEF has its own office in the McCauley neighborhood of Edmonton, along with its own logo, website and printed materials.

To avoid the expense of establishing an entire new structure, and to take advantage of existing expertise, ECF provides contracted personnel and services to SEF. SEF is now in the process of hiring a part-time administrative associate for the Executive Director, and is considering addition of another position in 2015.

The original business plan called for SEF to be self-sufficient from its earnings, a goal which it will reach in 2014.

Finding Entrepreneurial DNA

When initially launched, SEF embraced the need for a wide range of lending and business capacity development activities.

As an early player in the social enterprise sector, SEF was faced with the task of introducing people to the potential of the model. SEF undertook a wide variety of presentations and workshops, reaching hundreds of primarily non-profit organizations and interested individuals, spreading the word about the power of the social enterprise model. A “Path to Loan” grant program was introduced, with the hope that providing financial help to complete feasibility and business plans would help create deal flow for SEF loans. SEF also organized a social enterprise ‘boot camp’ in early 2011 to aid non-profit organizations in particular to hone their business planning skills. Many of these business development efforts were funded through provincial grants secured by SEF.

While SEF had made half a dozen loans by 2011 -- most of which were paid back in an orderly fashion -- a review of the operation determined that a change in approach was warranted to increase the number of viable clients.

In the years since SEF had started, new players had entered the social enterprise sector, in addition to increased resources in the business and startup incubator space. Organizations such as the Trico Charitable Foundation in Calgary and business schools inside Alberta’s post-secondary institutions were expanding their business development capacities, including those for social entrepreneurs. At the same time, there were no other lending organizations focused on the social enterprise space in the province. SEF decided to focus on its primary mandate - lending money. Although SEF has partnered with training organizations in subsequent years, with SEF staff lecturing in post-secondary institutions and assisting in developing course materials for groups such as Innoweave.ca, the loans come first.

SEF has also come to believe that it is important that all the business development tools available to any entrepreneur should also be available to social entrepreneurs. Certainly there will be some specialized information that is useful to a non-profit employing the social enterprise approach - but they can also benefit from all the skills taught to MBA candidates. We focus much of our business development work on improving these connections.

In 2011, SEF also began a slightly different approach to finding viable borrowers -looking for the entrepreneurial DNA already embedded in our client communities, and demonstrating how access to financing could be a viable tool to further the missions of those potential clients. We spend a lot of time watching what is going on in the community, looking for those groups and individuals who while they may not use the language of social enterprise or social entrepreneurship, are engaged in using the approach. By working to remain connected, we can make suggestions when SEF might be the solution. Even more encouraging is the fact that our current clients and partners now recommend SEF to others who could benefit from what we do. As groups see how others have put loans to work, they begin to imagine how they might do the same.

As a result, the number of viable proposals coming to SEF from all sectors is quickly growing. In its first three years of operation, SEF lent to seven clients. In the past two years, the loan portfolio expanded by nineteen clients and counting.

As the portfolio of loans grows, it becomes clear that more staff resources (primarily time) must be committed to reviewing the many viable proposals, along with monitoring and, in some cases, actively supporting our clients as they develop their operations.¹² As we grapple with this challenge, created by our own growth, we are reminded that SEF too is a social enterprise, and a work in process.

March 2014

Contact Information

For further information

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¹² To date, approximately 75 percent of staff time has been dedicated to managing new proposals, and 25 percent to monitoring existing files. A better balance is probably fifty-fifty.

Nova Scotia Community Economic Development Investment Funds



Name:	Community Economic Development Investment Funds (CEDIF)
Objective:	Access to patient, local capital
Primary Investee Focus:	Companies and Co-operatives
Primary Capital Type Deployed:	Equity (common shares) and/or subordinated debt
Current/Target Funds Under Management:	\$60 million
Financial Returns targeted for Investors:	Market-based with tax credits to offset risk
Number of Current Investees:	There are about 60 CEDIF's which have capitalized and are operating. Most of these have only a single investment, however, there are about 6 which have made multiple investments. In total, approximately 75 companies (also includes cooperatives) have been successful in securing funds from a CEDIF
Types and Numbers of Investors:	Retail investors 100% (6,000 +)
Primary Geographic Scope:	Across Nova Scotia

NOTE: Community Economic Development Investment Funds (CEDIF) are unique among the SFIFs profiled in this How-to Guide. CEDIFs are pools of capital formed through the sale of shares to persons in a defined community, which is invested in the creation or expansion of a local business.¹³ They exist as a result of an enabling structure adopted by the Province of Nova Scotia. The information presented below comes primarily from Christopher Payne, Senior Advisor, Evaluation of Finance and Private Sector Initiatives at NS Economic and Rural Development, rather than the director or lead staffer of a fund. Mr. Payne has played an integral (and evangelical) role in the Province's development and adoption of CEDIFs since their inception.

¹³ <http://novascotia.ca/econ/cedif/background/>

The definition of community is important as background; there is great latitude on how a community self-identifies itself.

Forming

Key Conditions required for the formation of the CEDIF program

The idea of a Community Economic Development Investment Fund (CEDIF) was first announced in 1993 during the Nova Scotia Liberal government's budget process. It had been put forth by a voluntary planning effort that had sought to develop a mechanism to support local investment. The conceptual framework envisioned individual investors to capitalize local Funds which would invest into the local community. However, this idea quickly became significantly more complicated than had been anticipated by the requirement for the completion of a Prospectus and approval by the Securities Commission, due to this being a public offering. As a result, it was shelved.

The Nova Scotia Equity Tax Credit (ETC) had already been developed and was working well to promote equity investment in the community, however, it only worked in instances where the company seeking capital was familiar with potential investors. There was a gap between the businesses that had ideas and a need for capital and the investors seeking investment opportunities. The tax credit was envisioned as a logical next step to efforts for employee stock ownership programs (ESOPs) in the province, which never really got off the ground for a myriad of reasons.

By 1997, the Office of Economic Development (OED) had created a working group to address the obstacles that impeded the implementation of the CEDIF concept. Their charge was “to make CEDIFs happen” by finding the balance between investor protection and the need to prepare a prospectus document. The group included Chris Payne, who was seconded from the Department of Finance, an external consultant, as well as legal and other personnel from the Nova Scotia Securities Commission and the Finance and Economic Development departments.

The working group considered models in place in other jurisdictions such as Manitoba and Saskatchewan (e.g. Grow Bonds). Overall, the group's goal was to develop a mechanism that did not require a government guarantee or government deciding if the investment was warranted. Over time enabling laws and regulations were created. A key feature was the ability for CEDIFs to issue a Simplified Offering document.¹⁴ The Simplified Offering document allows community-led groups, lacking the scale of large corporations or co-operatives, to offer investments to non-accredited retail investors without the virtually insurmountable cost and complexity barriers of a full prospectus offering.

In 1999, the CEDIF concept was launched by Nova Scotia Office of Economic Development (OED). Meetings were held throughout the Province to tell people about this new local investment opportunity. Within a few months, the first offerings were issued. Interestingly no clear investment pipeline had been identified at the beginning of the development of these Funds. There was an implied understanding that there were investment opportunities in most communities and once funds had been raised and were available for local investment then candidates for these funds would bring themselves forward.

¹⁴ <http://nssc.gov.ns.ca/wp-content/docs/Form1Jan17,%202014%20.doc>

There was somewhat of a “build it and they will come” philosophy and for that reason it required strong initial leadership.

Biggest Barrier

The biggest barrier for the development of CEDIFs was the lack of a regulatory framework. This was substantially offset by the ardent desire of numerous government departments and players in making the CEDIF concept operational and successful.

Formation subsidies, Time and Cost

Active development of the CEDIF concept involved countless hours of government employees over a period of about two years. An outside securities lawyer cost about \$30,000 in consultant’s fees which were paid by OED.

Capital Raising

Investor Types

Individual CEDIFs around the province are capitalized by members in a defined community that choose to invest in new or existing local businesses through the sale of shares (the use and purpose of which is defined by the CEDIF). Given that the CEDIF offer retail investments, investors do not need to be accredited, they only need be residents of Nova Scotia over the age of 19.

The mix of investors for each CEDIF varies. For example, some funds, especially those where the company that is being financed is growing rapidly and expected to eventually issue a public offering, attract higher net worth investors, similar to angel investors. Other CEDIFs supporting more community-based enterprises tend to appeal to a broader range of investors. The investments in these CEDIFs are smaller on average, ranging from \$3,000 - \$5,000 versus \$20,000 on average for the CEDIF supporting companies that are on a path to go public.

The initial investment limit was \$30,000 per investor per year. It is now \$50,000 (PP/Year), with talks within government of raising it to \$100,000. However, government wants to ensure that there is no room for tax leakage or developers using CEDIFs for commercial property development. On the other hand, raising the limit to \$100,000 would not make a big difference to the money raised as it is very rare that an individual investor invests the maximum \$50,000.

CEDIFs must be for-profit businesses, and cannot be charitable, non-taxable, or not-for-profit. They can be for-profit cooperative corporations. In order for the CEDIF to sell shares, all requirements set by the Department of Finance and the Nova Scotia Securities Commission must be met. It is the responsibility of the CEDIF board of directors to sell shares and manage the funds, as well as carry out other administrative tasks. Since the board of directors is responsible for the investments, it cannot be assumed that CEDIFs will have professional investment management services, or that they will possess such expertise.¹⁵

¹⁵ Community Economic Development Investment Funds, Evaluation Framework, 2006, p. 6.

Lessons about Different Investor Groups

Investors have different reasons for wanting to invest; however, the primary motivation comes down to having personal relationships with the seller and/or the business(es) supported by the CEDIF. Community-based organizations might secure investments from their donor networks.

A number of CEDIFs have placed ads or held community meetings to raise awareness of the opportunity to invest and incentives to do so. However, at these large gatherings, participants don't typically purchase shares. They do so because of one-on-one, community-based relationships. Each fund has a different approach. Some might identify high net-worth individuals, for example. They also benefit from being able to demonstrate that the individuals on the CEDIF board have themselves invested. The Funds all depend on increased awareness and momentum.

Strategies for Finding Investors

According to an evaluation framework, created for the CEDIF program and led by the Nova Scotia Office of Economic Development (2006), Nova Scotians invest more than \$600 million annually in RRSPs, yet most of this money leaves the province without adding value - less than 2% of this money is reinvested in Nova Scotia.¹⁶ 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. Funds invested in CEDIFs are pre-approved holdings for a self-directed RRSP. If the program could attract 5% of the money that would otherwise flow out of the province annually through traditional RRSP investments, this would provide an additional \$30 million of reinvestment in Nova Scotia communities.

When CEDIF was first put in place in 1999-2000, there was a partial provincial guarantee for investors. The Province provided a 20% guarantee for 4 years, which when combined with the (at the time) 30% Equity Tax Credit, provided investors with mitigation of 50% of the risk. In 2006, the provincial guarantee was removed and in its place, shareholders gained the right to re-invest. That is, a shareholder could rollover its investment after expiration of the five year hold period and, subject to certain conditions, qualify for a subsequent tax credit.

The CEDIF must meet certain conditions for its investors to qualify for these incentives:

- Be in good standing with both the Department of Finance and the Nova Scotia Security Commission
- Be growing
- Market value of fund must exceed 65 percent of original base value for the five year tax credit and 50 percent for the 10 year tax credit.¹⁷

The province's Equity Tax Credit creates an additional incentive for individuals to purchase shares in a CEDIF. The credit, which is available to Nova Scotia residents, was originally a 30% personal tax credit (it is now 35%) for a 5-year investment. The credit can be carried

¹⁶ Office of Economic Development. What is a CEDIF? <http://www.gov.ns.ca/econ/cedif/background/default.asp>

¹⁷ Community Economic Development Investment Funds, Evaluation Framework, 2006, pp. 7-8.

back three years or forward seven years. Shares in eligible CEDIFs may qualify for an additional 20% income tax credit upon renewal after the first five years, and a 10% income tax credit upon renewal after ten years on the original amount invested in a CEDIF. In order for the shareholders to qualify, the shares must be held for an additional five years for each credit based on the date of share purchase.

Deployment

Operating Model

CEDIFs are a unique method for providing capital to one or more specified businesses within a community in Nova Scotia. They may also be created as a pooled fund for a designated community. Independent CEDIFs are typically created by the staff of a community-based organization or a group of interested volunteers within a community. The primary work associated with creating, funding and investing the CEDIF and its assets is heavily front-ended and typically handled by the volunteer board, the companies who will benefit from the investment or allocated staff time within an organization with a mission of supporting community-based economic development. The out-of-pocket costs associated with the Offering are typically funded from the proceeds. These costs are usually kept to an absolute minimum, however, they can range from virtually nil to perhaps as much as 10%. The vast majority of offerings are at the low end of the aforementioned range. The remainder of funds raised (i.e. Net Proceeds) are used for investment and ongoing operating expenses. It is key that a CEDIF minimize the administrative burden so as to be able to deploy the maximum amount of capital into target ventures. There is no rigid percentage for the total cost of administrative expenses, however, as part of the review of the offering document, staff would identify and seek clarification of any unusual costs in this area.

Once the CEDIF has been established, ongoing expenses are typically limited to costs associated with holding the annual general meeting and reporting to the Government and investors. There is the cost to prepare the annual financial statements (audit or review) as well as normal operational costs such as annual corporate registration.

Staffing

CEDIFs are generally not individually staffed. In the case of some of the larger Wind Field offerings, they do maintain a staff (3-5) and office which provides services to multiple funds. The volunteer Boards of most CEDIF have at least one chartered accountant, a lawyer, small business owner(s) and an academic. They may also have people with expertise in government, community development or the field in which the investees operate.

The CEDIF model is supported by about 3 FTEs working for the Nova Scotia government. This includes a portion of one person's time at Finance (to oversee the associated Equity Tax Credit), a portion of one person's time at Economic Development (to promote the CEDIF concept and provide information about how to form and maintain them) and staff time equal to 1.5-2 FTEs at the Nova Scotia Securities Commission to review and non-disapprove the Offering Documents.

Pipeline

The enabling legislation requires that businesses financed by a CEDIF to be located in Nova Scotia and have at least 25% of its salaries and wages paid in the province. Both new and existing businesses (companies and cooperatives) are eligible for investment. It is also interesting to note that although cooperatives represent about 2% of businesses in NS, they represent about 20% of the CEDIF. Unlike most other SFIFS, the CEDIF model is highly-responsive to the funding requirements of one or more specific business within a region or community. They are formed by local people for local businesses and have deep roots and networks within the community which helps with both securing capital and effectively investing it in deserving enterprises.

In many cases, the need for capital by a local business is often the impetus that leads supporters of the enterprise toward creating a CEDIF. As a result, the CEDIF typically does not need to “build or screen the pipeline” of eligible investments. The notable exception is with blind pool CEDIFs, which are described below. Due diligence and structuring of the investment must occur prior to the writing of the Simplified Offering in order to be adequately disclosed. The proponents of a Blind Pool CEDIF will analyze the key strengths of its community (e.g. SWOT analysis) and the opportunities which are not being fully realized. They will also try to understand what entrepreneurs are seeking capital and for what projects. Much of the investment made by such funds is driven by relationships between the Directors of the funds and the individual entrepreneurs.

Only 6 of Nova Scotia’s 47 CEDIFs have been created as blind pools. These funds specify the objectives, criteria and due diligence process in their offerings. Nova Scotia law specifies that blind pool CEDIFs must be invested according to the following schedule:

- At least 40% after 1 year
- At least 60% after 2 years
- At least 80% after 3 years

Blind pool CEDIFs are often created by organizations with a community-based economic development mission that have created and funded other CEDIFs. As a result of this experience, the CEDIFs supporters or Board are familiar with the capital needs in the community. To date, CEDIFs have found that opportunities present themselves quite quickly once the funds are available. None of the blind pools has faced difficulty in investing funds within the proscribed “pacing requirements”.

Monitoring and Reporting

Investees must provide the CEDIF with at least semi-annual management-prepared financials. CEDIFs are required by law to hold an annual general meeting which must be noticed to all investors. At the AGM, the CEDIF must present audited or reviewed financials and report on investee performance. Blind pool CEDIFs must report on any investment made over the previous year.

The CEDIF must also send the annual financials to the Nova Scotia Securities Commission. The Department of Finance must also receive a copy of the investor information so as to enable

the issuance of the equity tax credit certificate, which an investor uses to claim the tax credit on their personal income tax return.

Concluding Advice for Those Considering Replication

The CEDIF model is a highly effective mechanism for supporting local investment in economic development. Development, promotion and rollout of the mechanism was heavily supported by the Government of Nova Scotia and its champion, Chris Payne, a self-described CEDIF evangelist. Development of the mechanism was greatly facilitated by the affected government departments (i.e. Finance, Economic Development and Securities) desire to “make it work.” It is important to note the significance of the Equity Tax Credit to the ability of Funds to source investment. While impossible to quantify the exact impact of the tax credit, it can be “guesstimated” that the total amount of funds that would be raised would be only about 10% of what has been achieved. The Equity Tax Credit has been a very significant factor in the scale achieved by the CEDIF Funds.

The cost to the Province of this tax credit is estimated at approximately \$20 million (\$60 million times either 30% or 35%, per or post 2006 changes). The impact on the communities which have started a CEDIF have been significant and the multiplier from these investments would certainly take the overall impact closer to \$100 million.

Nova Scotia’s Economic Development department continues to support CEDIFs in a variety of ways including a well-developed web site (<http://novascotia.ca/econ/cedif/>), ongoing technical assistance, and the availability and sharing of all relevant documents and templates and advocating within government for the needs of CEDIFs.

Overall, CEDIF-supported businesses have a 90% success rate. This is far better than the typical SME survival rate. Three of the CEDIFs have failed resulting in the loss of less than \$1 million in total invested funds. There are now 8-9 funds which provide investors an annual dividend. It should be noted that these dividends must be non-liquidating. That is, dividends can only be paid from earnings, not a return of capital. There has been no attempt to quantify the return to investors and this exercise would be quite costly and complex due to the valuation of investee companies and the absence of a market to use for comparative purposes.

Some of the current challenges faced by CEDIFs include the following:

- Dealing with RRSP (RRIF) investments
- Selling through registered dealers
- Broadening the net so that the CEDIF model might be available in larger regions or even outside the province
- Evolving the model so that it can be replicated elsewhere

In conclusion, other jurisdictions need to let the community decide where investment should be made. There is a bias inside most government to have so-called experts within a government office decide what projects get approved. The magic in the CEDIF approach is

that no person inside government decides where investment goes. The role of government is to ensure there is clear disclosure and that investors know what they are investing into. It is a major paradigm shift to have government let go and let communities make these decisions for themselves and the results have proven this to be the better course of action.

Contact Information

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Saint John Community Loan Fund



Saint John Community Loan Fund

Name:	Saint John Community Loan Fund
Objective:	To help individuals create income, build assets and self-reliance using finance, training and support
Primary Investee Focus:	Individuals and Micro/Social Enterprise
Primary Capital Type Deployed:	Loans
Current/Target Funds Under Management:	\$200,000
Financial Returns targeted for Investors:	Prime plus 3%
Number of Current Investees:	30
Types and Numbers of Investors:	24 individuals 18 groups/orgs/corps/municipalities
Primary Geographic Scope:	Greater Saint John

Forming

Key Conditions Required for the Formation of St John Community Loan Fund

The idea for the Saint John Community Loan Fund (“SJCLF” or the “Fund”) emerged in 1996 when members of Urban Core Support Network, an organization advocating for the city’s poor came up with the idea of turning left-over conference funds into seed money for a pool fund that would be accessible to low-income people in the community. At the time, Saint John had one of the highest poverty rates in the country.

Rooted in the values and framework of CED (Community Economic Development) the Fund was designed to help those with low-incomes become self-reliant by providing them with loans to start a business, find a job or to secure decent, affordable housing.

Developing a partnership with the Saint John Human Development Council¹⁸, the city's social planning agency was essential in getting the Fund off the ground. Both the Council and the Urban Core Support group were community-based organizations and both had extensive experience advocating for people living in poverty. As it happened, the Council's Executive Director Cathy Wright had recently returned from visiting a micro-lending project in the Philippines and was keen to implement something similar in Saint-John. As an umbrella organization with decades of experience in mobilizing the community around poverty alleviation, The Council acted as the incubating organization and was able to provide the core support needed to launch the Fund. This included finding the funding, pursuing incorporation and providing office space. It also ensured the Fund's broad-base of community support was reflected in the make-up of the steering committee and the board.

First steps involved working with a cross-section of stakeholders on a feasibility study and starting a business planning process which included holding several focus groups with potential borrowers, investors and community stakeholders.

The Fund, established as a non-profit charity, formally launched in September, 1999, three years after the initial idea was elaborated. It made its first loan that year to an entrepreneur to set up a business salvaging and shipping sunken logs from the bottom of the Saint John River. Before getting the loan, the entrepreneur was receiving government support and had trouble securing financing from conventional financial institutions because he was considered "high-risk."

Barriers

The micro-lending program was slow to get off the ground, primarily due to its labour-intensive nature and lack of profitability. Many people in the community thought it would be the "silver bullet" to reducing poverty and that it would be financially self-sustaining. But while other micro-lending programs have closed down, but SJCLF has responded to this challenge by diversifying its programs and its funding sources, and seeking new ways to meet its mission.

Subsidies

Through a grant from the Community Economic Development Technical Assistance Program (CEDTAP)¹⁹ the Human Development Council was also able to build early partnerships with the Montreal Community Loan Association, the Edmonton Community Loan Fund and Calgary's MCC Employment Development. With guidance and support from these external organizations as well as through its community stakeholders the SJCLF was well set-up to begin making the first investments from its initial \$35,000 pool.

¹⁸ The Saint John Human Development Council is a non-profit, originally set up by city of Saint John but remains arms-length. It receives some funding from the city, but there are no board or reporting requirements to the City beyond typical a standard AGM and Annual Report.

¹⁹ CEDTAP was operated out of Carleton University, supported by the McConnell Foundation, and it ran from 2004-2009.

Solid connections with government, the community and the private sector have maintained a diverse mix of funders. The ratio between non-government and government derived revenue fluctuates between 2:1 and 1:1. Today it is roughly a 50/50 split and is a mixture of contracts for service, rents, event revenue, grants, and fundraising.

Capital Raising

Investor Types

The fund generates its capital from investments made by individuals and businesses, and also receives grants from funders such as The Co-operators Foundation, which has recently committed \$60,000 to support the administration costs of new programs such as lending to social enterprises.

Individuals can invest as little as \$250, making the fund accessible to a broad range of citizens who want to do more than make a financial donation. Investors are local businesses and individuals - teachers, nurses, CEO's - who are looking for social and economic return on their investment. Investors can receive a 3% return on their investments; those looking for a social investment, and not concerned about the economic return, can settle for a lower return. Many investors come in with just \$1,000, while others are contributing \$10,000. The investor also chooses the term they wish to invest, which must be a minimum of two years.

Strategies for Finding Investors

The Loan Fund has built strong links with the business sector and government, forging a multi-sectorial approach to their work. They have strong support from the Business Community Anti-poverty Initiative, a group made up of CEOs, business managers and executive directors, which has the distinction of winning the 2001 Peter F. Drucker award for non-profit innovation. The Loan Fund has also worked with the government to evaluate, together, the effectiveness of its work which in 2003 indicated a return of \$9 for every \$1 invested. The Loan Fund is being more politically adept and most recently made a presentation to the Southern NB Conservative Caucus. The response was very positive, and indicates the need for organizations to keep their political representatives in the loop.

Barriers to Securing Investors

Investor perception of risk is one barrier to securing investors. Investors receive some protection against losses from a reserve fund set aside by the loan fund. While banks and credit unions may set aside reserves of 5%, the Fund sets aside 30% of its donations and loan fees to cover losses, in recognition of the elevated level of risk. SJCLF proudly states that no investor has lost money!

Funding is an ongoing challenge, especially as SJCLF attempts to expand. In response, it is pursuing a revenue-generation strategy which includes buying a building that will include affordable housing units and community space for social enterprises, both of which will generate market-based revenues.

Moving from Commitments to Funding

Seth Asimakos, Founding General Manager, speaks about the presence they've established in the community:

"When we started there was a lot of excitement about starting a new initiative and the impact we could have in the community. And we're seeing those positive impacts, in businesses started, people back to work, and in better housing...but like any small business, in our case a social business, it takes time to grow. The biggest challenge of course have been funding issues ...but really those financing crunches have only made us a stronger community organization...because each time we've been pushed, we've expanded our circle of community support and partnerships. And when it comes down to it, people will only support you if they see something working. The fact that those partners are growing suggests we're going in the right direction."

Deployment

Operating Model

From its beginnings 14 years ago, the loan fund has evolved to provide a variety of different kinds of loans, including the most recent addition of social enterprise loans. Various training programs have been added over the years, recognizing that loans are more likely to be successful if the borrower has support and education to ensure a success. These include training for business development purposes as well as basic money management courses.

SJCLF works with partner organizations in the city to deliver these programs, drawing on the expertise and resources of those best equipped to deliver the programs. For example, Money Matters is a financial literacy program in which participants track monthly household expenses, learn how to calculate the cost of groceries and how to avoid over-spending, and other aspects of financial literacy. All participants come out of the program with an individual financial plan to set them on a path to self-reliance. SJCLF works with 23 partner agencies in delivering this program.

Between 2000 and 2003, SJCLF was incorporated, completed a major evaluation of its outcomes, and obtained charitable tax status.

Broad-based community involvement is evident in the Loan Fund's financing. Core operating funds is split between government (30%) and the community (70%) while lending capital and loan reserve funds come entirely (100%) from private individuals and groups. That is key to the Saint John Community Loan Fund - it is a community fund. "Besides loans, we want to promote community investment. I think that remains as important a motivator for our board," says Bob Boyce, Past President and an investor himself. "I mean we see countless millions leave Atlantic Canada to be invested in global companies that produce no benefit to us. We need to invest in our communities."

In 2013, revenues were \$417,000. Expenses were \$411,000, with similar percentage breakdown in expense type. Split in income was 45% government, and 55% non-government. Equity held in buildings at 2013 fiscal year end was \$165,000.

Sources of revenue:

- 46% provincial government grants or fee for service
- 44% non-government grants or fee for service
- 3% greeting card sales
- 7% apartment rental

Staffing

The Loan Fund uses a diversity matrix to recruit board and committee members reflective of the community it serves; by gender, income, experience, and skills. It has a small staff, but it has tried to hire individuals from among its target population in an effort to create additional opportunities.

It employs six full time staff, two contract staff and employs two students in the summer. The Founder and General Manager oversees the operation. Besides maintaining what the Loan Fund has, he continually seeks new opportunities to add value to its programming and its mission, with an eye always to build diverse revenues for sustainability. All staff have a primary job but also often help doing other activities as a result of being small. For instance, the Loan Coordinator, takes all inquiries and works with applicants and the loan committee to present the best application possible for financing. Once credit is in place he must maintain close contact and provide unique support for success. He also facilitates some financial literacy and manages tenants. He also is cutting his teeth on social enterprise support.

Two full time trainers deliver both a leadership training program for women called Power Up and a business basics and business planning program called Enterprising Women. Both the trainers also assist in mentoring and one on one coaching. Money Matter\$ financial literacy is delivered with contract trainers plus in house facilitators. The Loan Fund's financial officer prepares monthly bookkeeping and financials, plus coordinates one of the training programs called Assets. Youth entrepreneurship programs delivered in the summer are coordinated by summer students. And we have a business coach who works with a couple dozen entrepreneurs go from training to launching their businesses. As part of that she is also involved in event development for networking opportunities.

Pipeline

The fund delivers the following lending and training and education programs:

Lending program

- Micro-loans are made available for the following purposes:
 - Loans of up to \$7,500 to start a business
 - Loans of up to \$2,500 to individuals to help them get back to work
 - Loans of up to \$1,000 to help individuals secure affordable housing
 - Loans of up to \$50,000 for social enterprise start-up or expansion
- Capital comes from investment by individuals and groups in the local community

Training and educational programs

- Money Matters - basic money management training for back-to-work borrowers and others
- Assets - training on managing assets and saving money
- Money Coaching - one-on-one follow-up with clients who have taken Money Matter\$
- Power Up - a leadership training and mentorship program helping women in priority neighbourhoods gain confidence, set goals, network and volunteer in their communities
- Enterprising Women - course for women interested in starting their own business
- eXcel - one-on-one follow-up with Enterprising Women graduates as they launch
- In addition, all business borrowers benefit from one-on-one mentorship to help them launch and manage their business
- Youth Entrepreneur Success - summer program for youth to learn about money management, financial analysis, business plan development and managing a small business

Barriers and Strategies for Deploying Capital

Partnership and relationship building have proven key to sustaining both the Loan Fund and its outcomes. The first of these partnerships was a strong and strategic relationship with the Human Development Council, but partnerships now extend to a diverse range of partners for service delivery. For example, Money Matter\$ and the business-planning course are delivered through other non-profits including those that serve women in second stage housing, youth at risk, and people living on low incomes. Referrals go both ways with a number of agencies supporting the same populations or working in the same sector (business, training, and employment development). As the relationships develop, trust enables more to be done, such as enabling a 'stop' on a shut off notice from Saint John Energy, while a client finishes a loan application, finds other resources, or establishes a budget plan with the Fund.

Seth Asimakos, Founding General Manager, speaks about the barriers for a small loan fund,

“You can launch a loan fund like ours. It will never be viable from margins of lending. In fact, no one pays for our lending. We scrape off money from all the different lines of revenue to pay for a loans officer. But the loan fund is just one tool in the chest. I believe strongly in us as a development corporation with multiple tools. We could increase the number of loans, and maybe automate, or do everything through the internet. But we would cease to be working with individuals facing barriers to entry.”

Monitoring and Supporting your Portfolio

We have included three lending stories as background on our portfolio:

I cautiously walked in to the doors of the Loan Fund, three years ago, uncomfortable to be in my own skin. I had recently set myself and son free of an abusive relationship and I knew it was time to start living for me. I had a dream, fired with determination and passion I was ready for change. I couldn't remember the last time I had done something for myself. It's amazing how taking that one step changed my life, broke

down walls of personal insecurities and opened doors to opportunity with confidence. To date I have completed ASSETS, Enterprising Women and am currently a participant in the Excel Program. I have experienced gradual and continual growth in all five ASSET areas mainly self-worth, confidence and skills in personal, business and community improvement efforts. I couldn't have done this without the support and encouragement of the facilitators and my peers. The Loan Fund has also enabled me to partner directly with them to plan four major events. Now I am ready to go for a loan!

Arthur learned that we provided security deposit loans for moves into affordable housing so he brought us his plan. We saw a perfect opportunity and a great fit to our mission in Arthur. "I appreciate the Saint John Community Loan Fund for lending me a hand up. Saint John is very fortunate to have such a great organization helping ordinary citizens, such as me, overcome barriers. Living at Tannery Court for the past several months has surpassed my expectations. The staff and tenants I've had the pleasure to meet have made my stay there a comfortable one, to say the least. The positive impact that both the Loan Fund and Tannery Court (affordable housing) have had on my life will lead to greater possibilities and success in the future."

In February 2010, the Loan Fund made a \$30,000 loan to Rehabitat for the ONE (Old North End) H.O.M.E (Home Ownership Made Easy) initiative. In partnership with other community organizations the project is designed to demonstrate that affordable homeownership can make a difference in assisting a vulnerable community in turning itself around and create infrastructure that will help sustain the effort. Our loan was used to leverage a mortgage that had a loan to value ratio lower than what was needed to get the building built. Once the loan and mortgage were in place, the three semi-detached units were built on Metcalf Street. Housing Alternatives and CMHC representatives mounted a significant marketing campaign to recruit potential home owners. The Loan Fund then provided financial literacy training to successful candidates who wanted to take advantage of this rent to own opportunity. Affordability was created for the individual home buyer by reducing building costs and by the province providing 50% of the required mortgage financing as an interest free second mortgage. This project is the Loan Fund's first non-profit loan and fits nicely into our goal to help individuals build assets.

Concluding Advice for Replication

SJCLF believes in a future that goes well beyond its initial micro-lending model, and sees itself evolving into a community development corporation. Recognizing the importance of diversified funding, and reducing (not eliminating) the reliance on government funding, it will be looking for revenue-generating opportunities, in an effort to increase sustainability. For example, it is considering renting out shared space to social enterprises and building affordable housing units. Always exploring new and innovative ideas, it is also exploring social impact bonds and looking at social enterprises that provide employment for people facing barriers to employment. Its mission is to promote economic independence and foster entrepreneurship, and it will continue to explore new ways to achieve this.

Contact Information

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General Manager

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Vancity Credit Union and Vancouver Foundation's Resilient Capital Program



Name:	The Resilient Capital Program
Objective:	Increase access to capital of blended-value enterprises by developing new models and sources of financing
Primary Investee Focus:	<p>Patient and flexible capital solutions for blended-value enterprises facing funding gaps in the survival phase of growth</p> <p>Investees include not-for-profit and for profit enterprises that create environmental and community impact through their business activities</p>
Primary Capital Type Deployed:	Loans with some equity investments
Current/Target Funds Under Management:	\$14.5 million under deposit; \$5.6 million deployed in lending and equity investments
Financial Returns targeted for Investors:	Slight premium to market
Number of Current Investees:	23 depositors
Types and Numbers of Investors:	7 foundations, 2 unions, 2 post-secondary education institutions, 2 corporations, 2 not-for-profits, 1 charity, 7 individuals
Primary Geographic Scope:	Vancity's demographic areas (Lower Mainland, Squamish/Whistler, Fraser Valley, Capital Regional District), with the ability to consider a portion of investments across BC and Canada

Forming

The Resilient Capital Program (Resilient) was launched in November of 2011 as a partnership between the Vancouver Foundation (the Foundation) and Vancity Capital Corporation (VCC). With a mission to support the growth of social enterprises and other blended value organizations involved specific impact areas with patient and flexible capital filling the gap

between grants and conventional lending. The specific focus areas were local food and food security, aboriginal communities, environment and energy efficiency, support for persons with disabilities, employment of marginalized individuals, affordable and supportive housing, social purpose real estate, and arts and culture.

The identification of the need for a social enterprise fund arose in 2008 under the government of BC Premier Gordon Campbell. The Province, in recognition of the funding gap facing social enterprises, provided \$2.2 million to the Foundation to support the sector. The Foundation, working closely with senior staff in the Ministry of Social Development, identified a need for a partner with the skills and expertise required to develop a program, raise capital, and deploy the dollars raised. The Foundation explored several partnerships before selecting (VCC), a subsidiary of Vancity Credit Union (Vancity). Vancity committed an investment of \$2 million, matching the Province's contribution through the Foundation.

The Foundation and Vancity both have histories of innovation, along with significant financial capacity. The Foundation was formed in 1943 with \$1,000 to help homeless women trapped in a cycle of poverty, and is now Canada's largest community foundation with a wide philanthropic focus and assets of close to \$1 billion. Vancity Credit Union was formed in 1946, when 14 Vancouverites established an open-bond credit union that allowed any resident of the city to join. Vancity now has almost 500,000 members, and \$17 billion in assets.

Capital Raising

Initially, Resilient was to be structured as a limited partnership ("LP"), with Vancity acting as the fund manager to provide subordinate, mezzanine and private equity financing to a broad category of blended value businesses that apply innovative strategies to address social and environmental challenges. Since that time though, Vancity has raised approximately \$14.5 million from 23 depositors including \$3.5 million in first loss capital provided together by the Foundation and Vancity. Resilient is a tale of flexibility and adaptability. When the first approach stalled, the sponsors returned to the drawing board and rethought the approach. It had taken years to design, launch and ultimately withdraw this limited partnership model and then redesign and prepare for the re-launch.

At the outset, the LP model attracted interest in the socially responsible investment sector and increased public attention following the market collapses of 2008. Excitement in social finance circles failed to translate into investments, as the proposed fund was new to a market that likes track-record and predictability. Potential investors perceived a mismatch between the relatively high risk of the investments (as equity and sub-debt into growing enterprises) and the modest targeted returns of five to seven percent. Investor reluctance was further compounded by a complicated and costly two-and-twenty fee structure.

The initial structure was based on investors leveraging their own private capital to fuel growth and development of social enterprises, and thereby sharing in successes and returns. This meant that investments were entirely at risk if these projects did not meet expectations or failed. A high level of investment sophistication was required to fully understand the

performance and returns and the cost of doing business. Even values-aligned investors found this combination unattractive.

Vancity and the Foundation began a process of realigning the approach to a focus on security of investment, guarantee of return, and structural transparency. This new approach would raise capital through a Vancity term deposit product with a term length of five, six, or seven years. As with all deposit products at BC credit unions, the investment principal and interest were 100% guaranteed through the Credit Union Deposit Insurance Corporation (CUDIC). The rate of return for the risk profile was competitive, offered at a small premium over BC Government Bonds.

To mitigate internal risk, Vancity and the Foundation each contributed \$1.75 million, providing the program with a \$3.5 million “loss pool,” which could be used to cover the cost of any losses should an investment fail or a loan not be repaid. Based on the size of this loss pool, the deposit-raise was capped at \$15 million as an acceptable risk ratio to the dollar value that could be made available in credit. The deal origination was also switched from being solely with VCC to also include account managers in Vancity’s Community Business banking team.

Investors were interested in understanding how their investments were making an impact. Communications became a vital component of the strategy. We developed a private website that gave them access to updates, news stories, and quarterly impact reporting from all the Resilient-financed businesses. This provided investors with a shared “investment” in the successes and lessons of the portfolio; they could see that Resilient was putting their money to good and evaluate the economic as well as the impact performance. The investors also receive a version of the quarterly reports, which have performance and impact indicators unique to the enterprises receiving financing from Resilient. These indicators range from the number of full-time jobs created, to the amount of local and organic food made available, to the number of educational sessions delivered to small businesses on emission reduction. This report documents impact for the investors.

The changes were agreed to and formalized with the Foundation in March of 2011. The investor market responded to the changes, and deposits began to come in, in early April. The initial deposits came from a range of entities, including community foundations (Tides Canada, Illahie, Bealight, and Lundin Foundations), unions (The Grain Workers Union and the United Steel Works District Three), not-for-profits (PosAbilities), and a number of individual donors. In November 2011, the new Resilient Capital Program, with \$8.5 million in initial deposits and three investees/borrowers, was formally launched.

While the restructured term deposit program was more attractive to investors who wanted a safer mission-based investment, it was not without its barriers. A term deposit, by its nature, means restricted liquidity, and some investors were uncomfortable with the term lengths. Other feedback from potential investors was that the range of impact areas were too broad, or not defined enough for their own specific interests, and despite being at a slight premium over market, the reduced risk minimized the potential for high returns. Even many of the

most likely investors, foundations and charities, determined that the program's modest returns would not allow them to meet their annual spending requirements or disbursement quotas. These were challenges that had to be addressed by the team at Vancity.

The Resilient Capital Advisory Board was created in January of 2013. This advisory board, called for in the original agreement with the Foundation, was tasked with providing strategic guidance, transparency, and a focus on identifying lessons learned. The advisory board consists of two Vancity appointees, two Foundation appointees, and two independent members jointly agreed upon by the partners.

Deployment

Vancity Community Investment Department (CI) had been working closely with VCC on the launch, fundraising, and deal origination for the program, and under advice from Vancity's Director of Partnerships the Manager of Resilient took over program coordination from VCC, including fundraising, communications, and business development. CI's mandate is to support the transition of core lending and investing at Vancity to the financing of businesses and activities that improve the social or environmental conditions of its members' communities. Their goal is to develop a book of business that is entirely integrated with Vancity's guiding principles of cooperative development, environmental sustainability and leadership, and financial inclusion and poverty reduction. Resilient, with its impact focus, aligned with the CI portfolio. By June 2012, Resilient had made loans or investments into in 10 enterprises.

The credit side of lending and investment decisions remained with VCC and Community Business. The pipeline for Resilient financing deals is integrated with Vancity's lending processes to ensure consistency and accessibility to members' communities. This strategy relies on Account Managers who understand the needs of their communities and have built trust with local decision-makers. The account managers have access to the full range of Vancity credit solutions. However, many of these tools are conventional, with revenue history requirements, credit scores, and especially security requirements as threshold requirements, marginalizing the evaluation of the potential impact value. They take a multifaceted approach to the relationships in their pipeline, working to find the best tool to fit the opportunity at hand. Resilient gives the account managers a specialized tool to help enterprises that may not easily qualify for conventional financing to be more carefully evaluated based on the value of the impact they are creating in the context of the risk involved.

When significant positive social or environmental impact may result from the financing and the loan or investment cannot be met through conventional means, the relationship-holding account manager initiates dialogue with the Resilient manager. The manager has developed a worksheet that qualifies the alignment of potential enterprises by looking at their structures and culture, the purpose of the financing request, and their community impact. Occasionally, when there is a disagreement or uncertainty on the fit, the Director of Partnerships and the Vice-President of CI may participate in the evaluation. The account manager works diligently to transition all opportunities to the appropriate financing solution, and it is important to note that many potential opportunities on the pipeline will not be the right fit, and only some

will be eligible for or congruent with Resilient. Many impact deals can be accommodated by more conventional tools and some are simply too early in their development or too speculative.

Once an opportunity is deemed appropriate for Resilient support, the account manager recommends the capital type and structure (operating lines, term loans, or equity investment), and sends the credit package to risk managers for decision and allocates the Resilient loan loss pool as security. Enterprises that are approved for Resilient have additional requirements. Not only must they provide regular financial reporting, they must also report on their impact. As noted previously, this is integral to Resilient reporting, as well as transparency to the deposit holder. The program manager collects the information and delivers quarterly impact reports to the advisory board for evaluation and advice on the direction of the program.

As of early 2014, Resilient has raised \$14.5 million in deposits from 23 depositors, and has invested \$5.6 million through lending and equity into 16 social enterprises in our communities. With \$5.4 million remaining (\$14.5mm raised, less \$3.5mm loan loss pool, less \$5.6mm invested), there are a number of potential deals in the pipeline. The Resilient pipeline ebbs and flows as potential deals are introduced and assessed, and one of the aims for 2014 is to develop a pipeline tracking system to better track the needs of the enterprises worked with and key metric such as the pipeline conversion rate.

Resilient has invested in several noteworthy enterprises. Three significant examples are:

- SOLEfood Farm, a social enterprise providing urban agriculture employment and training opportunities to Vancouver's inner-city residents. SOLEfood also provides sustainably farmed fruits and vegetables to residents, restaurants and food services, and makes use of undeveloped urban sites that otherwise may not have much perceived value.
- Atira Property Management Inc. (APMI), which is a subsidiary of Atira Women's Resource Society, a not-for-profit organization that provides housing, shelters and transition homes for women and their children who are at risk of violence. APMI received credit to acquire the assets of Croft Agencies Property Management Company, which allowed APMI to become property managers of their own safe houses as well as increase revenue streams and create expansion capacity to reach more women in need.
- Climate Smart, a Vancouver-based social enterprise with a mission to empower and enable organizations to reduce their environmental footprint. In June 2012, Climate Smart received an operating loan to expand its offerings of training on how to measure carbon emissions and how to plan for emission reductions to businesses. The operating loan also gave Climate Smart the financial resources to develop a software version of their training tools to reach a wider audience.

While these are just three of the 16 total investments made through Resilient, the remaining recipients are just as noteworthy. The goal is to fully deploy all of the funds in Resilient by the end of the first quarter of 2015.

It is important to note that some of the enterprises that came through the pipeline were not yet ready to access this type of capital. To support early stage enterprises that have significant impact, but lack a strong business plan or marketing strategy, Vancity set aside a \$500,000 grant pool as a development tool specifically to assist enterprises that are the right fit, but need small financial support (generally under \$20,000) to ready them for lending or investment.

Challenges and Adaptations

The program and Vancity have both faced challenges and had to respond with modifications and improvements, including:

- Vancity's size and systems challenged innovation. A large credit union, Vancity had limited experience in raising private investment capital or running a program that had as narrow a focus and constituency as the Resilient. More specifically, as a regulated financial institution, Vancity was uncomfortable and inexperienced with less conventional lending and investment products. There was a general discomfort in moving to a small-scale patient capital model and a custom wholesale type deposit that was not administered by front-line staff at the branch level. The internal legal team invested many hours working to make sense of the Resilient offering in the context of Vancity internal policies and provincial regulations. It was a struggle to scale down the reliance on conventional lending parameters and scale up the risk appetite. The problem with Vancity's significant scale was that the program had to contend with internal bureaucratic and regulatory frameworks that stalled creative responses. The upside of Vancity's scale was the relative ease of raising and deploying the funds once the path was defined.
- Limited staff resources. With a single program manager final fundraising slowed when attention had to shift to deployment of funds into community.
- Slower than expected lending and investing of the program funds. It has taken time to build the account managers' awareness of the program and how it operates.
- The relatively specific community impact eligibility criteria for Resilient means that that it can be challenging to find "ready" opportunities.
- Underutilization of the Resilient by Vancity Account Managers. To date, out of the team of 55 Account Managers at CB and VCC, only six have utilized the program to secure financing for 16 social enterprises. These six account managers have deep ties to many arts and culture co-ops, not-for-profits, and blended-value businesses; they understand the value of community and environmental impact. It will take more

training and some fundamental shift in thinking about the purpose of credit at Vancity to support the other account managers in coming to understand the need to tie credit to impact. They will need to move from a paradigm based in conventional market risk-return calculation to a more complicated one that adds the impact of an investment to the evaluation of risk and return. With continued communications support and mentorship from the program manager and CI team, the agility in this lending team should increase. This will come with a deepening of the connection between CI and Community Business as well as Community Credit. This process is supported by the biweekly pipeline meetings between the directors from all three teams. This helps to make transparent the opportunity and will support the expansion of Resilient across the trade regions in the years to come.

Concluding Remarks

Resilient was developed to increase the community and environmental impact of the business by making sure those businesses seeking to create such impact had access to patient and flexible capital. The program is predicated on seeing such impact as a requirement for access to capital. Resilient looks to a time when financial institutions cannot serve a single bottom line, when purpose cannot be separated from profit and a careful evaluation to a business's impact is required before financing can be approved. This is the fundamental vision of the Resilient Capital Program. But it is only an early step and was only created with significant subsidies from government and cooperative partners. Resilient may not be an easily replicable model, but its most important lessons are ones about partnership and flexibility tied to a clear vision.

Since the formation of the credit union in 1946 by 14 frustrated Vancouverites, unable to get the big banks to provide mortgage financing in their neighbourhoods, the members of Vancity have understood the importance of access to capital as a way to build community. The Resilient Capital Program is just one additional step along Vancity's 67 year path to bringing innovative credit tools to its members' communities. In this case Vancity was joined by a forward-thinking community foundation, some provincial leaders, and twenty-three depositors looking to do more for their communities with their money.

Contact Information

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Affinity Credit Union Community Development Department



Name:	Affinity Credit Union Community Development Department
Objective:	<p>Affinity aims to strengthen communities through ensuring capital is accessible to initiatives that advance social, economic, cultural or environmental goals</p> <p>Through our community lending programs we strive to increase access to financing for underserved markets, including individuals, organizations and initiatives that do not meet conventional financing criteria</p>
Primary Investee Focus:	<ol style="list-style-type: none"> 1. Non-Profit/Community Organizations, with a priority on: <ul style="list-style-type: none"> - Affordable housing, along the housing continuum including seniors affordable housing and long-term care - Community facilities and infrastructure such as cultural and recreation facilities, childcare centers and non-profit administrative offices - Social enterprises, cooperatives and other rural and urban economic development initiatives - Environmental initiatives and enterprise 2. First Nations Bands and enterprises 3. Micro-enterprises / Small business start-up 4. Low to moderate-income first-time home-buyers
Primary Capital Type Deployed:	<p>Debt financing</p> <ul style="list-style-type: none"> - Including mortgages, construction financing, term loans, lines of credit <p>Grants/Donation</p> <ul style="list-style-type: none"> - Some grant funding for non-profit initiatives and programs including support for business planning and development - Some donations to capital campaigns for community facilities or housing initiatives

<p>Current/Target Funds Under Management:</p>	<p>Based on policy established by the Board of Directors, Affinity has made available total capital available for non-conventional Community Development and First National Loans is a maximum of up to 6% of total loans under administration</p> <p>Currently the maximum capital available for Community Development and First Nations lending approximately \$180 million, including:</p> <ul style="list-style-type: none"> - \$90 million for Community Lending, including non-profit community loans, microenterprise lending, and home-ownership loan programs - \$ 90 million for First Nations Lending
<p>Financial Returns targeted for Investors:</p>	<p>Affinity seeks near market rate, and/or below market rates for the level of risk</p>
<p>Number of Current Investees:</p>	<ol style="list-style-type: none"> 1. Community (non-profit loans): 48; Balance: \$21,349,224 2. Microloans: 28; Loan Balance: \$715,526 3. First National Lending: 19; Balance: \$20,188,236 4. Home-ownership/Equity Loans: 102; Balance: \$1,124,036
<p>Types and Numbers of Investors:</p>	<p>Affinity allocates funds to community lending programs from our member deposits</p> <p>Our 130,000 members-owners are the core investors</p>
<p>Primary Geographic Scope:</p>	<p>Saskatchewan - 76 communities where we operate</p>

Forming

Filling a Need

In January 2000, Affinity Credit Union, then Saskatoon Credit Union, established a Community Development Division with a mandate to create and manage programs and partnerships that support economic self-reliance and a strong, healthy communities. One objective of this department was to increase access to financing for underserved populations and to use financing to help address unmet needs and social issues facing the community.

Early partnerships focused on affordable housing and home-ownership and micro-enterprise development, including the following:

- The Neighbourhood Home Ownership Program, in partnership with Quint Development Corporation and the province of Saskatchewan, provided mortgage financing to 35 low-income families to enable them to move from renting to home-ownership in inner city neighborhoods. Over 1 million dollars in financing was disbursed to families, who with average incomes of \$17,000 would not otherwise qualify for traditional financing. This program no longer is active, although Affinity does still hold many of these mortgages.
- A partnership, and investment in, the Community First Development Fund of Saskatoon, a non-profit corporation and investment fund aiming to assist local projects and businesses to access capital through loan guarantees and equity investments.
- Establishment of a micro-loan program for small business start-up, with a loan loss reserve from Western Economic Diversification (WED). The program made higher-risk, unsecured financing of up to \$35,000 available to small business start-ups. Through the provision of a loan loss reserve fund of 20% of total loans by WED, Affinity provided financing of \$2.025 million to support the start-up of 89 small businesses over 10 years. Total default on these loans was 16%; with Affinity's share at 2.79%.

Building on these experiences and capacity, Affinity established a Board policy in 2007 outlining the purpose and parameters of its Community Development Lending Program, and establishing capital limits at 1% of total loans (and in 2013 increased to 3%). The policy enables management to continue to offer and develop unique financing programs and services targeting non-profit organizations, small-businesses and individuals that would not qualify for conventional financing due to factors such as insufficient equity, security and/or debt-service ratios.

And finally in 2008, as part of Affinity's commitment to contributing to economic and social development of Aboriginal communities, Affinity integrated a First Nations District Council into its governance structure. The District Council, currently comprised of representatives from nine First Nations Bands in the province, elect two members to the Affinity Credit Union Board of Directors, helping ensure that First Nations peoples are involved with the decisions and direction of the credit union.

At this time, Affinity also established its First Nations Lending Program and Policy that recognizes the unique financial service needs and conditions of First Nations Governments and their economic development entities (e.g. including government regulations that restrict the ability to offer security for on-reserve loans.) The program provides access to financing that may be outside Affinity's normal credit policies to First Nations governments, First Nations owned or controlled economic development entities and businesses, or Tribal Councils, including those with activities located on reserve lands. Loan Products include: bridge

financing, economic development loans, term loans, operating lines of credit, demand loans and insured mortgages.

Special features of the loan program designed to mitigate risk and facilitate delivery of credit include:

- Employment of dedicated First Nations Account Manager(s) with the necessary expertise respecting lending to First Nations governments
- Utilizing the knowledge and understanding of First Nations District members; such that the Credit Union will have access to information about governance risk in specific First Nations governments.
- The establishment of First Nations Loan Council to be engaged in loan approval
- The development and implementation of First Nations specific lending procedures and assessment criteria

Like the Community Development Lending Program the Board policy also stipulates a maximum capital limit for First Nations Lending of 3% of Affinity's total loan portfolio.

Barriers to Formation

Legal and Regulatory Issues

One issue faced in offering non-conventional community loans is ensuring the programs meet regulatory requirements of the Credit Union Deposit Guarantee Corporation. To manage risk and mitigate any regulatory concerns, Affinity set maximum capital limits for Community Development and First Nations lending (i.e. concentration limits); established loan program policies and procedures; and segregated non-conventional loans from the overall loan portfolio, using special codes to track and manage all non-conventional loans separately from other loans issued by the Credit Union). Affinity has also sought approval from CUDGC to exceed the real property limit of 75% for community loans, enabling organizations with insufficient equity to access financing for mortgages and housing development.

Subsidies

Where possible Affinity seeks to partner with government and/or other agencies to share the risk and collaborate in the delivery of community lending programs. The microenterprise start-up loan program, launched in 1999 was based on a partnership with Western Economic Diversification, which established a loan loss reserve with WED taking on 80% of any loan losses incurred. With total loan losses of just over \$280,000, WED funding covered \$220k of these losses. The presence of the loan loss reserve was instrumental in allowing Affinity to offer these small, unsecured loans to small business and to develop a better understanding of the needs, opportunities and risk of start-up enterprises. This program was terminated by WED in 2011. Affinity has continued to offer these small business start-up loans, taking on 100% of the risk, as part of its commitment to supporting local economic development and access to financing for under-served groups. Affinity also believes the program provides an opportunity to contribute to new member acquisition and member loyalty.

More recently, Affinity has partnered with the City of Saskatoon to establish the Saskatoon Equity Building Program providing down-payment loans available to low to moderate income families to support them to move from renting to home ownership. The City has contributed \$3 million in capital to the delivery of loan program over a five year period. Affinity delivers these loans on behalf of the City of Saskatoon with a risk sharing agreement where Affinity bears 25% of any losses on equity loans.

Deployment

Operational Model

Affinity's operating model for the delivery of social finance or community development lending offerings has evolved over time and has varied depending on the specific loan product and service or target market. For example, equity or down-payment loan programs have been integrated into the retail network from the launch of the program, while non-profit and microenterprise lending programs were originally housed and delivered through the Community Development department. The First Nations Lending program is managed and delivered by the Affinity Aboriginal Business Banking team, consisting of two commercial lenders who have developed the expertise required to serve the financial needs of First Nations Communities. This team works closely with the First Nations District members

Until 2011, Affinity's micro-enterprise and community (non-profit) lending programs were managed and delivered through the Community Development department and team. The Manager of Community development held primary responsibility for pipeline development, writing-up the loan deals, or working closely with retail and/or commercial lending in loan processing and adjudication.

In 2012, Affinity moved to integrate delivery of community loan programs into the retail and commercial lending operation with goals of:

- Increasing the amount of capital reaching enterprises and organizations and to enhance access to community loans across all the communities in which Affinity operates
- Building awareness and capacity of our team of lenders to understand and deliver non-conventional finance that achieves community and social goals
- Ensuring more efficient and effective loan adjudication, using commercial and retail lenders and credit departments

Affinity relies on its team of lenders across retail branches and the commercial services department to deliver community loan products. The Community Development department, comprised of a team of two to three employees, leads and/or support the supports the development and management of community loan programs, including program partnership development, pipeline development, loan application review and community loan program marketing and outreach. The team may also supports training needs and provides subject matter expertise related to areas such as social enterprise, affordable housing, etc. to the lending teams and managers.

The move from having community lending driven from one dedicated unit to integrating loans delivery into the retail network, is helping to increase the awareness of Affinity's community development goals and products and services throughout the organization and community. However, there is a need to continue to provide technical support and training to front-line staff, as well as greater clarity to the applicants on the loans programs requirement and processes. Also Affinity recognizes the need to insure that there are appropriate performance incentives for lenders to promote and delivery these products and services, given that these loans often require more time and effort, and may be less profitable than more conventional loans

Building and Screening Pipeline

Affinity uses the following channels and approaches to development of the loan pipeline:

- Our community development team works to increase awareness and build readiness for community financing through strategies such as:
 - Support for the development of marketing and outreach tools and materials for the community loans programs and products
 - Provision of strategic funding to key sector-based organizations that work with potential borrowers and support financing readiness (e.g. micro-enterprises, non-profit housing groups, etc.). Affinity shares a minimum of 3% of its profits with community through its funding and sponsorship programs and seeks to allocate some of these funds to initiatives and partnerships that are aligned with our community lending goals and programs.
 - Provision of planning funding to organizations that may seek financing to launch (e.g. business planning grants for social enterprises, or new housing projects)
 - Sponsorship and/or participation in forums, conference and other networking events to support promotion and awareness of community lending products and to identify opportunities and opportunities
- Retail and commercial lenders, along with Branch manager and other staff work to identify opportunities and needs within their communities and networks.
- Affinity's elected officials (delegates) of our 11 regional district councils are highly engaged in their communities and play a role in helping identify and refer community lending opportunities to their local branches.

Adjudication and Approval

For microenterprise and non-profit lending programs, prospective community loan applicants are referred to either a branch/retail lender or a commercial lender to apply for a loan. If after initial review, the lender determines that the loan request does not meet standard lending criteria, they will proceed with processing the request, often in consultation with the Community Development Manager, as a micro-enterprise or community loan.

Loans are written up and processed using standard application processes and procedures. Branch managers have authority to approve microenterprise and community (non-profit) loans within their delegated authorities. Loans over those amounts and reviewed and approved by Affinity's retail or commercial credit departments.

Currently Community Loans (non-profit loans) over \$100,000 are processed by the Commercial Services Team. Loans may be written up as conventional commercial loan request, and sent to the Credit department for adjudication and approval. If the loan request is declined by the Credit department, and the request is deemed to meet the eligibility criteria for Community loans, the loans request will be taken to the Community Loan Committee to final review and approval. The Loan Committee is comprised of one member of the senior executive, the VP of Credit, the Community Development Manager, and two delegates (elected officials) from the community where the loan request is being made.

Home-ownership Equity or down-payment loans are processed as any other consumer mortgage, once applicant eligibility (income limits, etc.) is confirmed.

Key Barriers to Deploying Capital

Two key barriers, particularly for micro-enterprise and non-profit community loans is related to capacity level of Affinity to process and approve loans, and the readiness of the prospective borrower, both which lead to increased transaction costs and reduced profitability on community development loans.

Readiness of Applicants for Financing

Many not-for profits and microenterprises that are potential candidates for community loan programs are not financing ready when they approach us. In general, our lenders do not have sufficient time and/or expertise to provide the planning and development support that these organizations may require. We also have limited resources and capacity within our community development team to work with loan applicants to get them ready for financing. To address this challenge we aim to leverage our grant and sponsorship dollars to support sector-based organizations that work with individual entrepreneurs and organizations to support them to become finance-ready (ex. entrepreneurship programs, business planning support, etc.). We also when possible may provide direct funding to an organization such as a non-profit social enterprise or housing initiatives to support them to engage in the program or business development required to access financing.

Knowledge and Capacity of Lenders across the Organization

Until 2012 responsibility for microenterprise and community loans was held by one individual within the Community development department who had developed the specialized expertise and knowledge of non-conventional microenterprise and non-profit lending. With the move to integrate delivery of community lending across our branch system, we recognize that many of our lenders have limited experience in small business lending and non-profit lending, not to mention non-conventional financing. To address this issue we are working to develop additional resources and tools or training to support community loan development, enhance expertise and capacity within the community Development department to support retail staff, and I leverage the expertise of commercial lending staff and credit departments.

We also work to develop partnership with other lenders or programs that can help in the loan review and processes.

Monitoring and Managing

Affinity assigns special codes to all community loans to track our progress on new lending activity as well as monitoring loan balances for the different types of community loan programs. Affinity also carries out an annual review process of our each microloan and community loan within the portfolio to assess ongoing risk and review the borrower's ongoing financial needs and opportunities.

Concluding Advice

We believe that improved access to credit for underserved communities and initiatives that contribute to community well-being and economic self-reliance is a core principle for a credit union. Here are some thoughts on what we have experienced and/or working on to facilitate improved delivery and /or success of our community lending programs:

- Align and leverage other financial resources (i.e. charitable resources) and human resources (community investment staff, technical resources, employee volunteerism etc.) to support loan program delivery and to help build capacity in the non-profit and entrepreneurial sector to use financing. This could include:
 - Development of core partnership that can directly support the community loan outreach and marketing, applicant loan readiness and even loan adjudication. These kinds of partnerships can not only support promotion of loan products and pipeline development, but can reduce the transaction costs associated with providing these kinds of loans. For example by providing financial support to a program that works with non-profits to develop business plans and build capacity for social enterprise or facilities development, applicants may be more ready to take on financing and require less time and support from our lenders.
 - Consider creating dedicated staff positions and or consultant positions to engage in program marketing and promotions and to provide support to retail teams to deliver community loan programs
 - Invest grant resources to help organizations develop their enterprise or housing initiative or program - e.g. Funds for business planning, pre-development planning, etc.
- Develop clear policies and procedures that help facilitate intake, loan review, adjudication, approval and review.
- Document experience, structures and features of individual community loans as they are approved. These can use by managers, lenders and others as examples to guide future lending and approval decisions.
- If loan programs are to be delivered through your retail network, be sure to provide sufficient training and accompanying resources and materials to lenders and managers to support loan promotion and delivery. Also include appropriate targets and appropriate performance metrics into lender performance plans that

provide incentives for the delivery of community loans (which may take more time and be less profitable than other types of loans

- Be sure you can tell the story of the rationale for and impact of community lending programs and services, both from a business development perspective (how do these programs make your credit union different and support brand awareness, loyalty and recognition, and from a community impact perspective (how have these loans contributed to stronger communities)

Contact Information

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SEED Winnipeg Inc. / Assiniboine Credit Union



“Using a Community Partnership Model to Provide Solutions”

Organization Overview

SEED is a non-profit charitable organization. SEED’s mission is “to reduce poverty and assist in the renewal of primarily inner city communities by providing capacity building services that assist low-income individuals, groups, organizations and economically distressed neighborhoods to improve their social and economic vitality”.

SEED offers four areas of service under **Business Development Services**:

- 1) The **Build a Business Program** is a free and fee-for-service business development and expansion service. It includes training, business planning, consulting, support to access financing, after business launch support, and referrals to other services.
- 2) The **Community and Worker Ownership Program (CWOP)** provides assistance to groups of three or more people who are interested in starting or expanding a cooperative, community owned business or social enterprise to create quality jobs for primarily low-income individuals. Free and fee-for-service assistance is provided in the following areas: assessing group or organizational skills and resources, determining governance structures, developing business plans, assessing business viability, accessing loan financing, applicable grant application support, providing business management and professional development workshops, and ongoing financial review and strategic planning services for a minimum of two years. SEED also co-owns a social enterprise called **Diversity Food Services** in partnership with the University of Winnipeg Community Renewal Corporation. The venture seeks to provide meaningful, quality jobs to those facing barriers to employment, specifically newcomers and members of the Aboriginal community. As well, Diversity strives to provide locally sourced and nutritious food while also maintaining its commitment to the environment.
- 3) The **Cooperative Housing Mobilization Project** works collaboratively with stakeholders conducting research regarding various coop housing models and policies impacting the sector, as well as the identification of proponent groups and coop development support.

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- 4) **Recognition Counts! Micro Loan Program for Skilled Immigrants** provides access to loans for skilled immigrants seeking qualification recognition in regulated and non-regulated professions and trades.

SEED also provides **Asset Building Programs: The Individual Development Account (IDA) Program** and **Saving Circle Program** are matched savings programs that can support low-income individuals to invest in business or self-employment related assets. These programs are free of charge and combine money management training, access to matched savings accounts and individualized support. Participants in these matched savings programs earn a credit of \$3 for every \$1 they save. Participants in IDA programs save for designated assets such as home ownership, renovations, business capitalization, and education. Saving Circle program participants can save for self-employment related assets as well as other assets that will improve the quality of their lives, such as furniture, disability supports and medical needs. SEED also coordinates the **Asset Builders Partnership**, which is a collaborative of 14 community based organizations providing matched savings programs to low-income community members facing multiple barriers to financial inclusion.

Building Blocks helps families access the grants available for children's post-secondary education through Registered Education Savings Plans (RESP). This includes the Canada Learning Bond, which is available to lower income families with young children and can be worth up to \$2000 of "free money". SEED offers workshops and individual supports including help to obtain the ID required to open an RESP.

Money Management Training is a series of workshops offered free of charge at a wide variety of community locations. SEED also provides free Train the Trainer workshops for service providers looking to offer Money Management workshops to low income individuals, families or groups.

SEED also works with the Aboriginal community through the **Aboriginal Community Collaborations Program**. This program builds connections with Aboriginal organizations to create programs for the Aboriginal community, including business development and asset building programs. In consultation with Aboriginal community members, business people, and business service providers, SEED's Aboriginal Community Collaborations offers customized training and services that are culturally relevant and appropriate. As well, SEED is involved with **Research and Development** and develops pilot programs and conducts research related to improving or expanding existing services and/or addressing issues related to community economic development in marginalized communities.

Assiniboine Credit Union is the preferred financial services partner when it comes to providing access to credit, accounts, and other products to support these programs.

Assiniboine Credit Union (ACU)

As a financial cooperative based in Winnipeg Manitoba, ACU's mission is to provide financial services for the betterment of members, employees and communities. Their vision is "a

world where financial services in local communities contribute to a sustainable future for all”.

Service is offered to members through many channels including a network of 22 branches in Winnipeg and two branches in northern Manitoba (Thompson, Gillam). Two of these branches were established in low income neighbourhoods of Winnipeg - West Broadway and the North End - to fill the gap when other financial institutions moved out and expensive financial outlets (cheque-cashing, payday loans, etc.) moved in. In addition to providing convenient and affordable financial services, these branches work with community partners to open accounts for unbanked and under-banked residents of the neighbourhood.

As a member of the **Global Alliance for Banking on Values**, ACU looks for opportunities to provide financial services that make a difference in the lives of people and communities not well served by mainstream financial institutions. They also build partnerships and invest financial and non-financial resources to foster self-reliant sustainable communities.

This includes working with community partners to open accounts for unbanked and under-banked individuals and delivering financial services that meet the needs of underserved neighborhoods, organizations, communities and households. Their goal is to grow the volume of these ‘social impact’ services over time.

ACU’s **Business Financial Centre** specializes in serving small and medium enterprises, which provide many of the jobs in the community and make a significant contribution to the local economy. Their **Community Financial Centre (CFC)** is dedicated to serving non-profits, co-operatives and social enterprises, providing access to the financing they need to achieve their social or environmental mission. The CFC also delivers special micro-credit programs for businesses and individuals, such as clients of SEED’s Business Development Services.

Over the years, ACU has partnered with others to offer a number of unique ‘social impact’ products and services for underserved communities and households.

Examples include:

- *Recognition Counts! Loans for Skilled Immigrants* so those living on low income can get the certification, upgrading or training they need to gain employment in their field in Manitoba.
- Islamic Home Financing that is acceptable to those of Islamic faith, making it possible for them to finance the purchase of a home
- *Manitoba Tipi Mitawa* Home Ownership Program offering mortgage financing for urban Aboriginal families approved through the program;
- *Matched Savings Accounts* for participants of poverty-reducing asset building programs so they can save for assets that will improve their lives.
- *RESP Referral Program* to help families living on low income open Registered Education Savings Plans (RESPs), apply for special grants such as the Canada Learning Bond, and save for their children’s post-secondary education.

In a Province where the market penetration for credit unions remains consistently high at approximately 47%²⁰, ACU reports the largest membership (110,000), largest number of employees (550), and second largest asset base (\$3.55 billion) among credit unions in Manitoba.

History/Early Days of the Partnership

SEED Winnipeg Inc. was formed during the late 1980's as a result of a major economic study. Community leaders and advocates including those from organizations such as the Mennonite Central Committee (MCC) and Community Education Development Association (CEDA) came together and worked tirelessly to form what would officially become incorporated as SEED Winnipeg Inc. and opened its doors in 1993. At the same time, Manitoba was undergoing a change in government and the country was dealing with a recession.

The intent of the organization at the time was to provide training, support and access to financing for those facing barriers and to utilize self-employment and the creation of cooperatives as a means to reduce poverty and increase self-reliance. According to one of the founding members of SEED Winnipeg Inc., “we knew we also had to have strategic alliances with a financial institution, and felt there would be a natural fit if we could align ourselves with ACU”.

Laying the groundwork and developing a partnership with ACU was a collaborative process that took more than 2 years and as is the case with many successful alliances, often depends on the right people being in the right chairs at the right time. SEED Winnipeg Inc. was fortunate in that ACU held similar community values and was committed to working together to create opportunities for SEED clients.

After agreement was established to work together, ACU and SEED began to operationalize how the partnership would work. During the ‘early years’, SEED operated one program known then only as a microenterprise program and it evolved both in name and content/methods of delivery and services to be called Build A Business (BAB) for sole proprietorships and partnerships and Community and Worker Ownership Program (CWOP) for cooperatives, community owned business and social enterprises between 2001-2012. ACU participated as a guest speaker in one module of the Business Management Training sessions (delivered 3-4 times per year). ACU would talk about what a lender looks for, to help prepare participants when applying for a loan to start their business. SEED would provide business training and consulting to prospective entrepreneurs and then if financing was required, a referral was made to ACU and a meeting was set with a ‘credit/loan committee’.

The committee consisted of SEED's Executive Director, both an ACU Community Account Manager and the Manager of Community Services, and 2 SEED board members. The SEED business counsellor attended the meetings (but did not have an official vote). Prior to each meeting, which occurred when needed, members of the committee received the loan application, copy of the business plan and a copy of the clients' credit history report. Credit

²⁰ Credit Union Central of Manitoba – October 2013.

committee members were asked to read the plan in detail, and to compile their questions and or comments to be further discussed at the actual meeting.

Clients would make presentations that gave an overview of the business concept and the provision of details on the components of his/her business plan. An emphasis was placed on the marketing and financial sections of the plan. Afterwards, committee members were given the opportunity to ask any questions they had regarding the business plan. As loans were made by ACU, the final decision on all applications was made by ACU, however, the discussions were collaborative and often allowed for additional considerations and/or conditions that would allow the client to re-apply once conditions were met. There was an element of comfort to employ more ‘character based’ lending based on the partnership with SEED, and SEED’s working relationship with each client.

If ACU’s decision was favourable, the client scheduled an individual meeting with the account manager at ACU for a later date, and typically loan funds were accessible within 10 working days. If the decision was not favourable, the client could choose to apply for financing outside of ACU, without representation from SEED.

It is important to note that clients were and are free *at any time during the SEED process* to take their business plans to any financial institution, however, because of the relationship SEED had built with ACU, SEED staff strongly encouraged the client to work collaboratively with ACU all of our program partners.

Since the beginning, ACU has funded these loans internally. In March 1995, ACU established an internal Community Loan Fund specifically to finance the Build a Business (BAB) clients requiring financing to start a small business. Loans financed by ACU offered flexible terms and competitive interest rates but more importantly for these applicants, it provided access to credit otherwise not afforded to borrowers with limited income, assets and in some cases no or poor credit history. Three years later in 1998, ACU entered into an agreement with the Federal government through Western Economic Diversification (WED) which under the Micro-Loan Program provided the credit union a partial loan guarantee to support new and existing small businesses. Although ACU still continued to fund the loans, this loan guarantee arrangement allowed the credit union to support entrepreneurs with a good business plan (including BAB participants) to address equity and collateral barriers to accessing credit.

The amount of loans disbursed by ACU began to decline around 2005, and SEED attributes this to many of the business clients accessing Asset Building Programs to build savings (essentially self-capitalizing their ventures). As well, there is/was also some level of discomfort for low income clients to take on additional debt. We also believe there was some level of risk aversion to debt financing from the business consultant staff at SEED, coupled with staff turnover both at SEED and ACU, ultimately resulting in a loss of organizational and partnership history regarding the “how and why of the partnership arrangement “ at an operational level between the two organizations. This resulted in zero loans being dispersed to SEED-referred micro-entrepreneurs for the period 2007-2013.

During this time frame, SEED also began to focus more of its work on social enterprises and working with immigrant entrepreneurs. SEED established its own social enterprise (which accessed conventional loan financing from ACU plus additional ACU financing guaranteed by the Jubilee Fund) and worked with other cooperatives, some of which accessed small ‘enterprise development’ grants either through ACU or other coop focussed funding bodies.

How Things Look Today

The delivery of business development services continues to evolve and in 2013 underwent a significant shift in its approach. Through ‘lessons learned’ SEED has focussed on the common skill-set requirement for all revenue producing endeavours; basic business management. This is true whether sole proprietorship, partnership or other for-profit enterprises. This does not preclude community economic development, blended value or other important measurements and values being placed on the for-profit enterprises bottom-line, and in fact is significant part of SEED’s mission. However, the program design of the formerly known Build A Business (BAB) and Community and Worker Ownership Program was very focussed on the completion of a business plan and followed a more structured and linear approach to providing business development services. SEED’s new approach is more flexible and better suits the needs of the clients.

For the not-for-profit enterprises that wish to enter the revenue generation field, or for some other enterprises like for-profit cooperatives that are started based on social justice or member needs and interests, this skill-set (basic business management) is easily neglected. Because a feasible basic business model has not driven the creation of the enterprise, fiscal, market and operational difficulties can occur. These difficulties can bring about inadequate fiscal results, a need for increased funding, and jeopardize sustainability of the enterprise. As well, there are potential negative repercussions to the parent not-for-profit, and the potential social benefits available are not truly realized.

To address this, SEED believes it makes sense to have all participants, regardless of the form of enterprise that they wish to develop, look more closely at feasibility and basic business management. SEED strives to have their Business Development Facilitators (Business Consultants) cross-trained to be able to provide support to a variety of clients and have streamlined our reporting structure accordingly. Towards this goal the department has implemented the following changes.

Now the program is called SEED’s **B.E.S.T.** program which is the acronym for **Business and Enterprise Support and Training** and the BAB and CWOP distinctions will be eliminated. The rationale for elimination of treating the two areas, BAB and CWOP separately is outlined above, but to reiterate, basic business management skills and feasibility investigation is needed for any revenue generating enterprise. For co-ops, not for profits and social enterprises, additional board, bylaw and governance training or strengthening may be required as well as other more customized workshops and approaches.

The new program, B.E.S.T., (Business and Enterprise Support and Training) is comprised of several phases or stages:

1. **Intake.** Begins with interested candidates attending an information session. These sessions are held alternating Thursday's year round. At completion of the orientation, which includes an introduction to all of SEED's services, but maintains a focus on the business development area, the attendees are able to obtain an application form to the first phase of the training process. Those interested will complete the application and submit it for consideration. If certain criteria are met the applicant will be invited to attend an application meeting with one of our Business Development Facilitators (Business Consultants) for further exploration into the business idea and the readiness of the applicant. If the applicant is accepted into the training program, a date to begin the next session or individual work is set. If the applicant is not accepted, other steps needed for them to take will be identified or alternate paths may be explored. For this stage of the process the applicant will have the option of working with our social worker.

2. **Phase 1, training and support.** This stage focuses on feasibility of self-employment in the case of the sole proprietor, partnership or other for profit business structures, and feasibility of revenue generation and sustainability in the case of cooperatives, social enterprises or other not-for-profit structures. This phase typically runs for a period of 5 weeks, 3 times weekly for a total of 35 classroom hours. A general feasibility plan is created and our approach is to help our participants answer these 3 questions:
 - a. Will this enterprise meet my or my organization's financial and social needs or goals?
 - b. Is this enterprise a good fit for me or my organization? In other words, am I qualified?
 - i. For an individual this may require having industry experience and or necessary training or certification
 - ii. For an organization this may require board readiness and support/capacity
 - c. Am I or is my organization cut out for the entrepreneurial or revenue generating lifestyle or structure. In other words, am I ready?
 - i. For an individual this may require having adequate family supports and/or the ability to meet family or personal needs during startup
 - ii. For an organization this may require adequate management capacity and human resources and clearly identified goals that the enterprise is expected reach within the organization

Training and support to accomplish this is delivered as follows:

- a. Standard classroom training
- b. Standard individual or group training
- c. Group specific classroom training i.e. Immigrant specific
- d. Group Specific individual training i.e. Immigrant specific
- e. Organizational specific (meetings, board presentations, external referrals etc.)

Upon completion of Phase 1, the feasibility plan, if the assessment is positive and if the answer to the 'feasibility question(s)' is 'yes', the participant could move forward to Phase 2, the pre-launch phase. This assessment is accomplished through an ongoing self-assessment that the client does as an integral part of the curriculum, called

‘getting real’, as well as a meeting between the client and business consultant at the end of Phase 1 training.

If the assessment yields a negative outcome to moving forward with self-employment or at the very least requires a re-thinking of the idea or plan, our social worker will be available to help with external resources or assisting the client to come up with another ‘path’ away from self-employment.

3. **Phase 2, pre-launch.** This stage continues where Phase 1 left off and typically runs for a period of an additional 5 weeks, once per week for a total of 15 classroom hours. The feasibility plan becomes the backbone of the business plan. The business plan development will be tailored to the specific needs of the participant’s enterprise. Entry into this Phase is for those participants that are very likely to move forward to launching their business or enterprise.

This Phase may also incorporate training in cooperative development, Social Enterprise development, Board and bylaw development and other governance needs where applicable. Training and support to accomplish this may be delivered by one or more of the following methods and may utilize external resources:

- a. Classroom, individual or group sessions with a SEED Business Development Facilitator (Business Consultant) or the possibility of employing external business consultants on a fee for service basis
- b. Utilization of external resources such as the Canada Manitoba Business Service Centre, Women’s Enterprise Centre, Canada Youth Business Foundation, Manitoba Cooperative Association, ENP Manitoba, and other service providers as necessary
- c. Internal and external workshops and other group training opportunities

Upon completion of Phase 2, the business plan and any related governance and board development work will have been completed to the point of submission to funding organizations and financial institutions if external financing is required.

4. **Phase 3, business or enterprise launch and aftercare stage.** This stage is where the participant actively begins operations, or implements changes to stabilize or expand their enterprise if already in operation. This stage is client led, but with the support of SEED staff and will vary by the type of client. It will consist of some or all of the following depending upon the client’s needs and available budget:
 - a. Arrangements will be made for the client to present their business to SEED’s Launch committee
 - b. Attempts will be made to garner publicity via various media outlets and a listing on SEED’s website and Facebook page will be posted
 - c. An introductory marketing (business or enterprise identity) package will be in place that may consist of business cards, email accounts and corresponding identity signatures
 - d. Possible web site development or other internet presence may be established

- e. Bank accounts and other necessary bookkeeping systems will be finalized and in place
- f. All beginning operational systems and needs will be identified and functional
- g. Required initial capitalization is in place

In this stage the new business or enterprise will meet with their Business Development Facilitator (Business Consultant) once per month or as needed to help monitor regular and unanticipated events and assure that the operation is moving forward in a stable manner. These meetings may be undertaken on-site or at SEED's offices, and are suggested to continue for the first year of operation. Although SEED's staff will be available on an ongoing basis, the purpose of this stage is to develop self-reliance of the participant so that their work with SEED will come to a natural end with the target being at completion of the first year's operations. (Though may be more than 2 years for cooperatives and social enterprises)

The motivation for this change is also to accommodate clients where they are at and to provide flexible services versus a more rigid linear process as programs sometimes become. Currently, the new thinking around program design and delivery includes building the capacity to access loans, if required, and re-invigorating the 'micro-entrepreneur' aspect of SEED's partnership with ACU. Discussions are underway between SEED and ACU regarding the need to re-think the structure and approach to delivering micro-loans to low income individuals, cooperatives and social enterprises in a manner that results in an excellent financial product, is flexible and meets the needs of the client and the mandates of both organizations. ACU is also working to support enterprise development. In 2012 the credit union launched a new Community Enterprise Development Grant Program to support the development of cooperatives and social enterprises owned by non-profits; and provided three-year funding to Enterprising Non-profits Manitoba to support the development of community enterprises. Internally, ACU is reviewing credit policies and developing guidelines to facilitate access to credit for activities with positive impacts in the community. This includes new lending guidelines for community enterprises.

A New Program and Partnerships

Recognition Counts! Loans for Skilled Immigrants

SEED was initially approached in late 2009/early 2010 by a philanthropist whom was interested in partnering with SEED to replicate a version of a program that was being operated in Alberta under the name of the Immigrant Access Fund (IAF). Preliminary discussions took place with the Province of Manitoba (at the time the Department of Labour and Immigration), but with little success to move the project forward.

Later in 2010, the Province of Manitoba contacted SEED to revisit the concept of developing a uniquely Manitoba model based on some of the core attributes and purposes of the Immigrant Access Fund. After many discussions internally at SEED and meetings with the Province, a decision was made to move forward with exploring the potential of a Manitoba program. The

research and early development phase was initially only funded by the Province of Manitoba. Early work was completed by SEED's Executive Director, Director of Business Development Services and a part time researcher/contractor.

The objective of Recognition Counts! is to provide accessible, affordable loans to assist skilled immigrants in Manitoba obtain credential recognition in regulated and non-regulated professions and trades. The program is a partnership between SEED, ACU and the Province of Manitoba.

The program provides clients with assistance to better understand the requirements of credential recognition in Manitoba, the development of career paths, the investigation of various financial support options including access to a flexible loan, as well as financial literacy components.

A partnership with the Province of Manitoba was unique, in that it is an operational partner as well as a program funder. The Province's role in the project is to work with the clients at the early stage of settlement through a provincial agency; Manitoba Start, where early settlement and integration (including career path development) supports are provided. The provincial government also plays a key role in representing Manitoba's approach to qualification recognition at a national level.

During the first phase of work (funded by the province), SEED's work involved the design of a uniquely Manitoba model, the identification of partners, and the "skeleton" development of a program. The uniquely Manitoba aspect was key, as the federal government was about to launch a national pilot project on qualification recognition and was seeking proposals that were specific to local markets.

The decision to place the pilot program within the Business Development Services (BDS) Department was that SEED believed there would be synergies with accredited professionals who may wish to start their own business ventures, as well as the fact that immigrants and newcomers comprise approximately 35-40% of BDS clients.

The projects early days involved trying to understand how the Alberta model worked, and the value of services they proposed by utilizing a partner agency in Calgary called Momentum. As IAF wanted to expand nationally, they needed a 'backroom administrator' for loans and Momentum in Calgary was contracted to provide the service. Coincidentally, SEED and Momentum both offer very similar services (Business Development and Asset Building Programs) and for years the organizations have regarded one another as 'sister organizations'. Given SEED's long established relationship with ACU, discussions were also simultaneously occurring regarding their interest and ability to participate. SEED believed it made more sense to have the Manitoba program administered locally, (and was less costly and more efficient than choosing an out of province option) as well as ACU's desire to work collaboratively, the shared history between the organizations and the desire to create a product that met the clients' needs, as well as other stakeholders all contributed to the circumstances of how ACU was included in the partnership of the new pilot project.

ACU brought to the partnership its experience designing and delivering loan products. After conducting research into various loan programs tailored to skilled immigrants, the credit union took the lead to design a customized and flexible loan product that would satisfy the needs of the target market, working closely with SEED to ensure that both the product and the process met the needs of the program, ACU also brought strength in loan adjudication, credit counselling, and portfolio management including loan monitoring and delinquency control.

To begin, ACU created a Path to Employment loan product with the vision of establishing a number of community partnerships to support individuals pursuing employment or self-employment as a means to reduce poverty. The partnership with SEED to establish the Recognition Counts loan was the first example of what was envisioned.

2012/2013 saw the initial pilot funded by both the Province and HRSDC (now ESDC), whereby the program could hire 2 FTE's while still accessing supports from other positions within SEED, the Province and ACU. The project team quickly began to formalize through the creation of a partner Memorandum of Understanding that clearly outlined roles and responsibilities and acknowledged the expertise each partner brought to the partnership. The Agreement identified which party would lead/co-lead or support on a number of key areas including governance, program, loan product, communication and reporting. Governance, operational and advisory committees were formed and implemented, each with specific terms of reference.

Although SEED Winnipeg is mandated to work within the City of Winnipeg, Recognition Counts! was designed to be a provincial program after the first year of operations as per funding requirements. Rural marketing activities have now commenced in other cities such as Brandon, Winkler, Morden and Steinbach, as well program applications can now be accessed and completed online.

The program funding mechanics for Recognition Counts! involves a federal funding investment in a Loan Loss Reserve of \$1Million held at ACU such that each ACU loan is 80% guaranteed by ESDC and the remaining 20% of the risk is assumed by ACU. Federal funds also contribute to 1 FTE and some operational costs. Provincial funding for the program allows for 1 FTE and some operational costs. Recognition Counts! Loans are delivered by ACU out of their Community Financial Centre. During the initial stage, ACU dedicated 1.5 days per week to take loan applications and meet with applicants. Now, as the program is growing, the loan interview and portfolio management functions have been integrated into an existing Account Manager's role thereby creating greater access and convenience for applicants and ensuring adequate time for prudent portfolio management (e.g. monitoring, loan arrears, etc.) by ACU. The Community Account Manager meets the applicant, adjudicates the loan applications and provides financial advice to applicants to address both their immediate and longer term banking needs. Additionally, ACU also deploys existing CFC staff (Account Officer, Administrator, and Director Community Financial Centre) to provide loan administration, approval and general oversight on behalf of ACU. The in-kind support provided by staff of SEED, ACU and the Province of Manitoba is immense and difficult to quantify in dollars.

Starting any new program (whether it has a funding component or not) is challenging, but not impossible. However, the issue of sustainability over time is an ongoing challenge for Recognition Counts! as it has been framed to date as a national pilot project. SEED does not want to stimulate demand only to say there are no funds left, so fundraising for the loan loss reserve is also a critical component for this program. In the fall of 2013, the Jubilee Fund invested \$100,000.00 into the loan loss reserve, as well a corporate fundraising event was held in February 2014 with all funds placed in the loan loss reserve. Program partners believe it is critical to work alongside employer stakeholders and have them invest in their future workforce. The 'outcome' for SEED is not merely how many loans are disbursed, but how many people find employment in their field of expertise.

The loan product designed by ACU is a flexible, affordable loan, up to a maximum of \$10,000.00 per client that can be amortized over a period of up to 5 years. The loan earns interest from the date of the first loan advance, however only interest payments are due during the study period to a maximum of 30 months. Uses of the loan are also flexible in that funds can be used for traditional purposes such as tuition, books, exam fees, and tools/equipment, but can also be used for living expenses if a client needs to take time off to focus on study, childcare, and travel to other cities for national exams.

The process in which capital is deployed is that all clients first visit and work with Manitoba Start (and/or have a completed career action plan that is vetted by provincial staff). SEED then works with each applicant, providing support around the career path, educational/vocational direction and financial literacy with a focus on budgets and cash flows. All personal documents and a loan application are submitted to ACU. The Community Account Manager at ACU will then meet with the applicant and input his/her credit application through ACU's system. The decision on whether or not to grant the loan is entirely the credit union's decision in accordance with approved lending guidelines.

The Community Account Manager assesses each application based on the agreed upon criteria (between SEED and ACU) and makes a recommendation to the Director, Community Financial Centre. If there is a possibility of a decline, SEED is brought into the discussions to look at options to see how to move forward rather than just sending the applicant on his/her way.

Recognition Counts! (because it is federally funded) also has a national evaluation component that is being conducted by Social Research Development Canada (SRDC), as well as a local external evaluator, ProActive Information Services.

At the time of writing (March 2014), there have been 96 individuals access the Recognition Counts Loan, totalling \$838,136.00. Since the start of the program, 28 clients have completed their study period and 25 of those found employment in the same or similar profession/occupation they had before coming to Canada.

The size of the average loan is \$8731.00, approximately 60% of the individuals are in the healthcare field (Nurses 36%, Physicians 12%, Dentists 7% and Pharmacists 4%) and engineers are the second largest group representing 16% of the total clients. As per Country of Origin,

the majority of clients are from the Philippines (55%) followed by Nigeria (9%), India (6%) and Ethiopia (4%).

For additional information on organizations specifically named in this section, please visit their websites listed below:

- Jubilee Fund (<http://www.jubileefund.ca/>)
- Immigrant Access Fund (IAF) (<http://www.iafcanada.org/>)
- Momentum (<http://www.momentum.org/>)
- Recognition Counts (recognitioncounts.ca/)

SEED Winnipeg has grown and now employs 27 people. Its budget for 2013/2014 is \$2.8 million.

Funding Source Breakdown		%
2012/2013		
Donations		1%
Corporate		3%
Generated		3%
Private Foundations		4%
United Way		19%
Federal		20%
Provincial		51%
Total Budget	\$2.8 Million	100%

Thoughts to Leave You With

“SEED sees its role in social finance solutions to be that of identifying opportunities for its clients, then bridging and supporting the work. We have consciously chosen to focus on building our programs through partnerships.”

“Any social investment fund isn’t going to be a single entity on its own; these initiatives are successful because of the right partners at the table who each bring their own unique contribution (and these partners may vary from one stage to the next)”

“You need to clearly state the mandate of the fund early on- and continue to loop back to it, to know that you are keeping on mission”

“Think very strategically about what you need to establish to meet the needs, how you are going to get there, and who will help you get there”

“A successful partnership needs to recognize and leverage the unique skills and expertise that each partner brings to the table to achieve a common goal”

“Partnership models/approaches are in a constant state of change and require a commitment by all parties to on-going evaluation and continuous improvement to make sure we’re achieving the outcomes we intended.”

“Partnerships need to be thinking about long-term sustainability and scaling up beyond the pilot phase. It’s important not to get buried in the important but routine operational issues at the risk of losing your vision and the way forward.”

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Desjardins CRÉAVENIR Program

CRÉAVENIR

Programme de soutien à
l'entrepreneuriat jeunesse de Desjardins

Name:	Desjardins CRÉAVENIR Program
Objective:	To assist young entrepreneurs who do not qualify under the traditional financing system
Primary Investee Focus:	Young entrepreneurs between 18 and 35 years of age
Primary Capital Type Deployed:	Loans averaging \$7,000 (max. of \$15,000) at 0% over 5 years Grants averaging \$3,000 (max. of \$5,000)
Current Funds Under Management:	Since 2005: Capital invested= \$4.4 M Number of projects = 364 Loans = \$2.8 M Grants = \$1.1 M
Financial Returns targeted for Investors:	No direct financial return. The objective is to support local entrepreneurs and to expand the youth membership
Number of Current Investees:	83 projects supported in 2013
Types and Numbers of Investors:	82 caisses desjardins participants in 2013
Primary Geographic Scope:	9 regions in Quebec in 2013, the goal is to cover 16 regions by 2018

Desjardins Group strongly believes in people's capacity to manage their personal finances soundly and carry out their entrepreneurial projects successfully. This is why it is the only financial institution in Quebec to offer solidarity-based products. These financing products come with close guidance provided by local organizations.

Actually, three solidarity-based products are offered by Desjardins:

1. **Desjardins Mutual Assistance Funds:** Working to help people in financial difficulty by offering budget management advisory services and, if needed, a "tide-over" loan.
2. **Desjardins Microcredit to Businesses:** Community credit geared to individuals or groups who are excluded from traditional credit networks.
3. **CRÉAVENIR:** A program that finances young people who do not qualify for traditional financing by way of interest-free loans or grants. We choose this one because it completes the Canadian SFIF picture

Forming

CRÉAVENIR

Origin

The CRÉAVENIR program originated with an initiative in 2005 by two caisses in the St-Hyacinthe area that was inspired by a French experience. The program has been set up and offered to all the caisses since 2007. The Secrétariat à la jeunesse, under the government of Quebec Stratégie jeunesse 2006-2009, had financed \$175,000 towards the national promotion of CRÉAVENIR.

This solidarity product was developed for young people between 18 and 35 years of age who are learning to be entrepreneurs, and who do not qualify under the traditional financing system.

Partnerships were made with the following organizations:

1. Centre local de développement (CLD) which are municipal agencies with Quebec's government subsidies
2. Coopérative de développement régionale (CDR) which are cooperatives with Quebec's government and Desjardins subsidies
3. Société d'aide au développement de la collectivité (SADC) which are federal agencies for Canadian economic development

The purpose for these partnerships is to provide the necessary guidance, with tangible components such as help in drawing up a business plan, advice in decisions about developing a business proposal, mentoring and networking, to name just a few. Over 90% of CRÉAVENIR are with CLD.

Mission

- Stimulate youth entrepreneurship
- Promote the financial inclusion of young people

Loan pipeline

The program is generally offered by the CFE (centre financier aux entreprises), which includes services to caisses businesses in a given territory. The CFE sets up a partnership with a local entrepreneurial support organization (CLD, SADC, CDR). The partner organization gets involved in selecting the projects, and provides guidance (preparing business plans, start-up coaching, advice and follow-up).

Challenges and Barriers

Legal and regulatory

There are no legal barriers to the program. On the contrary, it provides a unique opportunity because it complements the local offer for young entrepreneurs.

Deployment

The main challenge lies in the ability to deploy the program in every region. Local priorities and the diversity of needs put pressure on the development assistance resources provided by caisses.

Financial Inclusion

The program is not set up to provide a credit score. However, the loans and grants provided have a net impact on a project's viability. They significantly improve the chances of getting loans in subsequent phases, and promote the inclusion of young promoters. The guidance that they receive improves their entrepreneurial and management skills.

Financial

The current model calls for a significant investment in the launch of the overall CRÉAVENIR program as well as in its survival.

Subsidies

The government of Quebec's Secrétariat à la jeunesse, under Quebec's Stratégie jeunesse 2006-2009, had financed 175,000 towards the national promotion of the CRÉAVENIR program.

Fund Investments

Investors

Investments come entirely from the local development assistance funds of the participating caisses. These are solely cooperative funds - art 84 Loi québécoise sur les coopératives de services financiers, there is no government involvement. Desjardins caisses support the development of their community in various ways, one of them being by contributing to help funds for community development. Members contribute to this fund by deciding to partly or entirely give up their individual dividends during the general annual meeting of their caisse. This help fund is managed by the Caisse Board of Directors.

With this gesture of solidarity, members contribute to the development of concrete projects which respond to the needs of their community.

Investment Environment

Investment in the CRÉAVENIR program is a way to provide local assistance. It focuses on a strategic client in a context where the challenge of entrepreneurial succession is particularly important in most regions. The average repayment rate is close to 90%, and the viability of the projects is above average.

Investor Lessons Learned

The program contributes to the distinctive nature of the caisses Desjardins.

- **Investor Attraction Strategies**

The federation's advisors make presentations in the regions that are not participating in the program. The results in terms of jobs created and young entrepreneurs attracted help make the program appealing to the caisses. The federation hired a resource to promote and support the local projects which really pushed the spread of the program from 2 to 82 participating caisses.

- **Investor Challenges**

Due to the diversity and significance of local needs, there is a risk that the resources will be redirected to other priorities.

- **Investor Process**

Investment in the program generally implies agreements among the participating caisses on cost sharing and program management. In most cases, the CFE is in charge of implementing and managing the program. The loan entirely coming from the local Caisse Desjardins, and the support is assumed by the CLD.

Deployment

A new deployment plan is in development and will be based on Desjardins' regional structures with the collaboration of the Association des CLD du Québec.

Contact Information

For additional information, please contact:

<http://www.desjardins.com/a-propos/responsabilite-sociale-cooperation/produits-services-financiers-socialement-responsables/finance-solidaire/index.jsp>

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