Social Innovation and Aboriginal Communities

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Executive Summary

Improving the lives and contributing to a more resilient society requires breakthrough ideas and approaches, game changing strategies and collaborations, and continuous innovation. Social innovation combines all of the above and is already bringing significant advances in areas such as reducing prisoner reoffending, caring for children and the elderly, community regeneration, financial inclusion, and supported housing. It has the potential to generate great benefits to the Indigenous communities in developed countries.

While governments in Canada acknowledged the importance of social capital and social economy, and have been active in these areas in the recent years, a cross-sectoral national strategy to advance social innovation needs to be in place. There is no established labour market policy or program in Canada that would have social innovation aspects embedded in it as compared for example to the EU. The new policies are required for the further development of social finance and social enterprise sector. In September 2014, the Canadian National Advisory Board published the report Mobilizing Private Capital for Public Good: Priorities for Canada. The recommendations in the report for the domestic policy agenda are seen as a basis in this environmental scan for the potential future developments in the social innovation arena. More specific considerations for urban Aboriginal communities in Canada are also offered in this paper.

Overall, this environmental scan attempts to (1) offer a vocabulary and an analysis of social innovation activity internationally and in Indigenous communities in particular, (2) discuss key issues and innovative approaches in labour market programming in Canada and abroad, and (3) offer considerations for Aboriginal communities in Canada to continue and expand the dialog with the policy makers. However, given the complexity of the issues that Aboriginal communities are facing, most considerations and recommendations are context-dependent and require further research. The research field of social innovation in the context of Aboriginal communities can be described as an opportunity not only to explore trust, balance, respect, and understanding in relationships between indigenous and non-indigenous peoples, but also to focus on the market-based strategies to achieve business targets while creating public social benefit.

There still remains a gap in both literature documenting the statistics on Indigenous social enterprises and impact investing in Aboriginal businesses, the means of addressing issues in building Indigenous social enterprise pipeline, and the mechanisms in place for evaluating the effectiveness of the government or other programs targeted at improving Indigenous economic development through social innovation. Future research directions should focus on the abovementioned issues as well as on applications for innovations in job skills training and labour market programming in Canada and abroad.
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Introduction

Social innovation is gaining domestic and international attention, as it is needed to build social resilience in the face of mounting complex economic and social challenges. This is particularly true for Aboriginal peoples in Canada. System transformation by building capacity and engaging Aboriginal communities will have a positive impact on achieving and scaling innovation.

The goal of this environmental scan is to build an understanding of the approaches to social innovation in Canada and abroad, and to provide information to communities to maximize the opportunity to inform the Canadian government from an urban Aboriginal perspective. The paper discusses new and emerging approaches to labour market programming and policy, such as demand-led employment and training systems, as well as work of employment and work integration social enterprises (ESEs and WISEs). This environmental scan also explores the opportunities for urban Aboriginal organizations in the social innovation arena. The paper should, however, be viewed as contributing to an ongoing conversation rather than a definitive conclusion.

The literature on economic development and urban Aboriginal peoples in Canada continues to focus on poverty and unemployment. Existing information concerning Indigenous social enterprises, Aboriginal social innovation, and impact investing in Indigenous business is lacking in Canada and in the U.S., New Zealand and Australia. Therefore, this scan is based on available academic and informally written material (such as reports) on social innovation, but also makes extensive use of newsletters, magazines, websites, publicity material, government policy statements, case studies, and conference reports.

The report focuses on Canadian social innovation and labour market programming opportunities, while delving into social finance and social enterprise best practices and highlighting considerations for Canadian urban Aboriginal communities. Some social innovation approaches in policy making as well as social finance and social enterprise examples from the EU, the U.K., New Zealand, Australia, and the United...
States are provided in this paper in order to consider their efficacy and possible application in Canada.

**Social Innovation, Its Boundaries and Related Concepts**

The social innovation concept has been in circulation since the 1960’s in academic circles and among practitioners, but it is only in the last decade that it has grown in popularity (Tansey, 2011). In recent years, many social policy experts, researchers, and other observers have developed different definitions of social innovation, some being very broad and others more narrowly focused.

*MaRS, a mission-driven innovation centre located in Toronto*, uses social innovation to refer “to a new set of creative solutions to unmet social needs – from environmental degradation and homelessness to global poverty” (Goldenberg, et al., 2009).

*Social Innovation Generation (SiG)*, a national collaboration addressing Canada's social and ecological challenges by creating a culture of continuous social innovation, defines social innovation as “an initiative, product, process, or program that profoundly changes the basic routines, resource, and authority flows or beliefs of any social system (e.g., individuals, organizations, neighborhoods, communities, whole societies). The capacity of any society to create a steady flow of social innovations, particularly those that re-engage vulnerable populations, is an important contributor to overall social and ecological resilience” (Cahill, 2010).

Other definitions of social innovation include:

*The J.W. McConnell Family Foundation:* ¹ “Social innovations are new ideas, products, services, institutions and relationships, offering fresh approaches to overcoming pressing societal challenges. Examples of social innovations of the past include the nursing profession, the emergence of cooperatives, and umbrella fundraising organizations.”²

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¹ Sustaining and disseminating social innovations in Canada is a core component of Foundation’s work

http://www.mcconnellfoundation.ca/assets/PDFs/SIF%20Information%20Guide.pdf
Centre for Social Innovation, Toronto: “Social innovation refers to new ideas that resolve existing social, cultural, economic, and environmental challenges for the benefit of people and planet. A true social innovation is systems changing - it permanently alters the perceptions, behaviors, and structures that previously gave rise to these challenges” (Cahill, 2010).

Clayton M. Christensen, Professor of Business Administration at the Harvard Business School and one of the world's top experts on innovation, defined social innovation as a “catalytic innovation” and considered it to be a new subset of disruptive innovation that is based on social change (Michelini, 2012).

Centre for Social Innovation, New Zealand: “A simple definition is ‘the design and implementation of better ways of meeting social needs.’ When we talk about ‘better ways,’ we mean transformational improvements, not incremental gains” (Cahill, 2010).

While there may not be consensus on a universal definition for social innovation, there is agreement, however, on its potential, if successfully implemented, to bring about transformative change in addressing societal challenges. There also tends to be a “systems” focus among users of the concept - that is, an interest in social innovation as a mechanism for achieving systemic change to society as a whole - typically with a view to tackling the underlying causes of social problems rather than just alleviating their symptoms. Focus on the transformative systemic change is what differentiates social innovation from other forms of innovation.

There is less agreement, however, on how widespread an innovation should be (or the magnitude or time frame for measuring its impacts) for it to be properly considered a social “innovation”. Views range from social innovation offering the possibility of systemic change explicitly discounting adaptive changes to those with impacts limited to a particular locale or context, and others viewing distinctions between disruptive, systemic innovations and incremental, context-specific changes as inherently subjective (Policy Research Initiative, 2010). This is an important distinction, especially for Aboriginal people where one might argue change has been more incremental than systemic.

The definition of social innovation put forward in 2008 by the Centre for Social Innovation at Stanford University will be used for the purpose of this report. It is a broad
and inclusive working definition and it has already influenced other researchers in the social innovation field: “A novel solution to a social problem that is more effective, efficient, sustainable, or just than existing solutions and for which the value created accrues primarily to society as a whole rather than private individuals. A social innovation can be a product, production process, or technology (much like innovation in general), but it can also be a principle, an idea, a piece of legislation, a social movement, an intervention, or some combination of them” (Phills, et al., 2008). There are many global examples of successful innovation, from the creation of the Grameen Bank in Bangladesh to the development of new treatments to neglected diseases funded by the Gates Foundation (B.C. Advisory Council on Social Entrepreneurship, 2011). Disruptive social innovations like mobile health programs bring ‘good enough’ solutions to large numbers of people at low cost. Other recent social innovations include (Phills, et al., 2008):

**Fair Trade**: an organized movement that establishes high trade standards for coffee, chocolate, sugar, and other products. By certifying traders who pay producers a living wage and meet other social and environmental standards, the fair-trade movement improves farmers’ lives and promotes environmental sustainability.

**Microfinance**: financial institutions that provide services such as banking, lending, and insurance to the poor and disadvantaged who otherwise have no access to these services. By saving money, getting loans, and having insurance, the poor can improve their lives and even rise out of poverty.

**Supported Employment**: programs that help disabled or otherwise disadvantaged workers find and retain good jobs. Services include job coaches, transportation, assistive technology, specialized job training, and individually tailored supervision.

Social innovation has many companion concepts, including social enterprise, social finance, social economy, and impact investing.

Social enterprise is the term used to reflect the organizational model chosen to

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http://www.mcconnellfoundation.ca/assets/PDFs/SIF%20Information%20Guide.pdf
solve a particular social problem, with a focus on achieving the dual objective of economic and social value. Social innovation is often seen as more far-reaching and radical, promoting systemic change (Buckland, Murillo, 2013). Social finance presents the possibility of creating new finance or business models/hybrids/systems outside of the traditional ones in order to sustain social innovation. Impact investing is the growing movement to invest in ventures and initiatives that will create positive impact in their communities and provide a financial return.

The social economy concept is much discussed in the literature on social innovation. As with other terms and concepts, there are differing definitions. When the Government of Canada recognized the sector and funded it in 2004 to the tune of $132 million, the social economy was described as a “grass-roots entrepreneurial, not-for-profit sector, based on democratic values that seeks to enhance the social, economic, and environmental conditions of communities, often with a focus on their disadvantaged members”. The funds were allocated for the following initiatives: capacity building ($17 million over 2 years); financing ($100 million over five years); and research ($15 million over five years) (Goldenberg, et al., 2009). In Canada, the social economy has long been especially present in Quebec (Goldenberg, et al., 2009).

Two concepts of social innovation are discussed further in more detail: 1) social enterprise and entrepreneurship and 2) social finance and impact investing.

**Social Entrepreneurship and Social Enterprise**

The term “social entrepreneurship” was used first in the literature as early as the 1960s, but it was not until the term was adopted by Bill Drayton in the early 1980s that it began to come into widespread use. A narrow definition of social entrepreneurship refers mainly to earned-income strategies for nonprofit organizations. A broad definition of social entrepreneurship tends to include all types of innovative, social-value-creating activities that can occur within or across sectors (Guo, Bielefeld, 2014).

As with any business, a social enterprise strives to deliver valued goods and services to customers in the marketplace. However, social enterprises differ from most traditional businesses in that profits are not just used to ensure financial viability, but
re-invested in the business and/or the community to achieve, sustain and further the organization’s social or environmental purpose. Examples range from thrift stores and farmers markets to businesses that provide on-the-job training to people with disabilities or confronting other barriers to employment (B.C. Government, 2014). Social entrepreneurs target social segments that have been previously neglected and marginalized and change the social equilibrium to a more desired state. Social entrepreneurs take the initiative to identify and address important social problems in their communities (Zhang, Swanson, 2014). Unlike traditional entrepreneurship opportunities that derive from ‘longstanding inefficiencies’, social entrepreneurship opportunities derive from longstanding inequalities (i.e., reducing financial illiteracy, quality health care for underserved groups, educational opportunities for rural communities, etc.) (Pate, Wankel, 2014). Social enterprises often provide on-the-job training to people who face employment barriers, build affordable housing, provide affordable and accessible health care, and provide products and services to underserved communities. Recycling, ecotourism, and car-sharing are social enterprise models that address critical environmental issues. A good illustration of a social enterprise that offers training and work placement is The Smokehouse Restaurant:

**The Smokehouse Restaurant**, operated by the Prince George Native Friendship Centre, offers a 6-month culinary training program. Students participate in the operation of the restaurant while receiving training, which includes essential courses such as FoodSafe, employment preparation workshops and a 2-week work placement. Through a partnership with the local school district, program participants receive course credits toward the Adult Grade 12 Dogwood Diploma (B.C. Government, 2014).

When discussing social enterprises and distinguishing them from corporations with a social responsibility program Katz and Page present the same basic idea from a different angle. They write:

“The archetypal social enterprise ‘makes’ the additional social value instead of ‘buying’ it. ‘Make’ refers to generating this additional social value as a consequence of operating its revenue-generating activity itself, as opposed to using some portion of its profits to make charitable donations. The commercial activities directly advance the mission, instead of simply
providing a source of revenue to subsidize the mission.... The more successful the business is as a business, the more social good it generates. It embodies the social entrepreneur’s way of addressing the world’s problems, which is to ask, ‘what can I do, that the more I do the more good it does?’ (Gidron, 2014).

For the purpose of this environmental scan, the definition of social enterprises that will be used was coined by the *MaRS Centre* (Harji, et al., 2014):

“Organizations that employ market-based strategies to accomplish a social or environmental mission. Like conventional enterprises, social enterprises can provide goods or services (or both), and can operate in any number of sectors. They also take a variety of forms: they can be structured as a for-profit or non-profit organization, a co-operative, a mutual organization or a social business.”

**Social Finance and Impact Investing**

Social finance is a broad approach to finance that includes investment strategies such as impact investing, responsible investing, socially responsible investing, community investing, microfinance, social enterprise lending and venture philanthropy (Harji, et al., 2014). Social finance empowers citizens and communities to accept a greater decision-making role through engagement in finding innovative approaches to tackling local issues such as job creation, skills development, social housing and homelessness. They are collaborating across sectors and leveraging new ideas and sources of funding. Social finance also provides investors with the opportunity to make a social impact and earn financial returns (Carter, 2013).

According to the Global Impact Investing Network (GIIN), impact investments are investments made in companies, organizations, and funds with the intention to generate social and environmental impact alongside a financial return. Impact investments can be made in both emerging and developed markets, and target a range of returns from below market-to-market rate, depending upon the circumstances. Impact investors seek to move beyond “doing no harm,” and toward intentionally deploying

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4 Retrieved from http://www.thegiin.org/cgi-bin/iowa/resources/about/index.html
capital in businesses and projects that can provide solutions to social and environmental problems (Harji, et al., 2014).

A good example of the impact investing is **RBC Generator Fund**. The Fund was established in 2012, as a $10-million pool of capital to invest in for-profit businesses that tackle social or environmental challenges while generating market or near-market financial returns. Investment areas include energy, water, youth employment and community hiring for disadvantaged groups.⁵

Social finance initiatives are designed to ignite the growth of businesses that deliberately seek to make positive contributions to the community. Social finance and social enterprises ideally would develop simultaneously as more financing is provided to the enterprises and a pipeline of investment-ready attractive social businesses is in place for the impact investors. Social finance provides the opportunity to invest in social enterprises that deliver social, environmental and financial returns.

**National Approaches to Social Innovation**

Leading examples of social innovation have emerged in North America and Europe as well as on the international stage. Europe has led in the development of innovative approaches to the implementation of public services through social enterprise and finance initiatives. The U.S. has seen more foundation-led activities, for instance, through the work of the Gates and Skoll Foundations, which often seek to bring business concepts into the nonprofit sector.⁶ This may reflect significant differences in the structure of society between Europe and the U.S. In European countries, government plays a more direct role in the provision of social services. In the U.S., nonprofits often fill unmet social and environmental needs, and the sector is much better funded than in Europe or Canada. If there is a consistent technique in the U.S., it is to use business models and business plans to structure social innovation. Essentially, the funding of a social enterprise is treated as a problem of financial structuring: the enterprise can offer different risks and returns to different kinds of investors instead of delivering a blended

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⁵ Retrieved from www.rbc.com/socialfinance
⁶ In the United States, foundations are allowed, and even encouraged, to make a range of below market rate investments in furtherance of their charitable objectives (MaRS Centre for Impact Investing, 2014)
return that holds for all investors but is acceptable to very few. This new approach to structuring is important as it can close the financial-social return gap.

*Globally*, estimates for growth in impact investing range from US$500 billion to US$1 trillion in a decade (Addis, et al., 2014). Activity across the globe is demonstrating momentum as the U.K. Government has announced further market development including tax incentives for social impact investments and the European Commission is calling on member states to prioritize social investment and modernize their welfare states, and is supporting this through the European Social Fund (Addis, et al., 2014).

*In Europe*, governments in the *U.K.* and *Denmark* have recognized that large-scale public sector bureaucracies don’t innovate well internally and have invested in social innovation laboratories that look for new approaches to social service delivery. The approaches are known as Mindlab, Change lab or S-Lab (social lab) (Tansey, 2011).

**Changelab** acts as an in-house innovation lab for the Danish government. It is funded by three ministries but maintains a high level of independence. Since 2002, civil servants have worked with businesses and citizens to improve and reform public sector systems. This form of collaboration - sometimes called “co-creation” as ideas are formed in partnership - has produced significant benefits such as solutions for staying in your own home as you get older; reducing the “red tape” facing Danish small businesses; increasing participation of marginalized populations in government programs; building networks for entrepreneurs; and introducing complex policies such as the issue of gender equality in the labour market. The benefit of being inside government is that it has greater access and credibility. The disadvantage is that it is vulnerable to political change and potentially, to political interference. (Tansey, 2011; B.C. Advisory Council on Social Entrepreneurship, 2011).

**The U.K.** has been a leader among Anglo-American countries in promoting social enterprises. The sector has been strongly supported by government through a range of policy papers and initiatives since the late 1990s, and is seen to have a highly developed institutional support structure. Social enterprise seems to be growing rapidly as a result. The government claims at least 70,000 social enterprises in the U.K. (2013), compared to an estimated 5,000 or so in 2003 (O’Connor, 2014).

In 2005, the U.K. introduced the legally innovative Community Interest Company (CIC), a social enterprise-specific legal form designed to support U.K. social enterprises.
The key innovative feature of the CIC is that it protects social enterprises’ social purpose by building it into its legal structure, while at the same time giving social enterprises more freedom to operate like a regular for-profit business in terms of finances, governance and administrative burden. In 2014, the number of CICs is now close to 10,000, and the number of applications increased 20% last year (U.K. National Advisory Board to the Social Impact Investment Taskforce, 2014). Social Impact Bond (SIB), an innovative financial tool, was pioneered in 2010 in the U.K. (prisoner rehabilitation program), where its development has been supported significantly by government (Loxley, Puzyreva, 2015). A SIB is a mechanism through which investors provide multi-year funding to service providers to deliver a preventative intervention with the expectation of net savings to government. Government agrees to repay the investors’ capital plus an agreed-upon return if the program meets its outcome goals. These investors can be traditional funding agencies such as charitable foundations, but may also be private institutions or pools of capital, i.e., banks or equity funds (University of Toronto, 2014). Since the launch of the first SIB, there have been 16 new SIB issues in the U.K. They have ranged across multiple social issues including adoption, children in care, youth education and employability (U.K. National Advisory Board to the Social Impact Investment Taskforce, 2014). There are now some 23 SIBs either being implemented or very close to implementation around the world as of January 2015. (Loxley, Puzyreva, 2015). An outcomes payment fund was introduced in the U.K. to catalyze the use of SIBs and other outcomes-based approaches to service delivery. This model provides organizations with access to capital markets through government commitments to pay for outcomes.

In 2010 the Big Society Bank was established, a wholesale financial organization that invests in financial intermediaries in the social investment market, increasing access to finance for social enterprise (Mulholland, et al., 2011).

In the case of Australia, the market of impact investing could reach A$32 billion in a decade and an aspiration to achieve at least A$10 billion in impact assets under management within the next 5 years does not seem out of reach (Addis, et al., 2014). The foundations are strong: long history of cooperatives and local enterprise; significant achievements of the not-for-profit sector; a growing and dynamic movement of social
purpose enterprises; as well as robust and significant capital markets that include some of
the largest pools of long term institutional capital managed by fiduciaries in the world.
The most current research from 2010 suggested that social enterprise in Australia is
mature, diverse, innovative and sustainable; and estimated the number of active social
enterprises at over 20,000. In 2011 Australian government created Social Enterprise
Development Investment Funds (SEDIF) valued at AUD $40 million. SEDIF provides
finance solutions to help social enterprises develop, grow, and sustain their work and
impact (Harji, Jackson, 2012; MaRS Centre for Impact Investing, 2014).

Australia already demonstrated the potential of social impact bonds: the New
South Wales Social Benefit Bonds raised A$17 million to provide support services,
training and assistance, and to help keep children out of child care protection systems,
and safely with their families (Addis, et al., 2014).

New Zealand’s social enterprise sector is in its infancy even though there is a
history of not-for-profits with trading operations and strong alignment with Māori culture
and values. Social businesses, however, have few supports which makes it quite difficult
for them to gain traction. There is no Government social enterprise policy or funding
stream. In the absence of large reserves of private wealth and a tradition of charitable
giving, the state has become New Zealand’s largest philanthropist and social enterprise is
not likely to gain traction without commitment from the state. In addition, the public
service is criticized for being risk averse and poorly positioned to innovate (Kaplan,
2013).

In spite of these barriers, social enterprise momentum is building. Incubators such
as Enspiral and Hikurangi (Akina) Foundation strive to build capacity. Ashoka is
scoping a potential role in New Zealand to support social entrepreneurs (Kaplan, 2013).
In 2014, the Government released a position statement on social enterprise, and announced $1.27 million investment in the development of a solid support infrastructure
for emerging social enterprises. On another positive note, New Zealand’s charity regulators do apply

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7 Ashoka, founded in 1980, identifies leading social entrepreneurs across the world and supports them to build their
institutions and spread their ideas.
destination of profits test, not caring where the revenues come from but, rather, where they go. That is, as long as the profits remain within the non-profit, directed to community good, the profits are not taxed and are accepted as a legitimate activity of the organization.9

In the U.S., social enterprise received a significant boost with the introduction of the federal government’s New Markets Tax Credit Program in 2000, which offers taxpayers a federal tax credit when they make qualified equity investments in designated Community Development Entities (CDEs). All of the qualified equity investment must in turn be used by the CDE to provide investments in low-income communities. Social enterprises have been able to leverage significant investment as a result of the credit (Mulholland, et al., 2011).

The social enterprise sector is roughly estimated to be 3.5 per cent of GDP, with one-third of the increase in the number of the U.S. social enterprises taking place since 2011. The sector employs over 10 million people according to the estimate.10 The government is deeply engaged in the process of economic development - from supporting entrepreneurs and small businesses through the Small Business Administration to providing grants to distressed communities via the Economic Development Administration (US National Advisory Board on Impact Investing, 2014).

The Office of Social Innovation and Civic Participation (SICP) established by the Obama administration in 2009 created a $50 million Social Innovation Fund at the Corporation for National and Community Service and a $650 million Investing in Innovation Fund at the Department of Education. SICP currently is focused on strengthening and supporting the social sector by developing policies and programs that can accelerate economic recovery and create stronger communities.11

The U.S. government supports social innovation through the recognition of the blurred boundaries between the private and nonprofit sectors. The introduction of Low-Profit Limited Liability Company (L3C) legal structure in 2008, and Benefit Corporation

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9 In Australia, the courts recognized the destinations test for non-profits (Canadian Task Force on Social Finance, 2011).
10 60 percent of U.S. social enterprises were created in 2006 or later, with 29 percent created since 2011. http://www.huffingtonpost.com/ben-thorlsey/social-enterprise_b_2090144.html
11 http://www.whitehouse.gov/administration/eop/sicp/initiatives/social-innovation-fund
status in 2010 suggest a policy context that supports organizations that are not solely for-profit or nonprofit (Harji, Jackson, 2012; Berzin, et al., 2014).

**L3Cs** are a cross between Limited Liability Companies (LLC) and non-profit organizations. L3C status companies share many of the same benefits as an LLC, with the main difference being that L3C companies must be organized primarily for a charitable purpose and profit-making a distant second. Even though L3Cs are required to pay taxes, and are unable to provide benefactors with tax-exempt donations, they are able to distribute excess profits back to investors and owners similar to that of an LLC (Berzin, et al., 2014).

**Benefit Corporation** status creates a two-fold mission for an organization: (1) the corporation exists for a primary social purpose, and (2) the corporation works to maximize investor and shareholder interests. This definition mandates that a Benefit-Corp follow specific government regulations and adhere to the overall mission of benefit to society in addition to value creation for stockholders. With a high value placed on transparency, Benefit-Corps are ideal ventures for socially driven mission corporations that expect a high return on investments. (Berzin, et al., 2014).

There has recently been a great flurry of activity with regard to facilitating and encouraging SIBs in the U.S. In terms of institutional encouragement and facilitation of SIBs in the U.S., the Harvard Kennedy School has established a Social Impact Bond Technical Assistance Lab (Loxley, Puzyreva, 2015). 2013 saw the launch of the first municipal SIB in New York City and the first federal-state SIB in New York. Twenty-eight states applied to a lab at Harvard for pro bono technical assistance to design their own SIBs. And the United States Treasury is creating a $300 million Innovation Fund to support these SIBs starting 2014.12

Although 40 state governments in the U.S. developed policy to foster social innovation, there is a large disparity between the most involved and least engaged states and the majority of state governments are still in the initial stages of policy development. The states of Vermont, Massachusetts, Maryland, and Illinois have either passed or proposed all three policy mechanisms: L3C, Benefit Corporation, and social impact

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bonds. While these four states have developing legislation in all three areas, none had also developed infrastructure to support it (Berzin, et al., 2014).

**Canadian Social Innovation**

Canada is falling behind other countries, such as Australia, the U.K. and the U.S. in recognizing the value of social innovation for addressing complex public policy issues. While governments in Canada acknowledged the importance of social capital and social economy, and have been active in these areas in the recent years, a cross-sectoral national strategy to advance social innovation needs to be in place.

Canada’s social innovation approach is closer to that of the European countries. Major centers of social innovation initiatives include Quebec, the MaRS center in Toronto, Social Innovation Generator managed out of University of Waterloo, the hub of activities built around Vancity in Vancouver, The Mowat Centre at the University of Toronto and ISIS Research Centre at the University of British Columbia. The organizations that have driven the social innovation and social finance include the J.W. McConnell Family Foundation, Tides Foundation, Social Innovation Generation, and Enterprising Non-Profits (ENP) (Tansey, 2011).

Canada’s social enterprises are still being mapped. The total number of social enterprises in Canada is unknown, but a reasonable estimate is 25,000 across the country. They also take a variety of forms: they can be structured as a for-profit or non-profit organization, a co-operative, a mutual organization or a social business.

Recent surveys of non-profit social enterprises in several provinces have found that about half of these enterprises were charities (58% in Ontario). Most served vulnerable and marginalized populations, many helped highly disadvantaged populations reintegrate into the labour market. They did this by providing them with jobs, training, and other supports. About one third to one half (34-47%) of respondents, depending on the province, reported that generating income for a parent organization was a goal.

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13 ISIS Research Centre renamed in 2014 Centre for Social Innovation & Impact Investing
14 Retrieved from http://www.torontoenterprisefund.ca/about-tef/what-is-a-social-enterprise
15 Social enterprises take a variety of forms: they can be structured as a for-profit or non-profit organization, a co-operative, a mutual organization or a social business.
although only 12-20%, depending on the province, said it was their sole goal (O’Connor, 2014). In each of the provinces surveyed, most of the social enterprises reported receiving some government funding, and many (at least 41% in each province surveyed) received funding from private individuals, philanthropists (individual and foundations) and donors. Foundations were also significant funders of social enterprises in every province surveyed, but few social enterprises received financing from commercial banks or credit unions, except in B.C., where 26% of social enterprises received funding from this source (O’Connor, 2014).

The regulatory environment is one potentially important factor shaping the growth and development of Canadian social enterprise. Until recently, Canada has had only one social enterprise-specific legal form - the cooperative - and social enterprises therefore use a variety of legal forms designed for other purposes, such as the non-share capital (non-profit), and share capital corporations.

Canada’s charities and non-profits are actively pursuing social enterprise as a means to generate revenues to expand their community impact. Nevertheless, there is mounting frustration in the sector with the CRA’s interpretation of policies governing social enterprise activity undertaken by charities and non-profits. Charities have long enjoyed a certain leeway with respect to social enterprise, as long as they confine themselves to “related businesses” that are “linked” and “subordinate to” their charitable purpose or “run substantially by volunteers” (Canadian Task Force on Social Finance, 2010; Mulholland, et al., 2011). However, there is no clear definition in legislation or regulation of what constitutes a legitimate linkage in this respect. Further, charities that inadvertently contravene these policies risk severe penalties, including deregistration and loss of 100 per cent of their assets. Charities can establish separate for-profit corporations to generate revenues, but this is a costly and onerous solution beyond the capacity of many smaller charities to manage (Canadian Task Force on Social Finance, 2010).

The situation for enterprising non-profits is even more restrictive - non-profit organizations are prohibited from using any form of enterprising activity to generate revenues to fund programs or to improve their overall sustainability. Non-profits that fail to comply with this interpretation risk losing their qualification for tax-exemption in that year (Canadian Task Force on Social Finance, 2010; Manwaring, 2012).
The introduction of a profits “destination test” would permit charities and non-profits (including community service co-operatives) to run related and unrelated businesses tax free, as long as all proceeds are directed to advancing their missions. The *Ontario Not-for-Profit Corporations Act* (2010), which has not yet passed into law, supports the concept of a destination of profits test, but this Act would not override the *Income Tax Act* (MaRS Centre for Impact Investing, 2014).

Within the last few years, however, British Columbia and Nova Scotia have introduced similar new legal corporate forms specifically for social enterprises, Community Contribution Companies (C3s) and Community Interest Companies (CICs), respectively. Both are modeled on the Community Interest Company (CIC) introduced in 2005 in the U.K. (O’Connor, 2014). Another form of enabling corporate structure – Benefit Corporation – is being adopted across several US states, but not yet in Canada. In Canada a private non-profit called B Lab certifies for-profit entities as Certified B Corporations. They can include LLCs, corporations, partnerships, COOPs, ESOPs, etc. Benefit corporations, on the other hand, are for-profit corporations that have been publicly registered as such type of entity either by incorporating from the state or amending their articles and reincorporating as a benefit corporation.  

In recent years there have been a number of national and provincial initiatives to raise the profile of social innovation in Canada. In late 2010, *the Canadian Task Force on Social Finance*, composed of thought leaders from across the country, completed a report looking specifically at opportunities to build and leverage new and emerging finance mechanisms to support social innovation. The Task Force developed a series of recommendations to establish incentives to innovate and tackle social and environmental challenges (Canadian Task Force on Social Finance, 2010):

To maximize their impact in fulfilling their mission, Canada’s public and private foundations should invest at least 10% of their capital in mission-related investments (MRI) by 2020 and report annually to the public on their activity.

To mobilize new capital for impact investing in Canada, federal and provincial governments

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16 Retrieved from: [http://benefitcorp.net/businesses/benefit-corporation-vs-certified-b-corp](http://benefitcorp.net/businesses/benefit-corporation-vs-certified-b-corp)
should partner with private, institutional and philanthropic investors to **establish the Canada Impact Investment Fund**.

To channel private capital into effective social and environmental interventions, investors, intermediaries, social enterprises and policy makers should work together to **develop new bond and bond-like instruments**. This could require regulatory change to allow the issuing of certain new instruments and government incentives to kick-start the flow of private capital.

To explore the opportunity of mobilizing the assets of pension funds in support of impact investing, Canada's federal and provincial governments are encouraged to **mandate pension funds to disclose responsible investing practices**, clarify fiduciary duty in this respect and provide incentives to mitigate perceived investment risk.

To ensure charities and non-profits are positioned to undertake revenue-generating activities in support of their missions, **regulators and policy makers need to modernize their frameworks**. Policy makers should also explore the need for new hybrid corporate forms for social enterprises.

To encourage private investors to provide lower-cost and patient capital that social enterprises need to maximize their social and environmental impact, a **Tax Working Group** should be established. This federal-provincial, private-public Working Group should develop and adapt **proven tax-incentive models**, including the three identified by this Task Force.

To strengthen the business capabilities of charities, non-profits and other forms of social enterprises, the **eligibility criteria of government sponsored business development programs** targeting small and medium enterprises **should be expanded** to explicitly include the range of social enterprises.

The Canadian Task Force on Social Finance presented impact investing as a $30-billion opportunity, if only 1% of Canada’s assets under management were directed toward investments in ventures and initiatives that provide a financial return and a social or environmental impact (Canadian Task Force on Social Finance, 2010).

Progress on the recommendations of the Canadian Task Force on Social Finance has been significant but uneven. While certain recommendations - for example, to create the Canada Impact Investment Fund and to establish a federal-provincial, public-private tax working group - have not been carried out to date, concrete advancements toward
other recommendations have laid the groundwork for more systemic change. An industry survey in 2013 indicated that there had been a 20% growth in the supply of capital from 2010 to 2012, with $5.3 billion in impact-investing assets in Canada (Harji, et al., 2014).

In spite of these sizable numbers, non-profits and social enterprises have significant capital needs that are not being met. According to a 2012 survey in Ontario, between 2010 and 2012, 66% of non-profit social enterprises run by charities and 61% of social enterprises run as for-profit entities were seeking capital (Harji, et al., 2014). Half of these organizations were targeting between $50,000 and $1 million, with aggregate demand for all respondents estimated at $170 million in Ontario alone. This form of capital is often not accessible from traditional financial institutions (Harji, et al., 2014).

Governments, foundations and donors are all important sources of capital, but they do not provide it in sufficient diversity or quantity to meet demand. Non-profits are often unable to access capital because they are unable to guarantee loans, leverage assets or provide exit strategies for investors, often leaving them reliant on grants. Across Canada, loans are the most common form of financing offered to non-profits, with subordinate loans and equity most commonly offered to for-profit social businesses. In spite of these challenges, a few leading players, including Vancity, the Canadian Alternative Investment Cooperative (CAIC), the Community Forward Fund and the Edmonton Social Enterprise Fund, are fostering impact investment in social-purpose organizations. Additionally, Economic Action Plan 2015 confirms the Government’s commitment to support social entrepreneurs with innovative solutions and announces the implementation of a social finance accelerator initiative to help develop promising social finance proposals.\(^{17}\)

Crowdfunding has gained popularity in recent years as an effective tool for businesses to raise funds. In the U.S., crowdfunding has gained momentum with the passing of the Jumpstart Our Business Startups Act, which allows businesses to raise capital from non-accredited investors. Canada’s securities laws do not permit crowdfunding to finance a business through the issuance of securities, as the issuer must provide a prospectus, an offering memorandum or an exemption from prospectus

\(^{17}\)http://www.globalphilanthropy.ca/images/uploads/2015_Canadian_Federal_Budget_and_its_impact_on_the_Canadian_charitable_sector.pdf
requirements. Instead, most crowdfunding activity has centered on raising funds for small projects that do not involve the issuance of securities. Saskatchewan and Ontario provincial governments have started to explore crowdfunding as a means to open the supply of capital for enterprises.

With a strong commitment to social and environmental goals, Canadian foundations represent leading impact investors across several sectors. Across Canadian foundations, approximately $207.5 million are currently invested in mission-related investments and $80.3 million in program-related investments. Foundations most commonly provide debt financing to non-profit and social-purpose for-profit organizations, with 77% of foundations investing through a third-party impact fund or capital program (Harji, et al., 2014). One area that requires action is the limitation on foundations’ abilities to invest in limited partnerships. Many foundations argue that the ability to invest in limited partnerships would allow them to diversify their revenue streams and encourage innovation. Federal Budget 2015 presented in April 2015 therefore proposes to amend the Income Tax Act to provide that a registered charity will not be considered to be carrying on a business solely because it acquires or holds an interest in a limited partnership.18

Pension funds across Canada have been relatively inactive in impact investing, with pension funds in Québec being the major exception. Quebec’s largest labour federations have supported the development of numerous workers’ funds, which have been an important source of risk capital for the social economy. These funds have invested extensively in the province’s social economy, totaling more than $6 billion in 2012, and provided patient capital to the Fiducie du Chantier de l’économie sociale as well as a range of non-profits and social enterprises (Harji, et al., 2014).

Federal, provincial and municipal governments are engaged impact investors, however, impact investments constitute a relatively small portion of overall government expenditures. Provincial governments supply more external finance to social enterprises than any other level of government.

It is important to note that the impact investing field is relatively new in Canada,

and many government policies and regulations in this area are ad hoc and under development. Moreover, there is a lack of holistic impact-investing strategy at the national and provincial levels. As a result, the policies, regulations and programs vary in scope, geographic focus, efficacy and issue area. Some of the examples of provincial governments’ efforts in social innovation field are highlighted below.

**British Columbia**

**B.C. Social Innovation Council** was established in 2011 to explore how social innovation, with an emphasis on social finance and social enterprise, can be utilized to strengthen the resiliency of British Columbia. In 2012, the Council presented its Action Plan Recommendations to Maximize Social Innovation in British Columbia. The action plan included 11 recommendations that together chart out a course of action for the province. Based on the recommendations in the action plan, the **BC Partners for Social Impact** was created to carry on the work of the B.C. Social Innovation Council. The B.C. government co-chairs the BC Partners for Social Impact, which now includes more than 70 multi-sector partners who work collaboratively to implement the recommendations and support social innovation.\(^{19}\)

**The Community Contribution Company (CCC)** was created in British Columbia’s Bill 23 Finance Statutes Act, 2012. This hybrid social enterprise structure must allocate at least 60% of its value toward social purposes. The remaining value must be distributed to investors. CCCs must publish annual community contribution reports providing details of their social spending, community activities and dividend payment. In cases where a CCC is dissolved, at least 60% of its value must be directed toward social purposes, with the remaining value to be distributed to investors. The model is expected to unlock new ways to generate meaningful local employment and wealth for the province. Examples of CCCs in B.C. are Accelerating Social Impact CCC Ltd. and Urban Matters CCC.\(^{20}\) There are currently 14 C3s registered in B.C. as of April 2014 (MaRS Centre for Impact Investing, 2014). Some anticipate that the C3 will become the ‘vehicle of choice’ for charities or non-profit organizations wishing to carry on arms-length businesses (O’Connor, 2014).

**Quebec**

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\(^{19}\) Retrieved from [http://www.eia.gov.bc.ca/social-innovation/index.htm](http://www.eia.gov.bc.ca/social-innovation/index.htm)

Chantier de l’économie sociale is a “network of networks,” coordinating co-operatives, non-profits and community development organizations working in the social economy. Quebec Government made an investment of $10 million in 2007 in the Chantier de l’économie sociale Trust, a $52.8 million patient capital fund that has authorized over $37 million in investments for 128 social enterprises as of December 31, 2013 (MaRS Centre for Impact Investing, 2014).

Manitoba

Established in 2011, the **Neighbourhoods Alive! Tax Credit** is a non-refundable 30% income tax credit provided to corporations that partner with charitable organizations to create new social enterprises in Manitoba. Donations from corporations with a permanent establishment in Manitoba provided prior to the establishment of a social enterprise or during the first three years of its operation are eligible. The newly created social enterprise must be fully owned by a Manitoba charitable organization and at least 25% of its employees must have been facing multiple barriers to employment when hired.

A comprehensive **Social Enterprise Strategy** was launched in 2015: 38 recommendations offer a roadmap for the sector going forward and highlight opportunities for government to contribute by way of resources and enabling legislation.\(^{21}\)

Ontario

Launched in 2012, the **Ontario Office for Social Enterprise (OSE)** promotes social entrepreneurship across Ontario. The wide mandate of the OSE includes raising awareness of Ontario social enterprises, building the sector’s credibility, aligning resources and attracting investment. The office also addresses challenges internal to government, such as legislation and intergovernmental collaboration.

Under **Ontario’s Social Enterprise Strategy** (2013), a number of initiatives are being advanced, including a $4 million Social Enterprise Demonstration Fund that will be used to pilot new social finance projects and to unlock additional capital for social enterprises, and a call for Social Impact Bond (SIB) ideas (MaRS Centre for Impact Investing, 2014).

The Government of Ontario provided startup funds to help launch and scale **the SVX, an impact-first platform** connecting impact ventures, funds, and investors in order to catalyze new

\(^{21}\)http://www.socialenterprise.ca/en/newsroom/service.prt?svcid=enp_newsroom1&iddoc=373117#sthash.2Gb1eGm.dpuf
debt and equity instrument capital for local ventures that have demonstrable social and/or environmental impact, including NPOs, charities, co-operatives and for-profit corporations. The Government also launched a call for SIB ideas, seeking innovative prevention-oriented solutions that address high-priority social policy challenges facing Ontario families including housing, youth at risk, and improving employment opportunities for persons facing barriers (MaRS Centre for Impact Investing, 2014).

Nova Scotia

In 2012, Nova Scotia passed the Community Interest Companies Act, with the aim of establishing a new category of share capital company. Community Interest Companies (CICs) combine elements of both for-profits and non-profits and are based on the U.K. Community Interest Company, a successful legal vehicle for social and community enterprise. Eligible organizations must have a community purpose; to keep assets of CICs in the public realm, there are caps and an asset lock on financial returns. While it is too early to tell the impact of this new corporate form (regulations are still in development), it is expected to accelerate the development of Nova Scotia’s 1,098 social enterprises (Harji, et al., 2014; MaRS Centre for Impact Investing, 2014).

Alberta

Social Enterprise Fund established in 2007 provides grant and loan funding to Edmonton’s social enterprises.

The Government of Alberta is launching a $1 billion Social Innovation Endowment Fund, which will support the development of new approaches to solving social challenges, including through new funding models and partnerships (MaRS Centre for Impact Investing, 2014).

Saskatchewan

The Government of Saskatchewan partnered with private investors and a non-profit service provider to launch Canada’s first Social Impact Bond in May 2014, designed to achieve the social outcome of keeping children out of foster care. The SIB is funding a program that provides affordable housing and support to single mothers with children under the age of eight who are at risk of requiring Child and Family Services, enabling them to complete their education, secure employment, or participate in pre-employment activities. The ultimate goal is to help these families to transition back into the community. The SIB raised $1 million in investment capital for a 5-year term, complementing funding from other levels of government and private donors. An independent assessor will measure outcomes at the end of years two,
While there has been some progress across the country in establishing regulatory environments that support the development of the impact investing market, there is still room for improvement. Provincial-territorial governments should establish a joint process to modernize and harmonize provincial-territorial rules and regulations affecting the sector on a national basis. These efforts would ideally result in consistent national treatment through an agreed upon mechanism developed in consultation with provincial-territorial governments and sector representatives, drawing on successful mechanisms from other jurisdictions.

**Social Innovation Approach Used in Labour Market Programming and Policy in Canada**

Research did not reveal any established labour market policy or program in Canada that would have social innovation aspects embedded in it as compared for example to the EU. However, at the national level Human Resources and Skills Development Canada (HRSDC renamed Department of Employment and Social Development Canada ESDC in January 2014) has taken a leadership role across the government to advance social finance. It has engaged extensively with key opinion leaders and stakeholders to identify areas where awareness, knowledge and new approaches can be developed, and has supported opportunities to discuss the measures needed to grow the social finance marketplace. As a result of the 2012 HRSDC Call for Concepts for Social Finance, individual Canadians and groups across all sectors of society submitted among others ideas addressing unemployment either in general or for a specific population, and often focused on barriers such as education, skills development and the acquisition of experience.

A concept put forward by Valuenomics CCC outlines their “Avanti” program to reduce unemployment in northern British Columbia among Aboriginal youth aged 20 - 30 by increasing training and skills in the resources sector. Avanti would be funded

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22 The Employment and Social Innovation (EaSI) programme is a financing instrument at EU level to promote a high level of quality and sustainable employment, guaranteeing adequate and decent social protection, combating social exclusion and poverty and improving working conditions. The total budget for 2014-2020 is EUR 919,469,000 in 2013 prices with the Microfinance and Social Entrepreneurship axis comprising 21% of the total budget. Retrieved from http://ec.europa.eu/social/main.jsp?langId=en&catId=1081
through a SIB between a private investor (e.g., a resources company) and a non-profit organization, with the government guaranteeing a rate of return if social outcomes are met (Human Resources and Skills Development Canada, 2013).

Some early achievements include commissioning a series of research papers on impact investing and barriers to social finance in Canada, an analysis of legal and regulatory frameworks in the not-for-profit sector in Canada, and papers on related topics such as social metrics. HRSDC has also taken the lead on initiating the first interdepartmental working group on social finance, with participation from at least eight different government departments. This working group is focused on developing strategies where the government can help to expand the social finance marketplace in Canada (Harji, et al., 2014).

At the provincial level the Canadian impact investment market is demonstrating positive momentum, surfacing examples of established partnerships used to drive positive social impacts in labour market, and with various new initiatives underway, for example:

Social Capital Partners’ Community Employment Loan program provides access to low interest loans for small business owners, entrepreneurs, and franchisees based on their commitment to fill entry-level positions by hiring individuals who face employment barriers through community employment service providers. The interest rate on the loan decreases for every employee hired from a partnering service provider. In 2014 Ontario Government and Social Capital Partners announced their collaboration to start consulting with Canada's leading financial institutions to help scale up the Community Loans Pilot. Based on an initial five year lending period of $200K loans under moderate-case scenarios the financial analysis highlighted the potential for government net benefit to reach as much as $140 million while driving positive employment outcomes for up to 45,000 unemployed persons from vulnerable population groups (MaRS Centre for Impact Investing, 2014; Deloitte & Social Capital Partners Report, 2014).

The Fiducie du Chantier de l’économie sociale, created by the Chantier de l’économie sociale in 2007, is the first patient capital fund in Quebec. The Fiducie is a result of successful collaboration between governments and labour organizations, and responds to the unmet need for long-term capital in the social economy. To date (December 31, 2013), the Fiducie has

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authorized over $37 million in investments for 128 social enterprises, and is estimated to have created and maintained about 2,000 jobs (MaRS Centre for Impact Investing, 2014).

The 2012 Survey of Social Enterprises in British Columbia shows a substantial increase in the number of confirmed social enterprises over the previous two years. Numbers rose from 231 in 2010 to 357 in 2012. Out of 104 social enterprises surveyed, 25% said they were “operating for the purpose of employment development.” Another 14% reported their purpose to be “training and workforce integration.” Social enterprises in B.C. provided 6,260 people with training opportunities. More employment and training opportunities are being created for people with employment barriers. Moreover, the 3,370 people to whom social enterprises provided paid employment earned $37 million in wages (Enterprising Non-Profits, 2014).

While policy making on the use of social innovation in labour market programming takes time, more non-profit organizations (and a few for-profit organizations) in Canada have turned to a creative new strategy to help integrate highly disadvantaged populations into the workforce - the creation of social enterprise businesses that provide jobs for disadvantaged workers as well as training, placement and other supports. Recent surveys suggest that these organizations, known in Europe as WISEs (Work Integration Social Enterprises), are among the most common social enterprises in Canada’s emergent social enterprise sector. What distinguishes WISEs from other social purpose organizations serving highly disadvantaged workers is that WISEs integrate these workers into the job market through (usually) paid work experience. They are also usually embedded in communities, and the work they do is aimed to benefit those communities as well as individual workers.

Substantial research has been completed on EU WISEs but relatively little is known yet about Canadian or Ontario WISEs. The project undertaken by Centre for Voluntary Sector Studies at Ryerson University examined Ontario and European WISEs (O’Connor, Meinhard, 2014) and provided the most up-to-date data found. WISEs appear to comprise a significant proportion of Ontario social enterprises, although neither the province’s social enterprise nor WISE sub-sector has been completely mapped. The most comprehensive recent survey of Ontario social enterprises indicates that over 40% of social enterprises are engaged in employment development and/or training for workforce integration, and that training and/or employing people with persistent barriers to stable
employment is the main activity and mission for about 18% of social enterprises. This is a higher proportion than in Alberta, but a lower proportion than in B.C. and Nova Scotia (O’Connor, Meinhard, 2014).

A survey of B.C. and Alberta social enterprises found that social enterprises that targeted people with employment barriers were more likely to break even than other social enterprises. These enterprises were also more likely to be working with government contracts for defined services within a defined budget. For the B.C. and Alberta social enterprise sectors as a whole, government was the primary source of financing, followed by individuals and foundations. B.C. social enterprises had significantly greater access to credit unions, and the survey authors concluded that credit unions could represent an untapped source of financing for social enterprises elsewhere (O’Connor, Meinhard, 2014).

The WISE approach to work appears to have no significant presence within Ontario labour market policy and programs at present. Ontario policies focus on supporting unemployed workers to find jobs in the mainstream market. This approach extends to some of the disadvantaged populations served by WISEs.

While some Ontario WISEs are subject to the foregoing CRA restrictions on charity-run businesses, many WISEs benefit from special CRA rules that treat certain types of businesses as charities, for tax purposes. These special rules allow many stand-alone WISEs to qualify as charities, as well as WISEs associated with a ‘parent’ charity. Recently, this tax niche for Canadian WISEs has been enriched. Prior to 2012, the rules prohibited community economic development (CED) ‘charities’ from making any profits; indeed, social businesses were explicitly expected to rely on ongoing (largely government) funding support. In 2012, the CRA allowed profits as long as these continue to be used to ‘help eligible beneficiaries’, rather than to generate revenue. At the same time, the CRA Guidance also widened financing opportunities for WISEs and other businesses qualifying for CED charitable treatment, by making it easier for foundations to invest in these businesses (O’Connor, Meinhard, 2014). These new changes are seen to signal significant federal interest in helping grow and develop this sub-group of social enterprises. The 2012 CRA guidance is the first CRA guidance to use the term ‘social enterprise’, suggesting it puts ‘charity’ WISEs at the heart of the social enterprise sector.
However, lack of access to capital, and fragmented character of government funding and other supports to social enterprise are both seen as major barriers that hold back the growth of Ontario’s social enterprise sector. For WISEs in particular, the precariousness and strenuous demands of government procurement processes, and the lack of WISE-specific funding streams and public programs have contributed to the organizations’ ongoing struggles to survive. Debate on the social enterprise sector’s financial needs have sparked various proposals to expand Ontario social enterprises’ sources of financing or revenue. These include tax breaks for Ontario social enterprises similar to those recently introduced in the U.K., and already present in Nova Scotia (Canadian Task Force on Social Finance, 2010). Nova Scotia provides a 35% tax break to investors in certain types of social purpose organizations. A tax incentive for investors in social enterprises such as refundable tax credit for social hires is another stimulus to consider. Borrowing from the U.K.’s Access to Work program, a way to bridge the cost gap of support and training would be to provide eligible enterprises with a refundable tax credit of 25% of the wages/salaries paid to social hires engaged in defined activities. The credit would be payable to the enterprise on a refundable basis to ensure benefit to non-profits that do not pay tax (Canadian Task Force on Social Finance, 2010).

The social enterprise sector has argued the need for a coordinated, focused policy framework to support the sector that would remove legislative, program and policy barriers to the sector’s development, and actively promote it, possibly through targeted programs and policies. Despite early attempts to begin unlocking capital through changing rules and requirements, there remains a lack of clarity, as well as restrictions on the activities of charities and non-profits, which continue to delay the placement of capital in the social enterprise sector.

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

EU experience in supporting WISEs should be considered in Canada, namely establishing WISE-specific funding streams and procurement policies benefiting WISEs.
The EU Social Business Initiative introduced in 2011 proposed 11 key actions, several of which focused on increasing social enterprises’ access to financing. They also included a commitment to giving social enterprises priority in the EU’s large structural funds, mapping of the social enterprise sector and identification of best practices, and enhancing recognition of social value in the awarding of public procurement contracts. WISEs use two major EU funding programs: the European Social Fund and the European Regional Development Fund. At the national level, many EU countries support WISEs through WISE-specific or social-enterprise specific funds or - most often - through labour market programs and other broader funding. National and regional governments also provide tax breaks and other supports.

The integration of WISEs into national labour market policy varies considerably among EU states, but WISEs are seen as having become increasingly a tool for implementing labour market policies in many states, to the point that WISEs have been described as a ‘conveyor belt’ of active labour market policies.

In the U.K. WISEs’ better access to disadvantaged populations, and wider support to the highly disadvantaged is the reason that government integrated them into labour market programs. However, trends in labour market policies and procurement policies are increasingly seen to be at odds with the WISE approach. The critical policy issue for the U.K. WISEs is government procurement. Like governments elsewhere in the EU and in Canada, the U.K. government has moved from supporting the Third Sector with long-term, organization-level funding to project funding. This trend in procurement policies undermined support for the WISEs – in a recent survey, EU WISEs including U.K. WISEs spoke repeatedly of the need for longer term contracts to enable them to plan for the future and to provide job security to their staff (O’Connor, Meinhard, 2014).

U.K. labour market programs for the disadvantaged remain largely ‘work first’, use mass market, highly standardized professional services, and tend to be outcomes-driven, with little tailoring or programs to meet the distinct needs of the highly disadvantaged.

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24 ‘Third sector organisations’ is a term used to describe the range of organisations that are neither public sector nor private sector. It includes voluntary and community organisations (both registered charities and other organisations such as associations, self-help groups and community groups), social enterprises, mutuals and co-operatives.
The U.K. example illustrates that the more WISEs mature, institutionally-speaking, and become integrated participants in countries’ labour market policy and programs, the harder it is becoming for them to sustain the characteristics that make them effective in the first place - that is, embeddedness in local communities and local networks, a holistic approach to increasing workers’ employability through such things as supporting their social integration, and interest in supporting the highly disadvantaged.

In the U.S. employee-focused social enterprises known as “affirmative businesses” are a natural fit for the priorities of the Obama Administration because they are a powerful engine for highly leveraged economic and social development. For example, it has been estimated that more than two-thirds of all social enterprises created by nonprofits in the United States are affirmative businesses. Furthermore, according to the estimates of some economists, a group of affirmative businesses collectively employing 10,000 people is providing a $1 billion stimulus to the American economy each year. Migrating 50,000 people into living wage jobs and keeping them there for a ten-year period provides a $50 billion stimulus (Social Enterprise Alliance, 2010).

A great example of the U.S. employee-focused social enterprise is Pioneer Human Services:

Successful employee-focused social enterprise **Pioneer Human Services** has been named by FAST Co. magazine as a model for all nonprofits. Annual revenue exceeds $60 million and the company serves more than 11,000 people in 48 locations. Among many different business activities, Pioneer serves as a sub-contractor to major corporations such as Boeing, Starbucks, Hasbro and others (Social Enterprise Alliance, 2010). Historically, the performance level at Pioneer has always been high despite the employee turnover rate of 50%. Pioneer strives for high turnover, because it is focused on training its employees (mostly ex-convicts and former drug abusers) and placing them in the higher-paid jobs in the private sector. Pioneer copes with its high turnover rate by using a structured and elaborate training system. Key factors for the success of the system include establishing a formal infrastructure for managing new clients, careful documentation of all the procedures and detailed work instructions for the employees, supervisory staff that understands the unique issues - addiction, legal matters, housing - that these workers bring with them to the workplace.

The U.S. Small Business Administration Impact Investing initiative aims to
unlock $1 billion in financing for Small Business Investment Companies that will have positive impacts on distressed economic regions in the U.S. The potential of the initiative is substantial, with $1 billion to be deployed over five years (2011-2016). This case represents an important example of how governments can harness impact investing for job creation efforts (Harji, Jackson, 2012). There is increasing credence in the U.S. given to the role that capital, and access to capital, can play in local economic development and in particular in SME development. These realizations have created the rationale for Place-based Impact Investment initiatives (frameworks to generate jobs and economic activity in communities while also delivering a financial return to investors) in contexts such as the U.S. and the U.K., and increasingly are doing so in Europe, Australia and Canada (Burkett, 2012).

In Australia former Department of Education, Employment and Workplace Relations (reorganized into two departments in Fall 2013) led development and implementation of the government initiatives in impact investment, in particular the Social Enterprise Development and Investment Funds (SEDIF), which have also sought to increase appropriate finance available to underserved markets - social enterprises (Burkett, 2012). The Australian Government provided $20 million in grant funding to seed the establishment of the funds. This was more than matched by private capital arranged by the fund managers to create a total investment pool of $40.6 million (Department of Education, Employment and Workplace Relations, 2013).

Three initiatives carried out by government in Queensland and New South Wales focused on supporting employment-based social enterprises: the Supporting Social Enterprise Project (to create employment opportunities in New South Wales and Queensland), the Queensland Inclusive Social Enterprise Project (to create employment opportunities for people who have been long-term unemployed due to mental health issues) and the Youth Enterprises Partnership (to create employment opportunities for young people aged between 15 and 18 who have either recently entered the youth justice system and are at risk of reoffending and/or are homeless or are at risk of becoming homeless). The three projects created 261 jobs and 122 employment pathways (work experience placements and internships) in 24 months between January 2010 and December 2011. All three projects exceeded their targets. Social return calculations on a
number of the social enterprises demonstrated that all delivered “value for money” to those investing in them (Social Ventures Australia Consulting, 2012). The analysis of three projects resulted in recommendations formulated for the government and other funders in supporting the development of employment-based social enterprises:

1. Further investment is justified in supporting the creation of social enterprises, and in supporting them to succeed;
2. A comprehensive assessment of the social return from investment in employment-based social enterprises needs to be in place;
3. Support is required for the establishment of social enterprise intermediaries to ensure a continuing and growing supply of social enterprises to redress employment exclusion;
4. The development of a social enterprise takes time, and support may be required over an extended period (Social Ventures Australia Consulting, 2012).

**Opportunities and Challenges Around Social Innovation Approaches to Meet Job Skills and Training Requirements**

Two perspectives need to be considered in tackling the issue of the job skills and training requirements through social innovation: the perspective of a national employment strategy and the perspective of the social enterprises. This will set the stage for understanding innovative approaches to the national employment strategy on the one hand and highlight the challenges faced by social enterprises on the other. Furthermore, opportunities for the policy-makers to support the eco-system in which social enterprises operate need to be pointed out. Improvements in the eco-system, especially for the employment social enterprises (that have an employment and/or training mandate), will lead to higher employment rates particularly among disadvantaged workers and should not be underestimated.

*National employment strategy perspective.* At the February 2014 meeting of G8 finance ministers, policy makers stated their interest in stimulating demand to drive higher employment. However, it’s not just job creation that is critical: those who are currently unemployed and facing barriers to work need to be trained for the jobs of the future rather than those of the past. In response to this challenge, Employment and Social Development Canada launched a literacy and essential skills pilot in 2013, surfacing new
and effective ways of generating employer and private investments to help unemployed and underemployed Canadians to develop literacy and skills to better connect to available jobs. The pilot is inspired by global SIB precedents: employers and investors will be reimbursed as they meet the objectives that were established together (MaRS Centre for Impact Investing, 2014).

Despite this initiative, there are beliefs among the key players in social innovation field that Canada’s approach to employment training and development needs reform as employers currently play virtually no role in designing and delivering employment and training programs (Deloitte and Social Capital Partners, 2014). Canada is spending billions of dollars on employment and training services\textsuperscript{25} to build skills and capabilities that are not in demand in the marketplace. The Federal Employment Insurance Act governs the majority of funding in this area. However, the provinces also make substantial investments and have responsibility for designing their own models for frontline service delivery. In many provinces, social assistance, labour market and employment programs are not integrated or coordinated. As a result, it is confusing and difficult for individuals and employers to connect.

Even though employers have the best understanding of what the market needs now and will need in the future, they are typically not engaged in the design of programs, funding decisions, or the selection and assessment of service delivery partners. Employers’ talent needs (i.e., actual skills demanded) are not formally embedded in the process of determining how or where money is spent, leaving a fundamental disconnect between demand for skills and the investments being made by governments. Measuring success, ensuring consistency in service delivery and aligning jobseeker needs with available labour market opportunities all prove to be challenging.

To tackle these systematic challenges, Social Capital Partners (SCP) and Deloitte released a White Paper on Demand-Led Employment & Training System that calls for transformative change (Deloitte and Social Capital Partners, 2014). In it, a set of concrete recommendations is provided for bridging supply and demand to the benefit of both

\textsuperscript{25} Federal and provincial transfers to provinces related to employment services grew from $19.1 billion to $31.9 billion between 2000 and 2009. Since then, that amount has continued to grow. As of 2013-14, social assistance transfers amounted to $7.2 billion and that number is anticipated to increase (Deloitte and Social Capital Partners, 2014).
employers and job seekers. Improvements are recommended in the following areas:

**Investment model:** Establish Public-Private Partnership models for training and career development investments to ensure that government and employers collaborate on decision-making.

**Data analysis:** Collect, track, and analyze investment and outcome data at the employer and individual level to better understand what programs and services are working. Use predictive modeling to support forecasting of skills shortages and help direct investments.

**Evaluation:** Fund and develop employment and training systems based on employment outcomes.

**Process:** Implement innovations to accelerate job readiness, expedite job placements, strengthen retention and improve system service delivery.

**Program design:** Launch pilot projects to test assumptions, share learning and refine recommendations while transformational programs and services are being designed. The goal of these proposed reforms is to help unemployed Canadians find lasting employment more quickly than is currently possible with the majority of existing programs. Government-funded employment programs must shift away from being driven by perceptions of labour supply needs to being driven by actual employer demand.

Adopting a demand-led approach that meets the needs of employers will create more opportunities for population groups overrepresented in unemployment statistics to access decent and sustainable jobs. To get there, however, collaboration is needed from all levels of government. Each level must be willing to critically examine their current employment and training services and be open to fundamental change. In particular, according to the NAFC “racism issues need to be addressed as the latter create barriers for Aboriginal people in entering the labour force”.

MaRS Discovery District and Social Capital Partners (SCP) partnered to design the national change strategy using a “lab” approach and took first steps in implementing a
demand-led employment and training system solution. 26 Provincial and federal government partners were engaged to launch demonstration projects in multiple sectors and provinces, beginning in 2014.27 A demand-led demonstration project in Manitoba led by SCP is testing a scalable employment and training model “Future State” that has been designed together with targeted manufacturing employers, government and service providers. Employers have committed to testing what works through an iterative process and multiple hiring rounds. Even though the project is in its initial stage, there are some notable lessons:

- The program focuses on clearly identifying the needs of employers and jobseekers through a segmented and cluster focused approach;
- Employers are taking ownership in the design, outcomes and governance of model;
- Success will be measured based on the model’s ability to compete with employers’ traditional, non-government funded, hiring channels.

A successful example of a Canadian demand-led initiative is “Skills and Training Plan” program in British Columbia intended to give individuals the skills needed to meet demand for trades and technical training. B.C. developed the Skills and Training program by leveraging the expertise and experience of employers, industry, and post-secondary institutions to tackle its regional labour market challenges.

B.C. reports it has made considerable progress on commitments related to this program, including: the introduction of Industry Training Authority Apprenticeship Advisers to support apprentices and their employers; front-end training programs to reduce the amount of time apprentices have to spend away from the worksite; the development of a “Kindergarten through Red Seal Strategy” to get more youth interested in trades careers; and $1.3M to help British Columbians take on higher skilled work in growing industries like forestry, mining, and construction. In September 2013, B.C. released its 24 months progress report on the B.C. Jobs Plan. Between August 2011 and August 2013, 44,900 jobs were generated, putting B.C. third in the country for job growth. It was previously in fourth place when the 18-month progress report was

26 http://socialcapitalpartners.ca/strategic-partners/
Demand-led approach in employment and training is also implemented in other countries. International demand-led initiatives include Michigan Works! in the U.S., Queensland Skill Plan in Australia and Ingeus in the U.K. (Deloitte and Social Capital Partners, 2014).

Demand-led solutions require system-wide, collaborative participation between governments, employers, community service providers, jobseekers and organized labour. Supply and demand can be connected in a more efficient way to better meet citizen, employer and government needs. A shift to a demand-led system will inherently benefit jobseekers by increasing access to opportunities, improving the effectiveness of the skills training provided and improving support to individuals throughout the process.

**Social enterprise perspective.** Social enterprises are innovative models to meet job skills and training requirements providing programs that work the demand side, e.g. training and employment experience that is needed, particularly for marginalized groups. After all, the conventional private sector business model requires prior specific skill levels and immediate efficiency returns to meet the expectations of profit first. But the social enterprise can forego that restriction and prepare its employees for the jobs in its business (Enterprising Non-Profits, 2010).

Provincial surveys estimate that 40% of all social enterprises in Canada have an employment and/or training mandate (Enterprising Non-Profits, 2014). Such social enterprises tend to be launched by non-profits founded to address the needs of a certain population group. In 2014 Enterprising Non-Profits published a report *Successful Themes in Supportive Employment: How Social Enterprise Connects People with Jobs & Jobs with People.* In the report Canadian, US, U.K. and Australian employment social enterprises (ESEs) were studied to analyze practices in working with people facing multiple barriers to employment. The report summarizes key challenges that ESEs are dealing with:

**Challenges Related to Welfare/Income Assistance**

Many of the surveyed ESEs employ people who are also receiving government social assistance benefits. These benefits tend to have earned income limits. Once that limit is reached, each additional dollar earned means a dollar deducted from benefit payments. Many employees only
schedule work up to the allowable number of hours or miss work shifts as they near the earned income limit. The cost to the ESE is significant: it has to fill those shifts and hire more employees.

**Industry/ Business Challenges**
It is a challenge, particularly when supporting people with literacy, intellectual or mobility limitations, to adapt the industry to the employees. Everything from training manuals to equipment might require alteration in order for employees to use or operate it.

**Employee Challenges**
The challenges range from the logistical (e.g., people don’t have a phone so they are hard to reach) to the behavioral (e.g., employees who don’t show up or call). The ESEs respond to these challenges with their flexible work environment.

**Management/ Supervisor Challenges**
Managers and supervisors are tasked with running a business and providing support to employees. Finding staff that has a strong skill set in both these areas is difficult as is finding the right pay scale. Staff is required to step into a variety of roles and to fill in during times of crisis. The ESEs are figuring out the best back-up ratios to reduce the burden on core managers and supervisors.

**Financial Challenges**
The surveyed ESEs frequently mentioned the added costs and reduced productivity related to fulfilling the employment mandate. They also cited lack of access to flexible funding at start-up and to help fund operations during the enterprise’s early stages.

**Impact Measurement**
Most of the surveyed ESEs do some tracking and documenting of their social impacts but many expressed a desire to improve their internal evaluation practices. The ESEs often don’t have the systems or resources to follow-up with current or past employees in order to understand long-term impacts.

Respondents identified six main ways in which their eco-system could become more supportive (Enterprising Non-Profits, 2014):
Role of Government: Overwhelmingly, the ESEs called for government to value and recognize the contributions they make to the alleviation of unemployment and poverty.

Supportive Policy Framework: The ESEs are restricted by a number of policies that determine investments, legal structures, taxation, social assistance, labour standards, procurement and corrections. Many ESEs observed that these policies were out of date. They are not conducive to the hybrid objectives and structures that enable an organization to blend social and financial outcomes.

Procurement opportunities: Public procurement policies were generally viewed to be restrictive (big contracts, short procurement time frames and a primary focus on financial value). Several respondents made suggestions for changes to procurement policies: make contracts smaller in size; permit small enterprises to bid as a group on larger contracts; commit to purchasing a percentage of contracts from social enterprises; add a metric for social responsibility and social impact in the scoring of public bids.

Social Assistance Regulations: Many ESE employees receive disability assistance, income assistance or employment insurance. Several policies make it difficult for ESEs to employ their target population fully and several ESEs suggested graduated reductions in income assistance instead of a hard cap. This would allow income assistance recipients to reduce their support payments gradually. Their lives would not be destabilized, and the incentive to work would be retained.

Financing: The surveyed ESEs depend on funding and loans to finance start-up, growth and operations. Funding is especially needed for: 1) capacity building; 2) HR and employment supports; and 3) flexible and patient funds for enterprise growth and development.

Collaboration: Collaboration between ESEs, or between ESEs and private enterprises, may enable them to compete for public contracts. Close ties with government partners could help create an environment in which ESEs could thrive. Industry partnerships and connections would help ESE employees make a seamless transition to mainstream employment.

The organizational capacities needed to support social enterprises that provide jobs, skills and training include strong leadership, access to patient financing and
investment, industry partnerships, and procurement opportunities that are accessible to social enterprises.

Given the potential that employment social enterprises (ESEs) may offer as a strategy for successfully integrating highly disadvantaged workers (urban Aboriginal workforce in particular) into the labour market, Canadian policy-makers could support ESEs through such actions:

- formally include ESEs within government employment programs, consider a variety of financial supports for ESEs,
- compensate social enterprises for their training and employment support role related to programs working to address issues of unemployment,
- include social enterprises in government business development resources and activities at municipal, provincial and federal levels,
- make procurement opportunities and procedures more accessible to ESEs,
- update/improve social assistance policies and regulations to ensure that they do not create disincentives to work.
- move away from short-term, project-driven funding and towards long-term investments in ESEs based on their mission and accompany this transition with greater access to public procurement opportunities, partnerships, funding, tax credits and investment opportunities.

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

Indigenous Communities’ Approach to Social Innovation

In all nations with significant numbers of Indigenous peoples, their economic and social deprivation has long been of deep policy concern. For centuries, Indigenous populations around the world have suffered from oppression, discrimination and genocide. Even though governments in Canada, New Zealand, Australia and the U.S.
today are trying to improve their situation, most Indigenous communities are still marginalized disadvantaged minorities lacking in opportunities, and are therefore not integrated to the mainstream population (Rebutin, 2009). In Canada, and indeed other countries, Aboriginal communities have the dubious distinction of having some of the highest levels of poverty in the country (Diochon, 2013). In the U.S., Native Americans are the most impoverished ethnic group, despite the fact that some tribes successfully run casinos that create a source of gambling revenue that is used as leverage to build diversified economies and to provide for governmental operations, economic development, and the welfare of their members (Rebutin, 2009). Stimulating a new sense of self-determination through Indigenous entrepreneurship has been a positive step for some groups (Frederick, Foley, 2006).

In fact, the efforts to harness entrepreneurship toward both social and economic ends is certainly true of Aboriginal people in Canada, the Maori in New Zealand and many other indigenous groups. Among these peoples, entrepreneurship and business development are widely accepted as the key to building a more vibrant economy leading to nation re-building. This involvement in the global economy through entrepreneurial activity has been called the “second wave” of indigenous economic development, with the “first wave” being direct economic assistance (Anderson, et al., 2006).

The Indigenous approach to economic development is predominantly a collective one centered in the First Nation or community. However, not all indigenous communities exhibit the same degree of collectivity and mix of social/community and economic objectives in their approach to entrepreneurship. The actual approach varies considerably, ranging from the primarily collective efforts of the Māori in New Zealand and the Aboriginal people in Canada, to the predominately individual entrepreneurial spin-offs from tribal casino gaming of the Kumeyaay bands in California (Anderson, et al., 2006).

While there is substantial literature, particularly in North America, regarding “minority entrepreneurship”, the field of Indigenous entrepreneurship is very underdeveloped (Frederick, Foley, 2006). Even less is known about Indigenous social entrepreneurship. In 2007, a book entitled ‘International Handbook of Research on Indigenous Entrepreneurship’ defined indigenous social entrepreneurship as ‘an indigenous group’s endeavors to address or create broadly defined social value through
entrepreneurship’ (Farrelly, 2010). Researchers emphasized the central role of local agency and social capital in indigenous social entrepreneurship. The focus of Indigenous social entrepreneurs is on the social benefits rather than on the market-based strategies to accomplish this social mission and that is a specific trait that characterizes Aboriginal social enterprises compared to other businesses in the sector.

Some researchers point out that Indigenous social enterprise is an Indigenous-run enterprise based on culturally-specific indigenous values and worldviews. Indigenous social entrepreneurship emphasizes the creativity, innovation and risk taking of entrepreneurship, while prioritizing the social over economic benefits (Farrelly, 2010). Perhaps more emphasis should be placed on the market orientation of Indigenous social businesses and Pioneer Human Resources (a successful U.S. social enterprise) experience could serve as a benchmark with all due adaptation to Indigenous community realities and taking into account values and culture.

Australian research paper on indigenous social entrepreneurship confirms that social entrepreneurship, which embraces both basic business functions and social networking interactions, is culturally acceptable to Australian Indigenous people (Pearson, Helms, 2013). This view is shared by a general manager of Waubetek Business Development Corporation (an Aboriginal-owned Ontario organization) Dawn Madahbee, who confirms that “just about every aspect of Aboriginal business development is social entrepreneurship” (Willmott, 2014).

One of the few Canadian research papers on the topic - the 2013 research paper Social Entrepreneurship and Effectiveness in Poverty Alleviation: A Case Study of a Canadian First Nations Community - concludes that entrepreneurship was instrumental in positively impacting goal achievement, poverty alleviation, and self-sufficiency at the community level on reserve. However, Chief and Council exercised considerable entrepreneurship while it was conspicuously absent in the broader community. Considerable dependency at the individual level was also observed, which in turn was found to have a detrimental effect on community members’ capacity for self-sufficiency (Diochon, 2013).
In the **United States** the efforts are focused on the support and development of small businesses and tribal entrepreneurship encouragement with no evident emphasis on social enterprise initiatives. In 2012 the U.S. Chamber of Commerce officially launched the Native American Enterprise Initiative to promote the interests and agenda of tribes and tribal entrepreneurs and to oppose “burdensome and onerous regulations”. 29

The U.S. Small Business Administration's Office of Native American Affairs offers a variety of Entrepreneurial Empowerment workshops nationwide. These workshops provide specialized training to new entrepreneurs and to established Native American businesses that are positioned to grow. They are developed to be culturally relevant and responsive to the challenges and needs of their communities. In 2014 more than 50 tribes have sent over 500 representatives to these workshops. In 2014 the Small Business Administration also provided over 100 million dollars in loans and microloans to firms owned by Native Americans. Across the federal government over 10 billion dollars were provided in small business contracts to Native-owned businesses through the 8(a) program. 30

A small but growing number of tribes and tribal enterprises have established foundations, giving non-profits and community groups as an alternate source of funds that can reduce reliance on tribal, state, and federal government monies (e.g. The White Mountain Apache Heritage Foundation) (The Harvard Project On American Indian Economic Development, 2007).

One example of the Indigenous social enterprise in the U.S. is the Grand Canyon Skywalk in Arizona run by the Hualapai Tribe. The tribe gave up some of their sacred land to development, which created quite a controversy within the tribe and environmentalists who are concerned about over-development. Today the social enterprise is generating cash to fight the serious problems faced by the community (Rebutin, 2009).

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28 According to the 2010 Census, 5.2 million people (1.7 percent of the population) in the United States identified as American Indian and Alaska Native, either alone or in combination with one or more other races. The vast majority of the American Indian and Alaska Native in combination population (92 percent) lived outside American Indian and Alaska Native areas (Norris, et al., 2012).

29 Retrieved from https://www.uschamber.com/native-american-enterprise-initiative

The Australian government has demonstrated a commitment to develop employment programs and strengthen workforce participation to foster businesses owned, managed, and operated by Australian Indigenous people. Several Australian Government agencies run programs that provide services for Indigenous people, including:

- grants and lower cost loans;
- government procurement policies that encourage the use of Indigenous businesses, e.g. Australian Government’s Indigenous Opportunities Policy;
- business mentoring and business development assistance;
- connections to other businesses and markets.

As a result the estimated number of self-employed Indigenous people has risen from 4,600 in 1991 to 12,500 in 2011. These data suggest a corresponding increase in the number of Indigenous entrepreneurs. The combined income of the top 500 Indigenous corporations was almost $1.61 billion in 2011-12 (Morley, 2014).

Australian government targets Aboriginal social enterprises’ development. The Indigenous Social Enterprise Fund (ISEF) was launched in 2013 to provide much needed investment and business support to Indigenous business-focused social enterprises. A partnership between Indigenous Business Australia, Social Ventures Australia and Reconciliation Australia are to run the pilot for two years offering investment packages tailored to the needs of each organization, potentially consisting of a combination of grant funding and concessional business loans. Indigenous Business Australia allocated AUD $1 million for the fund with Social Ventures Australia responsible for its management and transition to an Indigenous owned organization following the success of the pilot – in recognition on the importance of Indigenous owned and led initiatives.

A good example of a successful Indigenous social enterprise is the Gumatj Corporation (GC) of the Yolgnu clan in East Arnhem Land (Northern Territory) that operates a small timber and construction business. Through this social enterprise, the GC aims to pursue sustainable

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31 The Indigenous Australian population represents only 2.4 percent of the whole (2003), some 500,000 people (Foley, 2010). Indigenous Australians live mainly in urban centers. Over half live in New South Wales and Queensland but the highest regional concentration (27.7 per cent) live in the Northern Territory (Hindle, Moroz, 2009).
economic development for the community. Specifically, the global goal is to create sustainable jobs, income, educational opportunity, and career paths for members free from government financial subsidies and welfare. Since its establishment in 2007, the GC has planned, designed and constructed bunkhouses, Indigenous housing and operational facilities to support its cattle station business and the community. One of the key success factors behind the GC is its organisational structure that integrates Yolgnu clan structures and law with pragmatic rules. The GC employs an entrepreneurial organisational arrangement governed by community-based ideals and is considered a ‘promising framework for Australian Indigenous entrepreneurship. For example, the organisational structure remained true to Yolgnu culture by having an executive council of 6 family Elders who were responsible for decision making and communicating orally rather than relying solely on written documentation. This result is a remarkable achievement given the reported lack of sustainability of Australian Indigenous enterprises (Pearson, Helms, 2013; Morley, 2014).

As well as in Australia, Aboriginal peoples in New Zealand 33 suffer from disadvantages that range from individual hardships such as lack of basic sustenance and finance to a lack of business skills exacerbated by low literacy and educational levels. Although many Māori and Australian Aboriginals reside in large cities, they sometimes also suffer the geographic isolation of residing in neighborhoods with high unemployment and lack of essential contact networks with the larger community. Both Indigenous peoples face cultural challenges that hinder self-employment and business success.

However, the contrast between the two peoples’ entrepreneurial activities could not be greater. The number of successfully run Aboriginal small businesses in Australia remains very low. Some of the impediments to success include an economic tradition not steeped in capitalism and a lack of capital. Indigenous Australians often exist isolated and alienated within an economy that is so different to their communal environments. To be successful in business they must survive in the consumer driven capitalistic environment of mainstream business society. Business success may even result in them becoming isolated from their own families and support networks. Social enterprises would be a

33 One in seven people (598,605 or 14.9 percent) living in New Zealand in 2013 belonged to the Māori ethnic group – a 5.9 percent increase from 2006. The Māori ethnic group has increased by almost 40 percent in the past 22 years. Retrieved from 2013 Census QuickStats about Māori at http://www.stats.govt.nz/Census/2013-census/profile-and-summary-reports/quickstats-about-maori-english.aspx
natural fit in such environment as they can mitigate the harshness of capitalism for Indigenous Australians. In contrast, the Māori of New Zealand have excelled at establishing an entrepreneurial culture. The total early-stage entrepreneurial activity of Māori New Zealanders was surpassed only by two countries - Thailand and Venezuela (Frederick, Foley, 2006). Māori entrepreneurs are largely opportunity entrepreneurs, but wealth creation is not as important a motivation as is independence. A source of strength within Māoridom relates to Māori culture and society itself, especially its extraordinary renaissance over the last thirty years. These strengths are complemented by government policies and programs that support Māori education and development and foster alliances between Māori, government, educators and business (Frederick, Foley, 2006).

Many Māori businesses can be considered social enterprises even though this term is rarely used to describe them. Business and Economic Research Ltd estimates the Māori economy at $36.9 billion in 2010 (Kaplan, 2013). The Māori economy is likely growing faster than the New Zealand economy as a whole, which could create enormous opportunity for new, culturally sensitive social businesses (Kaplan, 2013).

*Aboriginal people in Canada* face systemic disadvantages to their social, cultural and economic well-being. Historically, Canada’s Aboriginal peoples have been prevented from participating in the market economy by a series of restrictive laws and ineffective government policies. As a result, many Aboriginal communities have lost their ability to control their destinies and have been excluded from the benefits of the economic growth and vitality enjoyed by the country as a whole. Indigenous people are more likely to have a lower median after-tax income, experience unemployment, collect social assistance, live in substandard housing, experience abuse, be victims of crime and be incarcerated than non-Aboriginals. The Centre for Policy Alternatives estimates that it would take $1 billion to bring all Aboriginal children up to the poverty line (Harji, et al., 2014). By 2020, Canada is forecast to be short one million skilled workers representing a

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35 1.4 million people had an Aboriginal identity in 2011, representing 4.3% of the total Canadian population. The Aboriginal population increased by 20.1% between 2006 and 2011, compared with 5.2% for the non-Aboriginal population. The largest numbers of Aboriginal people lived in Ontario and the western provinces (Manitoba, Saskatchewan, Alberta, and British Columbia). 46% of Aboriginal youth are under 25, compared to 31% of the rest of the population. Retrieved from: http://www12.statcan.gc.ca/nhs-enm/2011/as-sa/99-011-x/99-011-x2011001-eng.cfm
direct threat to the continued health and vitality of the economy. Aboriginal Canadians are the youngest and fastest growing segment of population and by 2020 it is estimated that one in four new entrants to the labor market will be of Aboriginal ancestry. Thus, there is significant economic and competitive value that lays untapped within Aboriginal communities.  

Furthermore, there are signs that the fundamentals of Aboriginal economies are improving and the Aboriginal business sector is growing. As of 2011, there were more than 37,000 businesses owned by First Nations, Metis and Inuit persons in Canada. This is an increase of 37.6% from 2006, five times the rate of the general population (Harji, et al., 2014). Aboriginal businesses span the sectors of the Canadian economy, including construction (18%), primary resources (13%), and knowledge- and service-based sectors (28%). According to the Canadian Council for Aboriginal Business, 61% of Aboriginal businesses are profitable, with 35% of businesses increasing revenues in 2009-2010. Aboriginal businesses are important employers for the Aboriginal population, who comprise 62% of the workforce for these firms.

Despite all the positive developments, access to capital is a major barrier to the success of Aboriginal business and Aboriginal social enterprises in particular, with many Aboriginal entrepreneurs relying on personal savings rather than other forms of lending. Fifty-two percent of Aboriginal businesses identified Aboriginal lending agencies as a main source of financing for ongoing operations. The capital gap faced by the Aboriginal economy is estimated at $43.3 billion (Harji, et al., 2014).

In 2012, Aboriginal Financial Institutions generated $280 million in primary economic impact, generated 1,266 new jobs and maintained 2,869 full-time equivalent jobs (Harji, et al., 2014). In spite of this strong potential, Aboriginal Financial Institutions face a unique challenge. Many of them have disbursed their entire asset base, and must now develop partnerships to access new capital. For example, the Saskatchewan Indian Equity Fund has partnered with TD Bank Group, and Quebec’s Société de Crédit Commercial Autochtone has partnered with a First Nations pension fund, the Corporation de Développement Économique Montagnaise and the Fonds de Solidarité du Quebec.

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Yet, in the face of this challenge lies an opportunity. Aboriginal Financial Institutions (AFIs) know the communities they serve and because of these strong relationships, there is a growing role for AFIs as intermediaries for other impact investors.

As the Aboriginal business sector grows, more impact investors are looking for opportunities to partner with these enterprises to address the systemic disadvantages faced by Aboriginal communities while also generating financial returns. This sector is led by Aboriginal-focused funds, which are proving the sector’s immense potential and accounted for $359.75 million in impact investment assets in Canada in 2011, up from $285.7 million in 2010 (Harji, et al., 2014). One such fund is the Capital for Aboriginal Prosperity and Entrepreneurship (CAPE) Fund, a $50-million private equity fund that provided institutional and private investors the opportunity to receive a market-rate return on a five- to seven-year term. The fund focuses on mid-market opportunities with a strong degree of Aboriginal involvement and connection to Aboriginal communities throughout Canada. The fund currently has 7 portfolio companies that are active in sectors ranging from sustainable agriculture to ethical manufacturing.37

**Indigena Solutions** exemplifies how First Nations-driven businesses can attract investors to create impact. Based in Vancouver, B.C., Indigena Solutions is a partnership between the Tsawwassen First Nation, Accenture and CAPE Fund L.P. Indigena opened its first delivery centre in July 2012, delivering IT and business support services at competitive prices. Indigena’s service offerings include application software maintenance; QA testing; contact centre; IT service desk/help desk; and back-office business process support. Indigena’s services and workforce model align with its belief in community transformation through jobs that allow people to live and work on or close to First Nations communities, while leveraging technology to enable First Nations socioeconomic development.

The Canadian Council on Aboriginal Business identifies strong opportunities for investing in Aboriginal SMEs in the coming years given their steady growth, specifically in the “higher-risk zone between commercial and incubation social finance.” There is also a significant role for government to serve as a catalyst, “especially in high-priority high-impact areas such as education, housing and economic self-sufficiency” (Harji, et al.,

Canadian social innovation initiatives focusing on Indigenous education started getting more attention in 2011 with the *Ashoka Changemakers Competition “Inspiring Approaches”* to First Nations, Métis and Inuit learning. The competition invited innovative approaches to First Nations early childhood development, adult education, employment and at risk youth. Changemakers connected high-potential individuals and organizations involved in innovative, system-changing social enterprise activities. This initiative included a search for untapped ideas in the field of Aboriginal learning, provided awards to innovators, and culminated in a 2012 Summit. As a result, 20 organizations and foundations collaborated; 266 entries were submitted from every province and territory in Canada; 33 award winners were selected; nearly $100,000 was awarded (The Circle on Philanthropy and Aboriginal Peoples in Canada, 2014).

The J.W. McConnell Family Foundation was one of the sponsors of the Changemakers competition as over the past 5 years a principal focus of the Foundation’s Indigenous-focused granting stream has been supporting Indigenous youth – the fastest growing segment of Canada’s population. The Foundation’s efforts have focused on raising awareness with deliberate and considerate action and innovation in partnership with Indigenous communities and others. Recently, the Foundation has also further developed its granting to include a truth and reconciliation initiative.

To name a few of the J.W. McConnell Family Foundation’s grants\(^{38}\) that support innovative solutions to Indigenous education:

A 2012 Foundation grant to **Wapikoni Mobile** supported the scaling up of its mobile music and video production program with Indigenous communities outside of Quebec. The Wapikoni Mobile is a traveling studio for video and musical creation dedicated to First Nations youth. Since 2004 more than 3,500 Wapikoni Mobile participants have collaborated in the creation of over 700 short films translated in several languages and have received 85 awards and mentions in prestigious film festivals held nationally and internationally.

In 2011 and 2012, the Foundation provided support to **Dechinta**: Bush University Centre for

Research and Learning, a northern-led initiative delivering land-based, university credited educational experiences co-led by northern leaders, elders, and professors from partner universities in the south.

Another event that brought into spotlight social innovation issues in Indigenous community context was the Social Enterprise World Forum held in Calgary in 2013. Indigenous social enterprise discussion included such topics as mobilizing efforts in indigenous social finance and enterprise, building indigenous social enterprise and investing in Indigenous social enterprise.

Overall, the trends in Indigenous social enterprise domain indicate that while there is a strong interest in Aboriginal businesses in the impact investing market, a pipeline of the investment-ready enterprises is required. This is also true for mainstream social enterprises but to a lesser extent. Another similarity between mainstream and Indigenous social enterprises is the access to capital being a major barrier to success.

At the provincial level British Columbia is a leader in implementing innovative solutions to address complex social and economic barriers for First Nations reserves and for off-reserve Aboriginal communities. One of the key points of the 2012 Action Plan Recommendations to Maximize Social Innovation in British Columbia is to build social innovation capacity in First Nations communities (B.C. Social Innovation Council, 2012). The Plan also discusses the B.C. Association of Aboriginal Friendship Centers’ SIBs application idea with the goal to reduce apprehensions of Aboriginal children within the child welfare system and to revitalize Aboriginal extended families. Initial work in the development of a SIB was completed in 2012, but as of February 2015 the SIB has not been launched.

2012 Action Plan mentions early stage labs being developed and addressing among others Aboriginal issues such as the Off-Reserve Aboriginal Action Plan (ORAAP), which brings the Aboriginal community, business, government, and academia together to improve outcomes for off-reserve Aboriginal British Columbians.

In 2012, B.C. and B.C. Association of Aboriginal Friendship Centres (BCAAFC) also signed a protocol agreement that supports government’s 2011 Throne Speech.

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39 Retrieved from http://www.socialenterpriseworldforum.org/?s=indigenous&x=0&y=0
commitment to establish ORAAP. In 2013-2014, ORAAP achieved significant progress in demonstrating its value and innovation in moving the Off-Reserve Aboriginal agenda from talk to action. B.C. Minister of Aboriginal Relations and Reconciliation John Rustad and BCAAFC President Annette Morgan signed a protocol “Improving Employment Outcomes for Off-Reserve Aboriginal Peoples” in October 2014.40

The protocol supports the Off-Reserve Aboriginal Action Plan to better the lives of Aboriginal people and places a strong focus on education, training and jobs41 with three main goals:

- increasing education and training opportunities;
- increasing employment recruitment and retention; and
- engaging the growing youth population.

The new agreement links the BCAAFC’s 5 X 5 Jobs Strategy with B.C.’s Skills for Jobs Blueprint. The BCAAFC 5 X 5 Jobs Strategy has a goal of employing 5,000 Aboriginal people over the next five years. To achieve the 5 X 5 jobs target, the BCAAFC will leverage its existing $40 million in provincial and federal friendship centre program funding, along with members’ collective knowledge and experience, to build relationships and resources.

B.C.’s Skills for Jobs Blueprint is a detailed action plan providing a comprehensive path from school to workplace, with an emphasis on shifting training dollars and programs to jobs in demand. Such emphasis on demand-led solutions to job skills training in tackling unemployment issues is changing the labour market functioning through its innovative approach. Released in April 2014, the Skills for Jobs Blueprint set a target of employing 15,000 new Aboriginal workers over the next 10 years. By 2022, one million job openings are expected in B.C., along with higher demand for skills - more than 78% of jobs will require some form of post-secondary education, and 43% will be in trades and technical occupations.

John Rustad, Minister of Aboriginal Relations and Reconciliation -

“Through the B.C. Skills for Jobs Blueprint, we are committed to working with First Nations to increase skills training opportunities and participation in the jobs market. The BCAAFC is one of the most robust partners we have for reaching out to the urban Aboriginal population. The revised protocol lays the foundation for increased employment rates, and better education and job training that will ultimately increase positive outcomes for Aboriginal people.”

The government of B.C. also proclaimed in 2014 April 22 as Aboriginal Social Enterprise Day recognizing the growth of social enterprise and the entrepreneurial legacy of Aboriginal people in B.C. 42

Over the last 3 years BCAAFC was one of the key institutions contributing to the Indigenous social innovation development in B.C. In 2012 the BCAAFC established a working partnership with Enterprising Non Profits, to provide regional training workshops and one on one training with member Friendship Centre's. This partnership will enable both the BCAAFC and member Centre's to generate more revenue and become less dependent on government funding while providing social good to their respective communities (BCAAFC 2012/2013 Annual Report).

BCAAFC held the 1st Aboriginal Social Innovation Conference in 2012 that brought together innovators from Aboriginal communities across B.C. as well as social and economic innovators from a broad range of sectors to build social entrepreneurship and social innovation capacity within B.C. First Nations and urban Aboriginal communities. As a next step BCAAFC solicited applications for the Aboriginal Social Innovation Competition in 2013 from Aboriginal communities and organizations that have developed socially innovative projects or activities in such categories as Culture, Social/Economic, or Education & Learning. The purpose of the competition was to mobilize Aboriginal communities to utilize innovation to generate ideas and concepts that would have a positive social impact in Aboriginal communities. The top 3 submissions 43

43 3 winners of the Aboriginal Social Innovation Competition in 2013 were: Aboriginal Instant Kitchen, Penticton Peach Festival Aboriginal Cultural Village and Arts for Wealth
were awarded $15,000 by the Ministry of Aboriginal Relations and Reconciliation and the Department of Aboriginal Affairs and Northern Development Canada (BCAAFC 2012/2013 Annual Report).

The inaugural BC Ideas competition had a new award category established in 2012 called Aboriginal Communities Investment. The category was supported by community partner Urban Systems awarding a $10,000 investment to the entry that provided the most compelling innovation addressing the unique and complex social issues faced by aboriginal communities in B.C.

**TASK (Trade Awareness, Skills and Knowledge)**, the winner in Aboriginal Communities Investment category, is a program for vulnerable aboriginal learners. TASK works with people who leave school with virtually no core subjects, like English, math and science, completed beyond the Grade 9 level, and are unemployed. Taking a multi-faceted approach, TASK provides technical and trades training that is eligible for credits at a high-school and college level, as well as personal self-development coaching to support students toward graduation and employment opportunities. TASK provides students with forklift-operator, first-aid and traffic-control certificates, as well as training in carpentry, plumbing, and electrical.

Other examples of successful Indigenous social enterprises in B.C. include AQ’SAAK Aboriginal Foods Ltd, The Skwachàys Lodge, and The Urban Aboriginal Fair Trade Gallery. There could be a potential to magnify across Canada the impact of social enterprises that contribute to Indigenous community development by replicating B.C. experience

**Considerations for Urban Indigenous Communities in Canada**

Through their established organizations (e.g. National Association of Friendship Centers) urban Indigenous communities in Canada have a chance to impact government policies that relate to the strengthening of social financing and social enterprise sectors and that are currently under development. Informing the government of Aboriginal community support for impact investing in Aboriginal businesses and social enterprises overall will increase employment and training opportunities for Indigenous peoples that these organizations provide. A first step could be to support the Canadian National
Advisory Board recommendations for the domestic policy agenda that were published in September 2014 in the report Mobilizing Private Capital for Public Good: Priorities for Canada (MaRS Centre for Impact Investing, 2014):

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

2. Unlock foundation capital for impact investing.
Allow charities to make below market rate investments, where appropriate to advance their charitable objectives.

3. Establish an impact investing matching program, paired with appropriate incentives.
Such program could be geared towards direct investment opportunities, with the government co-investing directly in organizations alongside private sector investors. This could take the form of a fund, capitalized by the government, which would co-invest with private investors, either directly in eligible social enterprises or projects, or in impact investment funds that require additional capital to close a funding round. Similar activities could be undertaken using a pool of grant money and request for proposals approach. Alternatively, the program could support development of a fund of funds, which would serve to aggregate investment opportunities in existing Canadian impact investment funds. Such fund of funds would provide the scale necessary to attract large institutional investors (such as pension funds) to the market, and which could be established through co-investments in partnership with these investors. Incentives are recommended to attract new capital, for example, in the form of tax credits.

4. Establish an outcomes payment fund.
An outcomes payment fund could be used to catalyze the use of outcomes-based approaches (e.g. SIBs) to service delivery. This model would provide organizations with access to capital markets through government commitments to pay for outcomes. The bigger the fund, the stronger the market signal, and the greater the potential impact. U.K. equivalents have ranged from £20-40 million. The government could specify maximum prices that it is willing to pay per outcome, as has been done in the United Kingdom, enabling the market to respond with innovative solutions.
Another consideration for urban Aboriginal communities is opening a dialogue on promising procurement initiatives at the federal, provincial and municipal levels that would stimulate Indigenous businesses and social enterprises in particular. Although procurement initiatives are not considered to be impact investments, they are significant in driving demand for socially and environmentally beneficial products and services (Harji, et al., 2014). Manitoba Aboriginal Procurement Initiative could be used in developing a consistent strategy to such programs: since 2009 the initiative directs all provincial government departments to increase the participation of Aboriginal businesses in providing goods and services to the Manitoba government through Aboriginal business sourcing, Aboriginal business content, and set-aside and scoping programs.

In order to replicate the successful B.C. social innovation approach to off-reserve Indigenous communities development, knowledge-sharing and capacity building are important. To spur activity across Canada it is essential to share BCAAFC experience in developing a 5x5 Job Strategy as well as getting the provincial government onboard as a partner. Advantages of the BCAAFC partnership with Enterprising Non Profits on regional training workshops should be highlighted to Friendship Centers in other provinces and territories. Such partnership could eliminate the following barriers to business success as starting Indigenous social enterprises with poor organizational governance and lack of business planning and financial literacy. B.C. experience in organizing Social Enterprise Contests that engage Indigenous community also needs to be articulated. Less-developed provinces can use the experience of leading provinces such as B.C., Quebec and Ontario to support Indigenous social enterprises.

Urban Aboriginal communities need to encourage building Indigenous social enterprises by showcasing successful business models, particularly those that counter the perceived trade-off between financial returns and social impact. Culturally relevant workshops as well as experimenting with organizational structures that would work best for Aboriginal businesses (Australian Gumatj Corporation experience could be relevant) are hard to underestimate. Urban Indigenous organizations, such as the National Association of Friendship Centers’ programs could play a role in supporting Indigenous social enterprise. Existing programs (e.g. BCAAFC) should share best practices in
partnering with existing resources in the community and offering effective services to social enterprises. Such practices include close collaboration between BCAAFC and B.C. government on raising employment rate for the off-reserve Aboriginal workers by implementing demand-led solutions in labour market programming, initiation and support of the Indigenous social enterprise competitions, and partnerships establishment with the leaders in the social innovation field (e.g. ENP partnership on the workshops). Active promotion will be key to successful uptake. Regional providers of social enterprise advisory and finance support should create mechanisms to **improve service coordination and coverage** through the establishment of regional hub organizations promoting leadership, collaboration and the sharing of best practices.

**Expanding access to capital** for Indigenous social enterprises is a field where efforts of urban Indigenous communities need to be applied. Support for the Aboriginal lending agencies is crucial to the sector’s development, thus partnerships with commercial banks, credit unions and pension funds need to be considered. Credit unions in particular could represent an untapped source of financing. Following the Australian example, the need for creation of a **national Indigenous Social Enterprise Fund** could be discussed with the policy-makers to increase access to funding for the sector. Such Fund would provide both debt and equity financing to emerging and expanding social enterprises.

Another source of funding could become available from **expanding relationships with Canadian foundations**. According to *the Circle on Philanthropy and Aboriginal Peoples in Canada*, foundations are either not known or poorly understood among Aboriginal communities and organizations. Books and websites that outline what foundations are available are not always accessible to First Peoples. It is crucial for urban Aboriginal communities to simplify participation for Indigenous people and to ensure the access to the information about what is available and where to find it. Establishing trust between foundations and the community leaders is important, as foundations often fund people just as much as projects. Increasingly, **Indigenous People are establishing their own foundations** (*The Circle on Philanthropy and Aboriginal Peoples in Canada, 2014*). One example is the National Aboriginal Achievement Foundation (NAAF, renamed Indspire in March 2015), “a charitable organization dedicated to raising funds to deliver
programs that provide the tools necessary for Aboriginal peoples, especially youth, to achieve their potential.\textsuperscript{44}

With a few provinces (B.C., Ontario and Manitoba) leading the way in initiating \textit{demand-led training and employment systems}, urban Indigenous communities should pay \textit{close attention to early results and data on the effectiveness of such programs} and consider participating in such initiatives as a partner. A \textit{growing supply of employment and work integration social enterprises} is required to create a significant numbers of jobs for urban Aboriginal communities. This, in turn, requires a government investment in intermediary organizations that maintain a ‘social enterprise pipeline’. A good example of an intermediary organization would be Social Ventures Australia (SVA). SVA adopt the investment plus support approach when working with social enterprises. This investment plus support approach is centered in ensuring there is a pipeline of investment-ready social enterprises being developed. The approach includes the following criteria: make investments contingent on the achievement of milestones, invest time to ensure mentors are matched appropriately to entrepreneurs, particularly in terms of personality and relevant experience, ensure access to appropriate pro bono support, assist social enterprises to be clear about the social impact they are aiming for, invest additional resources to support organisations to explore social procurement opportunities, and to develop the social procurement market, incorporate access to support services as part of the funding agreement when targeting youth or other challenging population groups.

Significant investment in the social enterprise pipeline would enable providing social entrepreneurs with the business training they need and reducing the employment exclusion, in a way that is productive for the economy. Indigenous community in Canada could consider negotiations with the governments on implementing employment social enterprises approach into labour market policies.

\textsuperscript{44}NAAF is an Aboriginal-run organization that raised the funds to give over $42 million in scholarships to more than 11,500 First Nations, Inuit and Métis students nationwide. Retrieved from: \url{http://www.learning-communities.ca/learning-opportunities/offering/52}
Research Gaps

This paper calls for more research into the nature of urban Indigenous entrepreneurship and qualitative and quantitative research on social enterprises either owned by Aboriginal people or engaged in providing job training or employment to Indigenous workforce. There is a lack of evaluation data or documentation to determine the number of Indigenous social businesses and their products and services, including data about entrepreneurs and social enterprises.

Rigorous evaluations of government or other programs aimed at improving Indigenous economic development by applying social innovation approaches are lacking. To assess the efficiency of social innovation approaches in labour market programming a long-term tracking and monitoring system needs to be in place that will provide a deeper analysis of labour market integration, employment retention and social impact. Research and development of an outcomes tracking and measurement toolkit is required to collect and compare data across the sector as a whole and it should be easy for social enterprises to use.

Interest in SIBs with regard to Aboriginal out-of-home care has been expressed in B.C., and while there is also research that highlights the strengths of SIB model for tackling the high rates of Aboriginal unemployment (Jagelewski, 2011), it is evident that the SIB model is not designed to apply to all social issues. The SIB model has the potential to be a complementary form of finance, as opposed to a substitute, in areas where prevention (e.g. prison recidivism, homelessness prevention) could lead to cost savings and increased social benefits. More research is needed to assess whether SIB model could be applied to the complex issues of the Indigenous communities.

Early stage labs that are addressing Aboriginal issues are another social innovation area where more research is required. While there are such labs operating in B.C., the outcomes of their work and efficiency assessment are not clear. The literature review revealed a less optimistic view on the social labs approach to aboriginal issues (Hassan, 2014). More research is required on what the experience has been to date. Field work with the lab participants and communities would be essential for a comprehensive analysis of the issue.
Conclusion

Despite the limitations of the existing literature, important insights can be gleaned from the information that is available. The world is on the brink of a revolution in how the society’s toughest problems can be solved. The forces capable of driving this revolution are impact investing and social entrepreneurship to power social improvement. Lasting solutions require a renewed commitment to innovation and Canada already started down this road and significantly strengthened the emerging impact investing marketplace. Novel demand-led training and employment systems have been implemented, the first SIB was issued, and provincial- and national-scale competitions have been held for the best ideas in social innovation field.

Some trends emerge for the Aboriginal communities, as they are becoming increasingly involved in the social enterprise sector: on the one hand the high interest in Indigenous business from impact investors in the recent years has been boosting the sector growth and on the other hand such growth is often constrained by limited access to capital and outdated policies that impede the sector development. Despite this, the success stories of Indigenous social enterprises in Canada, New Zealand, Australia, and the United States presented in this paper illustrate how social innovation is stimulating the sense of self-determination in Aboriginal communities through Indigenous entrepreneurship. Social enterprise can be a great asset to Indigenous communities and contribute greatly to the overall communities’ well-being.

A number of considerations were offered in this environmental scan for Canadian urban Aboriginal communities in order to facilitate integration of the latter into the social innovation arena. The practices that helped Indigenous social enterprises develop and thrive should be communicated to the governments in order to boost further economic activity. Such practices include government programs that assist Indigenous people to access finance that has otherwise not been available through commercial avenues, services that provide financial and business advice and ongoing support, embeddedness of the Indigenous businesses into the supply chains of large companies and government agencies.

It is worth noting is that this report is not meant to be an exhaustive account of
social innovation in Canada and internationally. Rather, it is my hope that this report will raise awareness of social innovation approaches in the Aboriginal communities’ context and will stimulate further discussion. Partnerships among Aboriginal Leaders, Aboriginal businesses, and Aboriginal organizations, together with government, community organizations, social entrepreneurs, business, and academia are essential to develop a targeted strategy to build social entrepreneurship and social innovation capacity in Canadian First Nations and Aboriginal communities.

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