



# UPEND

How Nonprofits, Governments and Charities Can Work Together *Differently* To Get What We All Want

# UPEND

Shaun Loney

with contributions from Barb Rallison

Despite all our efforts, social problems are getting worse. It's time to **UPEND** the century-old ways that governments, nonprofits and charities relate to each other.

**UPEND** is the practitioner's essential guide to unlocking resources for social good. Finally, a practical path to making meaningful progress on addressing homelessness, poverty, crime and climate change.

//

Governments are already buying outcomes, but they often not the ones communities need or want. The nonprofit sector can offer governments a much better bargain. We just need to use the right tools.

**Sheldon Pollett**  
Executive Director, Raising the Roof

//

As we create a social value marketplace, social procurement and outcomes procurement are unleashing the transformative power of the market - to buy and sell with impact.

**Elizabeth Chick-Blount**  
Chief Executive Officer, Buy Social Canada



**Shaun Loney** is an Ashoka Fellow, EY Entrepreneur of the Year and author of popular books on social innovation including *An Army of Problem Solvers* and *The Beautiful Bailout*. He has co-founded and mentored more than a dozen successful social enterprises across the country.

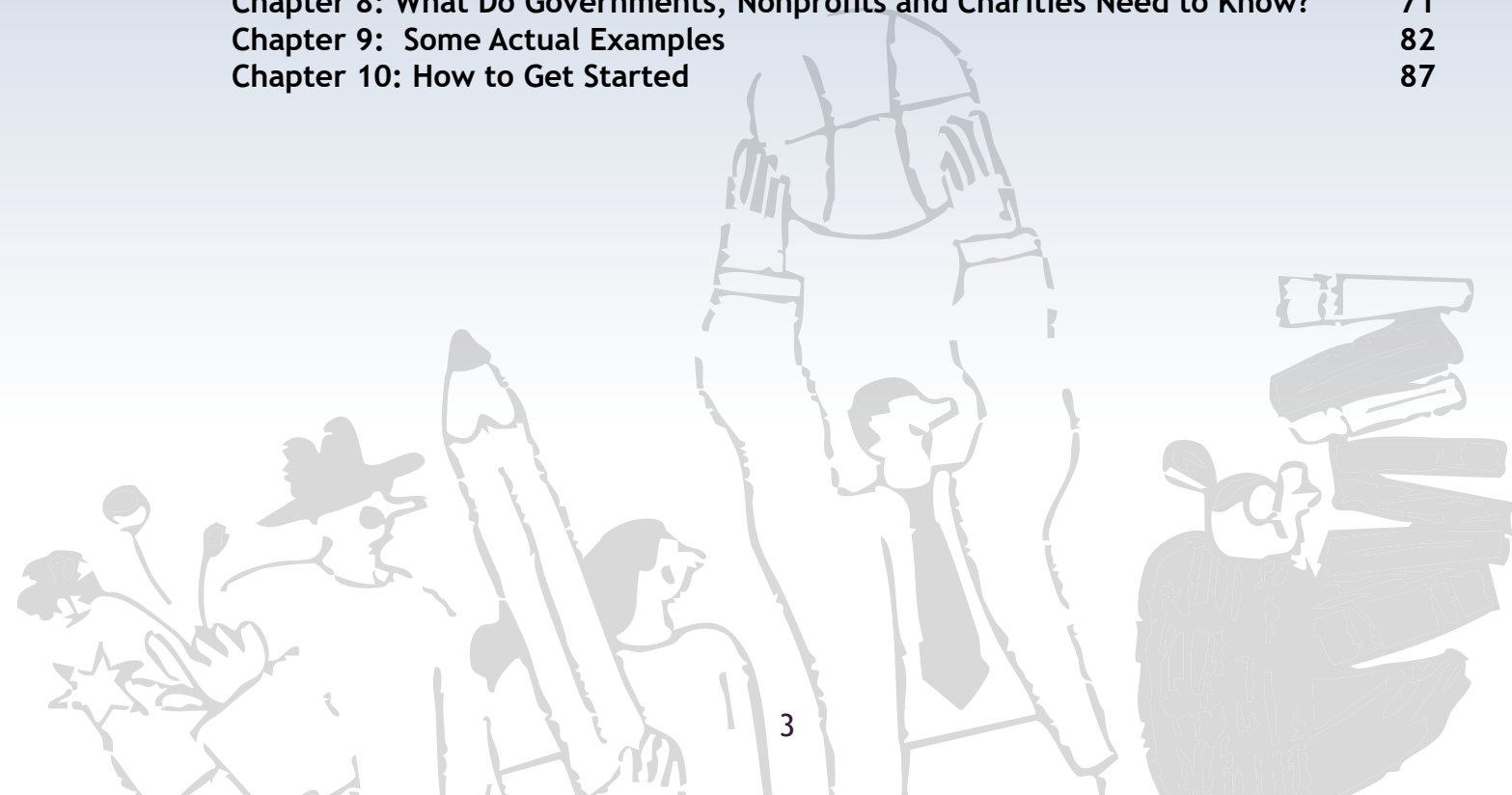


**Barb Rallison** is the Associate Director of the Institute for Community Prosperity at Mount Royal University and has spearheaded Alberta's first outcomes procurement contract. She is also a co-founder of Local Investing YYC and a national board member of CCEDNet.

# Table of Contents



<b>Introduction</b>	<b>4</b>
<b>Section I - The Fundamentals</b>	<b>8</b>
<b>Chapter 1: Ten Shocking Things About Changemaking</b>	<b>11</b>
<b>Chapter 2: Social Innovation in the Nonprofit, Government and Foundation World</b>	<b>18</b>
<b>Chapter 3: What to Know About Funding and Procurement</b>	<b>28</b>
<b>Chapter 4: What to Know About Social Enterprise</b>	<b>36</b>
<b>Section II - The Big Three</b>	<b>40</b>
<b>Chapter 5: What is Social Procurement?</b>	<b>42</b>
<b>Chapter 6: What is Outcomes Procurement?</b>	<b>49</b>
<b>Chapter 7: What Are Community Bonds?</b>	<b>64</b>
<b>Section III - Practical Application</b>	<b>70</b>
<b>Chapter 8: What Do Governments, Nonprofits and Charities Need to Know?</b>	<b>71</b>
<b>Chapter 9: Some Actual Examples</b>	<b>82</b>
<b>Chapter 10: How to Get Started</b>	<b>87</b>



# Introduction

## Introduction

I took a business leader to a series of meetings I was having about downtown Winnipeg. He said the same thing to the police, to nonprofits and to foundations: “Despite all your efforts, crime and poverty are getting worse. *The only thing that will work is different.*”

That statement really resonated with me. Sometimes when we’re stuck, it’s good to step back and look to find innovative ways forward. If we look at problems as being an opening to do something different, we can see that they are really opportunities in disguise.

**UPEND** is a practical, innovative guide that will inspire civil servants, executive directors of nonprofits and foundation staff to partner with each other differently so that together, we can supersize the strategies that everyone knows works. This guide that you’re holding in your hands will describe in practical terms how to modernize the relationship between these stakeholders.

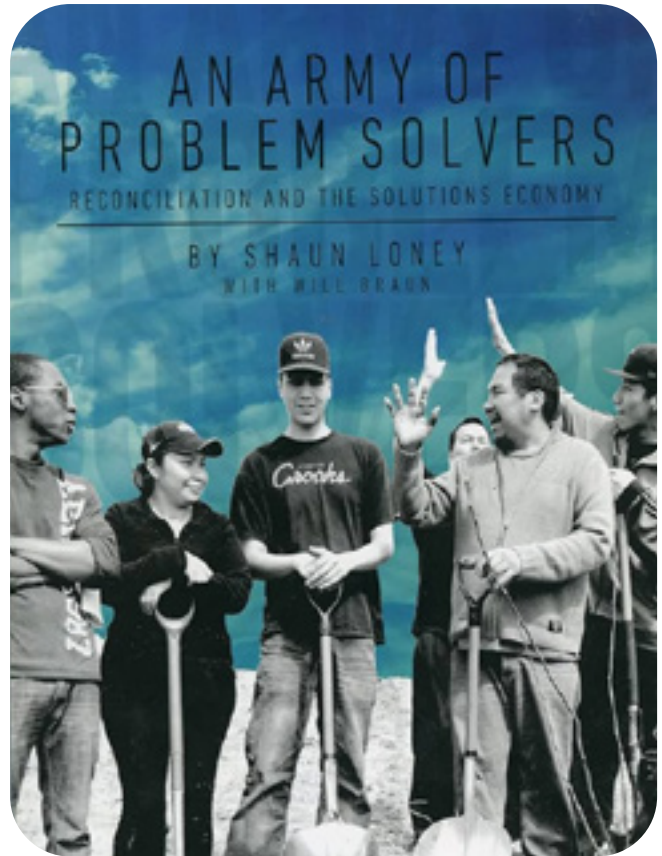
We (Barb and Shaun) come to this conversation with our own unique perspectives and experiences. I bring observations and learnings from my time as a senior civil servant in the government of Manitoba and two decades of experience in the social enterprise sector. Uniquely, my role as a senior civil servant was as Director of Energy Efficiency.

I learned in that position something that has huge implications for the solutions sector which will come alive in these pages - governments need tools to reduce demand on their services. Looking back, I can see the parallels in the thousands of electrical utilities around the world that have made a very simple financial calculation - it is cheaper for them to pay to reduce electricity demand (LED lightbulbs, EnergyStar appliances, insulating etc.) than to build new generation stations.

Imagine if government allocated its money this way - to lessen the demand on jails, on police, on social assistance rolls, on visits to the emergency ward and so on rather than just adding more capacity to respond to social crisis. That’s what **UPEND** is all about. New, practical tools to help all stakeholders get better outcomes.

You may be familiar with my books, *The Beautiful Bailout* and *An Army of Problem Solvers: Reconciliation and the Solutions Economy* which together have sold nearly 10,000 copies. It has taken me on a journey literally to all corners of Canada talking to inspiring people making change. I've since applied these learnings across a breadth of social enterprises across Canada.

Barb is a facilitator, educator and practitioner of social impact. Through her experience owning a natural health store for over a decade she learned first hand how entrepreneurship can create community benefit, minimize environmental impact and generate financial returns. After successfully selling her retail store and holistic clinic, Barb found her niche in community-based economic development. She co-founded Local Investing YYC, an impact investment cooperative (more on that later), supported the development of social entrepre-



-ship in Alberta and developed social innovation based educational offerings for undergraduate students and community practitioners. Barb also serves on the board of CCEDnet (Canadian Community Economic Development Network).

UPEND is really about giving governments new options to save money recognizing that its more cost-effective to reduce the number of people on social assistance, reduce the number of police dispatches or the number of nights in jail than it is to add new capacity. It can be done, but we need to use new tools.

**If you're in the nonprofit sector**, the UPEND shift is about having the opportunity to compete fairly with existing approaches rather than to compete with other nonprofits for limited resources. The UPEND shift will bring you into the mainstream to have your interventions compared against the usual interventions that *governments* make. You will have new revenue streams to supplement funding.

**If you're a frontline worker or in a union**, you likely share a similar view that defunding, privatization and outsourcing will take us in the wrong direction. UPEND provides new approaches that will ultimately reduce the need for contact with the people you see repeatedly - lessening your workload. We want to free you up to focus on your core mandates.

**If you're a civil servant or a politician**, you'll have new, mainstream options to consider in areas where government is struggling. In addition to being a funder, you'll add in the role of customer by using tools you're already familiar with. And being a customer has its benefits - you'll no longer have to say no to offers of help which will save money and create better outcomes. And don't worry, UPEND is not about advocating for social impact bonds.

**If you're in the foundation sector**, you will find it much easier to bring your endowments, which make up the majority of your resources, to the solutions table rather than just your granting. The granting work you're doing is amazing but much of it has been with the hope that governments would see the value proposition of funding solutions in a way that real progress can be seen and felt. UPEND will make it easier to work with governments to supersize and scale exciting initiatives you have already been supporting.

## *A New Era*

Using the tools we will explain in this guide, we can get what we all want - better outcomes such as ending chronic homelessness, cutting crime, reducing our carbon footprint, lowering the amount of waiting time in emergency wards and significantly decreasing the number of people on social assistance.

Imagine public housing agencies *buying* trades-based services from social enterprises that hire their tenants rather than regular private sector contractors that don't offer the additional benefit.

Imagine police *buying* the public safety benefits resulting from a supportive housing initiative that works with people the police would otherwise see on a regular basis.

Imagine foundations choosing to invest in community bonds because they offer financial AND social rates of return. This will result in a reduction in investments that are causing problems (e.g., suburban sprawl, fast food and fossil fuels) - the very sectors many foundation grants are working to address.

## *How to use UPEND*

UPEND isn't a novel or a book. It's a resource guide. Feel free to jump around and settle in on what's helpful.

**UPEND** is divided into three sections.

### *Section I - The Fundamentals*

Chapters 1 to 4 cover the basic fundamentals which are critical to understand before you set out to "do things differently." This includes understanding the two kinds of money that government uses and why. We will also provide some context on social innovation. Lastly, we will look at the role of social enterprise to upend the existing relationship between government, nonprofits and foundations.

*Section II - The Big Three*

Chapters 5 to 7 focus on three powerful financial tools of social innovation - social procurement, outcomes procurement and community bonds. We call these The Big Three. That is not to say that these are the only significant tools to make change. We are fans of many measures such as higher minimum wages and basic income - but The Big Three radically upend the relationships between government, nonprofits and foundations creating systems level change.

*Section III - Practical Application*

Chapters 8 to 10 provide a practical application of The Big Three focusing on what civil servants, executive directors of nonprofits and staff of charitable organizations need to know when promoting and applying each of The Big Three. Tangible examples are provided as well as some helpful tips on how to get started.

**ACKNOWLEDGEMENTS**

I want to thank the Institute for Community Prosperity at Mount Royal University in Calgary for valuing my role as a practitioner. In particular, Barb Rallison is an absolute gem. She was a believer of this project from the get-go and provided significant content, design advice, editing and encouragement. Her leadership was instrumental in spearheading the first outcomes procurement contract of its kind in Alberta. There will be more on this further on. Cordelia Snowdon-Lawley, also from the Institute for Community Prosperity, was invaluable in helping organize the content, visualize concepts and provide thorough copy-edits and insights along the way.

I want to acknowledge some of my colleagues from across Canada whom you'll meet throughout UPEND including Marc Soberano from Building Up in Toronto, Sean Hogan from BUILD in Winnipeg and Elizabeth Chick from Buy Social Canada. You'll hear a lot from Lucas Stewart in UPEND. He has been on this social enterprise journey as long as I have. If you read something and say, "wow, that's clever," it likely originated with him.

Lastly, a shout out to Kierra Ryner from Encompass Coop who did the lovely design work for UPEND.

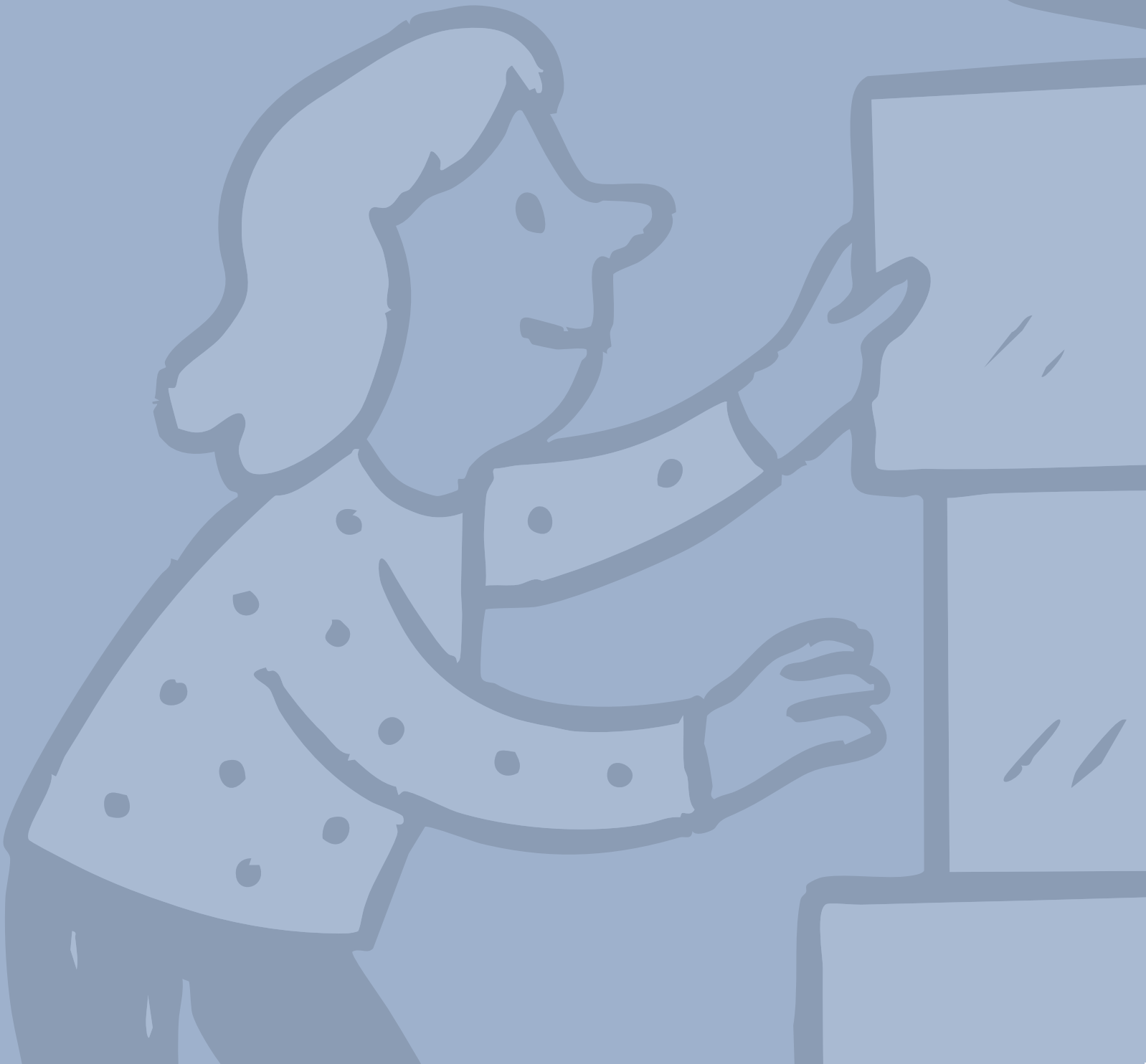
To all, a big heap of gratitude.

That's enough of a setup. Let's get changemaking!



Shaun Loney

# Section I - The Fundamentals







**A typical lineup of people looking for work at Winnipeg's Social Enterprise Centre**

# Chapter 1

## Ten Shocking Things About Changemaking



I remember it clear as day, sitting in my spacious twelfth story office overlooking downtown Winnipeg. It was 2006 and I was working as a senior civil servant in the Government of Manitoba's Energy Ministry. Natural gas prices were spiking, and the government wanted to help low-income families who would be spending more money paying heating bills.

The usual response of governments would be to either offer no help at all or to send cheques to help low income families with their utility bills. We chose a different approach - insulating homes where low income families lived. The idea in the beginning was to hire outside contractors to do the work. Little did I know that this would be the beginning of a journey that would upend my thinking about how to tackle poverty, climate change, homelessness and other stubborn problems.

I was naive enough to be surprised when the community pushed back and said what they really needed was jobs. Working with some amazing community members, we set about creating a nonprofit in Winnipeg called BUILD. BUILD would do the insulating and hire people from the neighbourhood to do the work. We lined up funding to pay for training. Manitoba Hydro paid for the insulating materials. We were pretty excited.

Because of this experience, I now realize that Canada's defining issue is our ability to connect the people who most need the work with the work that most needs to be done.

//

I now realize that Canada's defining issue is our ability to connect the people who most need the work with the work that most needs to be done.

Shaun Loney

I soon left government to work in the social enterprise sector. Within a few years, we incorporated Purpose Construction, another trades-based social enterprise that was set up to hire BUILD's graduates. In 2013, we purchased a 30,000 square foot warehouse in Winnipeg's north end turning it into the Social Enterprise Centre - an industrial hub for social enterprises.

Then in 2013, I left BUILD to work with others to incorporate Aki Energy and Aki Foods to extend the model into First Nations across Manitoba - additional examples of employment-based social enterprises (more on all of these later).

In many ways, these social enterprises have been my faculty, teaching me - a privileged white guy - and others, what they need to thrive and grow. The main thing that I've learned is that governments made, and continue to make, this work way harder than it should be. It is my hope that UPEND can be a guide to help make problem solving easier. Solutions don't require more money than what is already being allocated by government to manage the problems, but doing things differently is a must.

It's been quite a journey sharing this knowledge with dedicated changemakers across the country and learning from them along the way. It's also been rewarding to see the social enterprise models and approaches replicated on First Nations, as well as in Calgary, Edmonton, Saskatoon, Brandon, Sudbury, Barrie, Toronto and St. John's, Newfoundland. You'll hear wisdom from these social enterprises throughout these pages. We are all eager to share what we've learned.

## *What This Moment is Calling For*

Governments, nonprofits and charities have become pretty good at working together to make great *projects* happen. The task at hand now, is to scale these projects so they aren't an exception to the rule, but rather the common way of doing things.

Despite all of our efforts, when it comes to homelessness, crime, poverty and climate change, we're losing ground. It's time to upend how nonprofits, governments and foundations work together.

All too often, nonprofits mark their progress by counting the number of people served. Governments use spending as a proxy - the bigger the budgets, the more resolve to tackle a particular issue. And similarly, charities and foundations celebrate the size of their granting allocations - the more grants, the more impact.

Despite all of our efforts, when it comes to homelessness, crime, poverty and climate change, we're losing ground. It's time to upend how nonprofits, governments and foundations work together.

Jane Jacobs (1916 - 2006) the great theorist and author who changed thinking around how cities should be designed, said that “poverty has no causes.” She went on to explain that cold has no causes, it’s simply the absence of heat. Darkness, as well, has no causes, it’s simply the absence of light. Poverty, she said, is the absence of prosperity. A profound and yet fundamentally simple concept to recognize that poverty is not caused by low income people. It’s caused by the failure of the systems they are interacting with.

It’s time to upend these systems, recognizing that these systems are creating poor outcomes. They can also be reoriented to create good outcomes. How exciting is that? The path forward isn’t about needing more money. It’s about seeing things differently.

## *Let’s get started*

To get us started, I made a list of **Ten Shocking Things About Changemaking** that myself and others have learned over the years. My experience listening to social enterprises and working with other changemakers has taught me a lot. Frankly, it’s been humbling. Each of these statements represent a turning point in my thinking from things I knew to be true about changemaking that turned out not to be true at all. You might find these shocking as well, which is good. We can only make change if we let go of the assumptions that are holding us back. The list will make more and more sense the deeper you get into this guide.

# 10 SHOCKING THINGS ABOUT CHANGEMAKING

**1** The current system is ripe for disruption and the only way forward is different.

**2** Nonprofits are subsidizing the government, not the other way around.

**3** Governments think they can't afford to save money because they're using old, colonial tools.



Convincing governments to increase funding isn't going to unlock the resources needed to change trends.

**4**

**5** There are two kinds of government money - funding for nonprofits and procurement for everything else.



**6** For big change, solutions need more than cost reimbursement (funding). Financial benefits of nonprofits need to be rewarded.

**7** In the business world, money grows when upfront capital is rewarded. Funding doesn't have this same feedback loop.



**8** Governments value what they buy, not what they fund.

Procurement enables government to choose the best value for taxpayers. Currently, nonprofits are excluded from this comparison.

The disruptive path is for nonprofits and the government to modernize their relationship by using procurement and other tools that are commonly used in the business sector.

**10**



**9**

This story from Lucas Stewart, a long time colleague and dear friend of mine will illustrate all ten of the Shocking Things About Changemaking learned from our time working together over the last two decades.

Take some time to reflect on this list on how it relates to your own changemaking work. Does it challenge you in any way and if so, what does it mean? Can you see each point in the list reflected in Lucas' story? What else might you add to this list from your own experience?

# The Business of Compassion

A STORY BY LUCAS STEWART



*It was 2006. I was employed by Manitoba Family Services and Manitoba Housing in two different capacities. I was hired to do maintenance on their apartments. I was pretty good at it - doing things like patching drywall, unclogging drains and replacing cracked windows. The other job was to supervise kids who were in care. The kids were living in hotel rooms.*

*I wasn't satisfied with either job. I grew up with a lot of foster brothers and sisters in my family and so I was kinda geared to figure out how I could help the kids. Keeping them "safe" in hotel rooms didn't quite fit the bill.*

*I was excited to get a job at BUILD in its early days. BUILD was a government funded non-profit that was hiring people with criminal records to insulate low-income housing. Here I could offer my maintenance experience AND do what would really help kids in care - give support to their parents.*

*In the beginning, BUILD was getting by with 400 square feet of office space in Winnipeg's Centennial Neighbourhood, a beat-up half tonne and a carpenter who'd come out of retirement to head up a neighbourhood crew.*

*I was surprised to see the massive lineups of people who would apply for jobs with us when they came available. We didn't really advertise when we were hiring, but literally hundreds of people would line up for a chance at a job. They knew we'd hire them because they had a criminal record, no work experience, no grade 12 and no driver's license.*



Lucas (at right with back facing camera) interviewing a horde of inner city residents for 8 jobs - c 2018

*At the time, as far as we knew, the only revenue available to nonprofits was funding. We booked meetings with the government to find out what funding was available. We also had great news for them. “The guys causing crime, high policing and Justice costs can be hired at BUILD. It not only works, it works great!”*

*Essentially, we said what nonprofits usually say - “give us more funding and we’ll save you money. And lots of it!”*

*We went to the police, the court system, the people who run the jails. They all said the same things. Here’s my translation. “Sorry bud. We can’t afford to save money. We know it’s a great deal, but we just don’t have the moolah.”*

*On the way home from yet another bad meeting with the government, Shaun Loney and I were driving by a 328 unit public housing complex in Winnipeg’s north end. We noticed a well-staffed contractor with nice new trucks and lots of shiny tools installing new windows and siding.*

*I remember it like it was yesterday. It was a typical winter day in Winnipeg - cold and sunny.*

*“Pull over!” said Shaun. After we observed the scene in silence for a while, Shaun asked me “Why is Manitoba Housing hiring a contractor and not us?”*

*I sat with that question for a while. I think it took me time to respond because I was looking for a complicated answer. I sat up straight and answered intelligently.*

*“Dunno, man. I guess they’re a contractor and we’re a government funded nonprofit.”*

*After a period of silence, Shaun pondered his response. “Yeah, ok. I see. Uh. Right. Hmm. So how do we become a contractor?”*

*I sat with that whopper question while glancing over at the busy construction scene outside the car window. “We have a carpenter, a truck and the workers - I guess we just tell Manitoba Housing we’re a contractor now.”*

*I phoned Manitoba Housing that afternoon. The same guy that denied one of our funding requests loved the idea. I got off the phone and told Shaun. “We’re a contractor now.” That’s the day BUILD became a social enterprise. And it’s the day we learned about the power of social procurement. But we didn’t hear either of these terms until a year or more later. Who knew there were people like us, struggling to make a difference, coming to the same conclusion - nonprofits can do business to amplify our impact.*

*Jumping ahead to the present, Manitoba Housing does \$6 million of business a year with social enterprises in Manitoba. Building Up in Toronto provides trades-based services to Toronto Housing. Community Builders in Barrie is a preferred contractor of nonprofit housing providers.*

*We realized, if allowed to compete with other contractors, we’d beat them if the competition was fair and square. Who would have thought that the solution was competition? We just had to use the right financial tool. In this case social procurement. BUILD offers the same quality, same price, but offers something our competitors couldn’t - we hired Manitoba Housing’s tenants. Social procurement was giving government a new option that they could compare, choosing the one that delivers the best value. In this case, it’s social enterprises that deliver comparable price, quality and turnaround time BUT that also make life better for their tenants by offering them training and jobs. It’s an easy decision.*

*To offer employment to everyone in these lineups, the challenge then became how could we get enough money for training and social support to go along with the work that we were doing for Manitoba Housing? We couldn’t increase our rates because we would price ourselves out of the market.*

*Over time, we realized that we were giving our valuable outcomes away - BUILD was lowering workload for police, courts, legal aid and in the jail system. These agencies benefited financially from our work but while we had their good wishes in mind, we had never received a nickel from them. We needed to send these agencies invoices for the value of our work. Then we’d truly have a system changing solution. Those overburdened government agencies would have a new option that was much better and cheaper than continually expanding their services.*

**Lucas Stewart has been working in the social enterprise sector since 2006 and is a co-founder of the Social Enterprise Centre and Purpose Construction. He’s currently the Director of Business Development at BUILD.**

# Chapter 2

## Social Innovation in the Nonprofit, Government and Foundation World



Ask any 22 year-old if they remember going to Blockbuster to rent movies. They'll laugh, or perhaps look at you quizzically. Ask a taxi driver about Uber. They won't think it's funny at all. Both of these examples are forms of technical innovation - the process that creates new products or services that disrupt existing markets.

Building on a better known field of technical innovation, social innovation can be defined as new and disruptive practices that address systemic social problems (such as poverty, food insecurity and income inequality to name a few).

There's a lot to learn about social innovation by looking at technical innovation. We will get to that shortly, but first, a quick look at how we got into this mess, what we want to disrupt, and why.

The good news is that just as systems are created that result in poor outcomes, systems can also be created that result in good outcomes. The process of creating these new solutions-oriented systems can be called social innovation.

### The Need for Social Innovation

Systems we live in daily like the education system, finance system or health system are all human constructs. They were created out of a defined need and over time became ingrained systems that govern our daily lives.

Some of these systems, and the system dynamics within them, cause and perpetuate problems. Although these systems are created based on a defined need, there are numerous examples of how these systems are creating inequalities and in many cases are not in service to the greater good. This is the need for systems-level change.

## UPEND


The good news is that just as systems are created that result in poor outcomes, systems can also be created that result in good outcomes. The process of creating these new solutions-oriented systems can be called social innovation.

At one time, helping a family that was struggling was the sole purview of broader family, faith organizations or service clubs. The load became unmanageable, so philanthropists and charities stepped in to meet the need. They too eventually became overwhelmed, and governments responded with social safety nets. This worked for a while, but we can all see now that despite all our efforts, trends are getting worse. Governments and taxpayers are frustrated and exhausted. So, the question we are wrestling with currently is, what now?

Governments need new tools so they can act in their own best interests. What we need are tools that say YES! to solutions.

You'd be hard pressed to find a better financial return than, for example, addressing homelessness. It would result in fewer police dispatches, reduced incarceration and less time spent in emergency wards. So why doesn't government just spend the money to do what we all want and need?

The answer is that they are using outdated financial tools. In our existing system, nonprofits compete with each other for scarce funding or grants. UPEND explains the tools that adds new revenues for nonprofits. Instead of nonprofits competing with each other, nonprofits can compete in areas where government is getting very bad outcomes.



The systems-change UPEND will bring to life will show that competition is good! Instead of nonprofits competing with each other, let's use tools that promote competition between the nonprofit sector and areas where government is getting very bad outcomes.

Throughout UPEND, you'll discover that problems have met their match when governments, foundations and nonprofits each realign their roles to embrace The Big Three - social procurement, outcomes procurement and community bonds. It's a disruptive path that invites in a new problem-solving paradigm that is emerging and gaining momentum. I've come to learn that we aren't going to get where we need to go unless we disrupt the existing system. And you can't disrupt a system by working within it.

# Shifting Paradigms

## Problem-making Paradigm

Poverty is about the poor.

Government can't afford to save money.

Power is with government and big business.

Financial benefits delivered by non-profits are not valued economically.

Government manages problems (big expensive bureaucracies).

Government is a funder (maintains control).

Non-profits to government:  
"Will you please give us some funding so we can do something good?"

## Problem-solving Paradigm

Poverty is about the failure of systems that people are interacting with.

Solutions save money.

Communities are empowered.

Social Enterprise outcomes are valued and purchased.

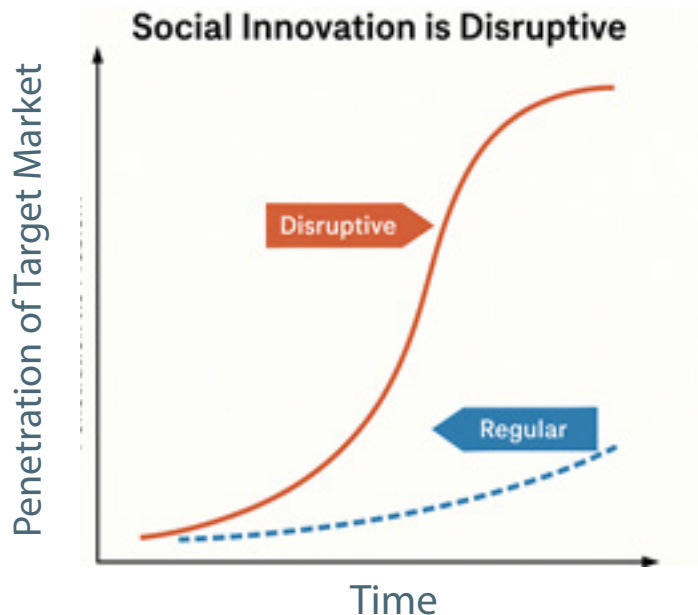
Government's new role is to make it easy for problem-solvers.

Government is a customer.

Non-profits to government:  
"Will you agree to save money?"

# Social Innovation and Technical Innovation

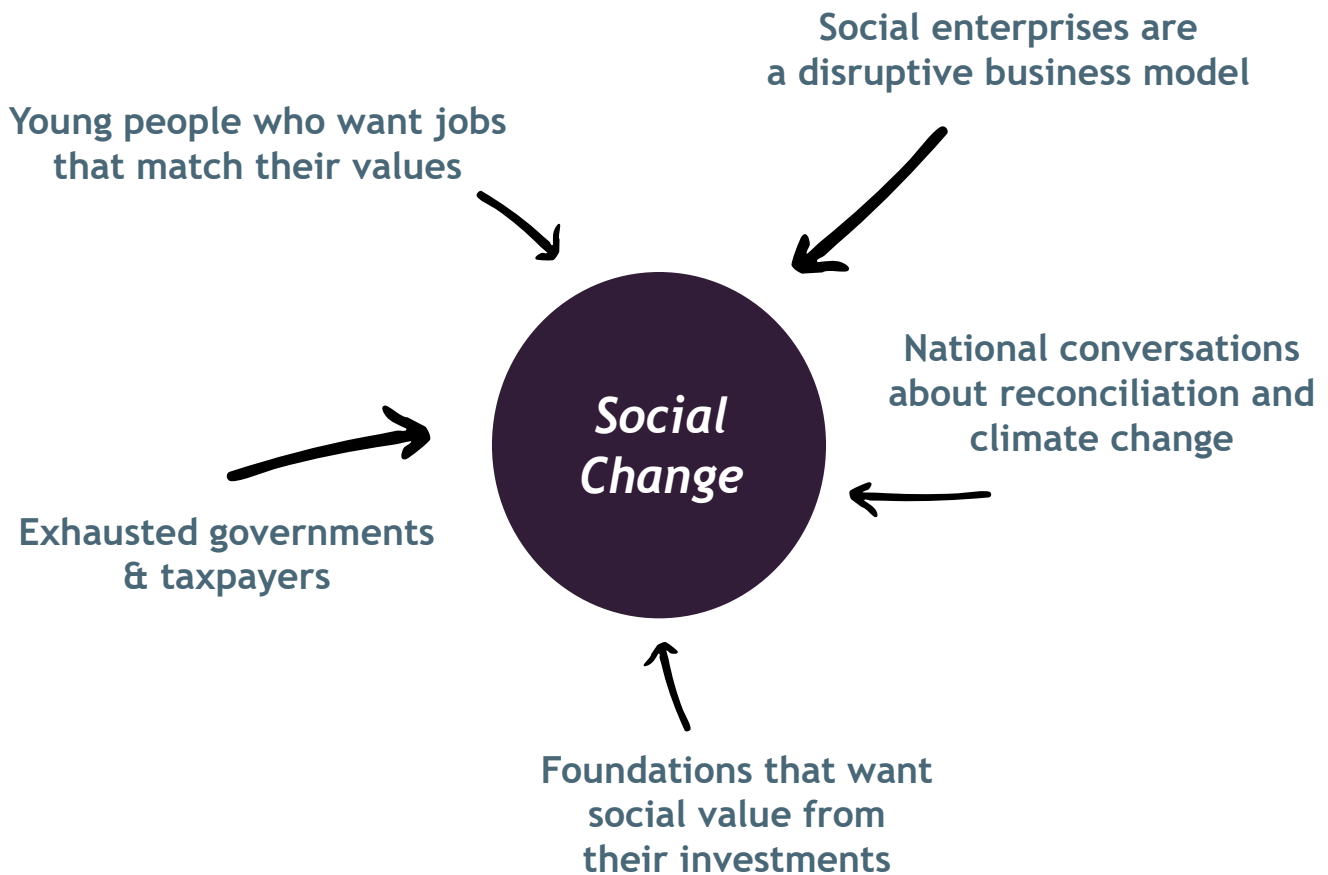
Tony Seba, Stanford University futurist and author of *Clean Disruption of Energy and Transportation*, says that disruptive technologies often involve not a single innovation, but the convergence of several complementary innovations. For example, the smart phone explosion was made possible by the convergence of touch screen capability, cloud computing, digital photography, enhanced data storage and so on—shown in the growth curve in this chart. The chart shows how market penetration grows rapidly once a tipping point is reached.



When it comes to social innovation, there are many things converging which will cause disruption and with it, bring rapid growth in the solutions sector.

- Social enterprise is a disruptive business model that outcompetes private companies that don't deliver social impact. There are nonprofits and there are businesses. There can also be nonprofit businesses.
- Foundations are realizing their greatest tool to impact change is to use their investments to leverage systemic change. According to Philanthropic Foundations Canada, Canada has about 11,000 foundations that hold \$135 billion in assets. Currently, only five percent of these resources are used towards enhancing their social mandates. The way in which foundations operate is ripe for disruption.
- Governments are frustrated and exhausted. Bloated government agencies and departments are left managing problems rather than supporting solutions. They aren't making meaningful progress. What they need is a game changer.
- Across Canada there are discussions and action towards reconciliation and climate change, two of the most pressing issues of our time.
- Young people are wanting careers that are meaningful and values-aligned. They don't want to make money in an extractive way.

# *Social Innovation Converging Factors*



Growth rates seem slow at first but underpinning them are transformative forces. In the early days of the smartphone, the public could see evidence of an emerging technology through early adoption. As the early adopters reached a critical mass, adoption on scale grew exponential. Similarly, the potential for social innovation is available by embracing The Big Three which disrupts the relationship between government and nonprofits. This is the social innovation of UPEND.

# The Missing Factor in Canada

Let's take a moment now to talk about what social innovation is not. There are a lot of resources and time allocated in the name of social innovation that aren't about social innovation at all.

Most discussion about social innovation in Canada is centred around financing. In May of 2023, the Government of Canada announced the creation of a \$755 million social finance fund to advance the market for social finance across Canada. The hope was that this fund would then attract additional investment from the private sector to unleash social innovation across Canada.<sup>1</sup>

Despite the good intentions behind the Social Finance Fund, it fails to recognize the main problem holding back social innovation. Nonprofits are continuing to give away their outcomes and are subsidizing government in doing so. This results in inadequate revenue streams within the nonprofit sector which makes it challenging for nonprofits to attract investment. This will be explored in more depth in the next chapter.

Nonprofits are continuing to give away their outcomes and are subsidizing government in doing so. This results in inadequate revenue streams within the nonprofit sector which makes it challenging for nonprofits to attract investment.

For example, BUILD can charge market rates for drywalling and insulating, but the real financial benefit to government is in reducing the number of nights their employees would have spent in jail, or the number of police arrests and so on. Neither the Winnipeg Police nor Manitoba Justice have ever paid BUILD a nickel, despite its very successful approach to lessen their workloads.

This example and many others begs the question - how do you scale a successful intervention if the main financial beneficiaries are not paying? It would be like running a grocery store with aisles 1-10 marked "free - help yourself!" In that vein - how can nonprofits attract investment if their outcomes are being given away?



And before you think that this means advocating for governments to spend more. It's actually the reverse. It means advocating for governments to spend to get the best value which in most cases saves the government money. Solutions are nearly always less expensive than managing problems but governments must embrace social innovation to make these changes a reality.

<sup>1</sup> From Employment and Social Development Canada, May 29th, 2023. <https://www.canada.ca/en/employment-social-development/news/2023/05/government-of-canada-invest>

# An UPEND Perspective on Social Innovation

Social innovation can be misconstrued when it gets confused with technical innovation. Most technical innovation is good for society but it doesn't disrupt the relationship between governments and nonprofits. Kibbi, for example, is an app that connects people needing jobs with local businesses that are hiring.<sup>2</sup> Kibbi is a great example of tech being used for social good but it isn't social innovation. This is a critical distinction of UPEND.

Another critical distinction of social innovation is that it creates systems change. Modernizing the relationship between governments and nonprofits while creating an environment where change will grow and happen quickly are key elements of social innovation that result in systems-level change. The Big Three - which we will discuss in detail in chapters 5-7 - also allow for replicability and scale.

There are many examples of projects or initiatives that are creating social good, not all of which are social innovation. Here are three examples of things that have been called social innovation but actually aren't because they aren't replicable and scalable.

	Tiny homes made with 3D Printers to house people currently homeless	Government reimburses the pre-approved expenditures of a First Nation renewable energy company	Government reimburses a nonprofit for training former gang members in the trades
<b>What it actually is</b>	A welcome example of technical innovation	A welcome funding model	A welcome funding model
<b>What it does</b>	Reduces the number of visits to emergency wards	Reduces the cost and number of utility bills for Indigenous Services Canada	Reduces costs to Justice and Police
<b>Why isn't it social innovation?</b>	Funding to pay for the tiny homes is from a limited pool. Supportive resources for people living in the homes are scarce.	Where are the needed resources to scale from 200 homes to 2,000 homes?  What about training people to get them into the workforce?	The financial beneficiaries are not paying and the outcomes are being given away.

<sup>2</sup> <https://mykibbi.ca/home>

## UPEND

<b>Competition for more resources</b>	is between nonprofits	is between nonprofits	is between nonprofits
<b>What's the needed shift?</b>	Continue funding while ADDING a revenue stream through outcomes procurement from government agencies benefiting from the intervention.	Continue funding while ADDING a revenue stream from government using social procurement to buy electricity reductions from Indigenous-led social enterprises.	Continue funding while ADDING a revenue stream through outcomes procurement from government agencies benefiting from the intervention.

In contrast, here are three examples of social innovation in the context of The Big Three.

Each is systemic, replicable, scalable and sets up a permanent competition between the status quo and what new and better approaches do. Each example also values the impact that the intervention has on benefiting government departments. We will explore these examples further in the pages ahead.

### Current STATUS - Government is using procurement to pay for:

Refugees on income support

Treatment of a rapidly growing number of diabetics

Trades-based services delivered by contractors who don't hire repeat offenders with criminal records

### UPEND Shift - Government is using procurement to pay for:

Refugees not on income support for two years or more

Prediabetics not becoming diabetic within three years

Trades-based services delivered by contractors who train and employ formerly incarcerated Canadians

On the next page is a list of **10 Things to Know About Social Innovation** as it relates to how governments, nonprofits and foundations engage each other based on the Big Three. Which of the items listed resonates with you? What do you find helpful and what isn't? How does it change your thinking, if at all? What might you add from your own experience? What else do you need to know to make the next steps?

# 10 Things to Know About Social Innovation

UPENDING How Governments, Nonprofits and Foundations Engage Each Other

1

Social innovation is about systemic change. Not programs or projects.

2

Social innovation makes it easy for problem solvers to supersize their good work.

3

Social innovation offers governments new options to address social problems rather than expanding capacity to manage costly problems.

4

Social innovation won't come about through funding alone. Nonprofits with added revenue streams will have little issue attracting investment.

5

Nonprofits must use new financial tools that governments already are familiar with to reduce the amount of subsidy they are providing to governments. This will provide an added revenue source to scale their operations.

6

The financial beneficiary of the intervention is paying.

7

Social innovation sets up a financial comparison between business-as-usual and a new way of doing things.

8

Social innovation does not actually cost money. It's less expensive than the cost of maintaining the status quo.

9

Social innovation isn't about the intervention. It's about the impact that the intervention has on government agencies.

10

You'll know the system has changed when government wants to do much more and do it more quickly.



**StartWork Social - July 2025 (Pearce Estate Park, Calgary)**

# Chapter 3

## What to Know About Funding and Procurement



Between 1999 and 2006, I held senior positions in the government of Manitoba. First as an advisor to the Minister of Finance then as the Director of Energy Policy. Reflecting back on that time, I learned a lot about how government uses funding. I'm a bit embarrassed to admit it now but I might as well get it off my chest.

When nonprofits came into my office wanting to insulate low-income housing or to install green energy on a First Nation, I would try matching them up with funding programs. If an ethanol or wind power company came into my office, we would talk business - such as paying them an incentive for every litre of ethanol or every megawatt of electricity produced.

No one trained me to think this way. There was no policy binder called "How to Undervalue Nonprofits." It was just the way things were done. Nonprofits advocating for something involving love and compassion would get an opportunity to apply for funding and businesses would be engaged based on outcomes. It wasn't until I'd left government that I realized the nature of the water I had been swimming in when I was a civil servant.

### **A Conversation that Changed How I See**

BUILD had been doing trades work for Manitoba Housing (a government housing agency) and so had market revenues. It continued to have funding for training to do the things that other contractors wouldn't do such as parenting, financial literacy, trades-based tutoring and driver's licensing.

BUILD's bookkeeper said to me one day: "there are two kinds of money."

I responded, "yeah right. Now how about printing off those financial statements for me."

He explained, "I love the money from Manitoba Housing. When we finish a trades-based job I send them a simple invoice and they pay it within 30 days. There's usually money left over after the project expenses are accounted for. We can use that money in a good way to benefit BUILD."

He continued, explaining how different funding is. “On the other hand, the funding from the Training Department is a nightmare. Like kids getting an allowance, we have to agree to an itemized budget ahead of time. We have to hand over our receipts. And we never know if we’ll have our funding renewed so we’re in a state of constant uncertainty. There’s never enough money and we aren’t allowed to have any left over at the end of the year.”

I learned so much from this one conversation. The chart below summarizes the shift between funding versus procurement.

# Funding vs Procurement

	Funding to Engage Nonprofits	Procurement to Purchase Goods and Services
<b>Relationship with government is about...</b>	The spending of the money	Outcomes and best value
<b>Timing of resources</b>	Upfront	After outcome has been delivered
<b>Control</b>	Government has control	Partnership negotiated for mutual benefit
<b>Administration</b>	Very high. Reimbursement model. Inflexible.	A simple payment via an invoice for the outcomes delivered
<b>Wealth building</b>	Can’t have money left over	Surplus can be reinvested in business
<b>Is government comparing all options?</b>	Government compares all nonprofit proposals, then allocates a limited pot of money for the proposals ranked the highest.	Government compares options presented but nonprofit options are not a part of this process.

This chapter explores the difference between funding and procurement. Then in Chapters 5 and 6 you'll be introduced to two exciting procurement tools - social procurement and out-comes procurement.

**Nonprofits Need More Revenue and Governments Need More Options**

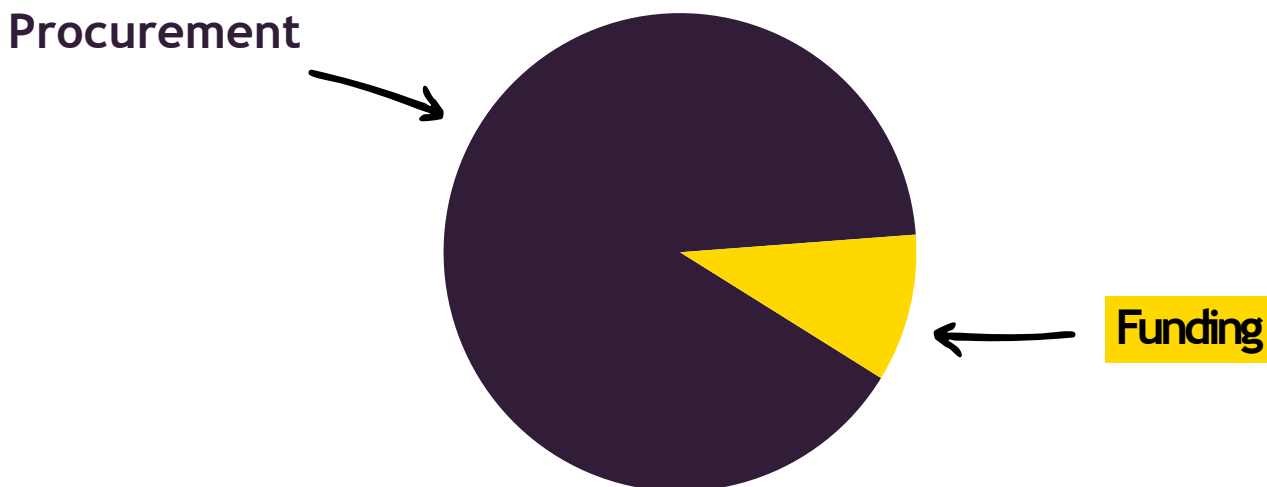
Whether you work for a nonprofit, a government or a charity, you likely have a common goal to increase the impact or social benefit to community. In most cases, the financial beneficiary of this impact is the government. So, for those of you working in the nonprofit sector, it's essential to understand why funding isn't the only financial resource and how procurement can add much needed, additional resources.

If we asked nonprofits what they needed, they would answer, "more funding!" This is because it's generally the only type of money that they know. The reality is, only a tiny fraction of government resources are allocated by funding. The vast majority is allocated using procurement.

I once met with a Deputy Ministry of Health. She motioned over to her desk adjacent to the board room table that we were meeting at. She said, "see that stack of papers there? Those are proposals from nonprofits. I know that each and every one of them would be a good financial investment for our department, but I will say no to 80 percent of them this afternoon."

When governments engage nonprofits, they generally use funding. In order to get serious about solutions, nonprofits can't be restricted to such a small piece of the pie. They need to have their options considered when governments are making their usual spending decisions.

**Government Resource Allocation**



For illustrative purposes

You might be thinking that most government money is spent on wages and benefits in the civil service - much more than it spends on purchasing goods and services from businesses. And you would be correct - but government is using procurement, not funding, to engage the civil service.

Take for example the Justice system. The department procures the time of judges, lawyers and other civil servants. In this case, the procurement agreement is called a collective agreement. The civil servants put in their two weeks of work and they get paid after the outcome is delivered. In other words, government is purchasing from civil servants, "hours worked."

In addition to using procurement to purchase the time of civil servants, the Justice department also uses procurement to buy office space, desks, computers, lights, electricity, construction and maintenance of prisons, beds in the prisons and so on. And they don't fund General Motors when they acquire vehicles for departmental use. They just purchase the vehicles.

By now, you're likely getting the point that procurement is the primary tool of government when allocating resources. When nonprofits and social enterprises are only using funding they are excluded from accessing the main flow of money that government spends.

When nonprofits and social enterprises are only accessing funding they are excluded from accessing the main flow of money that government spends.

When nonprofits and social enterprises are only accessing funding, they are excluded from accessing the main flow of money that government spends.

Another thing about funding is that the government department that is usually supporting nonprofits with funding is rarely the financial beneficiary of the impact of the intervention that they are funding. An example of this is a government department that funds a training program for individuals getting out of jail. The financial beneficiary of that funding isn't the department giving it. In this case, it would be the local police detachment, Justice department and the department that delivers social assistance. This disconnect impacts how government values funding. Governments value what they buy but they don't value what they fund in the same way.

Governments value what they buy but they don't value what they fund in the same way.

A final problem with funding is that it doesn't have a feedback loop for government to see the value of ramping up the investment. In the private sector, if an investor invests a million dollars in a project and gets \$1.1 million upon completion, they have earned a 10 percent rate of return. They'll want to do this over and over again. Capital will flow to these opportunities because it is being rewarded.

With funding, a government training department could fund a social enterprise like BUILD with, say, \$1 million. That million dollar spend could reduce government expenditures by \$2 million in reduced court appearances, reduced legal aid, reduced nights in jail and so much more. Yet, that does not mean government will want to offer more funding next year. It might even mean the social enterprise is at risk of getting their funding cut in annual efforts of departments to control their spending.

BUILD suffered a funding cut in 2022 by the Progressive Conservative government in Manitoba. The Conservative government was trying to cut the size of government but what actually happened was it drove up the size of government. What resulted was more incarceration, more Legal Aid, more court appearances etc.

Manitoba

## **BUILD Inc. shuts Winnipeg job training program after funding negotiations with province fail**

Program trained people facing barriers to employment to do interior renovations

With funding, there's no connection to outcomes, no feedback loop that sees money flowing to nonprofits or social enterprises that offer great value for money and the funding dollars are very finite. Scarcity makes nonprofits compete with each other. As one community-benefiting organization is allocated government funding, another is not because of the limited pool of funding available. In essence, some nonprofits have outcompeted other nonprofits for resources. It doesn't need to be this way.

# 10 Things to Know About Funding and Procurement

1

Funding works to support projects with social value or to try new things. We need more funding, not less of it.

2

The funding relationship between governments and nonprofits is about the spending of the money, not about the impact of the intervention.

3

Procurement is the principal money tool used by governments.

4

If governments are allocating most resources using procurement and nonprofits are only allocated funding, nonprofit options aren't being considered.

5

With funding, governments provide the money upfront. With procurement, governments pay AFTER the good or service is received.

6

In the business world, an up-front investment is rewarded financially if it creates value causing investors to increase their commitment. There is a positive feedback loop.

7

Funding isn't a good financial tool to scale solutions that are working.

8

Usually, the government department funding a solution isn't the one that is financially benefiting from the solution.

9

When governments fund, they are spending money. In reality, outcomes from the nonprofit sector are less expensive than managing problems.

10

Government values what they buy. They don't value what they fund in the same way.

## *What About Public Service?*

My mom and I both have an inconvenient health issue called a vasovagal reflex where we can sometimes pass out briefly due to a shock.

The following story now seems comical. I was with my mom in the emergency ward several years ago. Doctors were trying to figure out why her blood pressure was fluctuating. Two male cardiologists applied a stethoscope with cold gel to her chest and she passed out.

I thought she was having a stroke or heart attack and that the doctors weren't taking the issue seriously enough. I jumped up and stated emphatically, "Guys! Something serious is happening here!" I passed out too! Moments later, there I was on my very own gurney, next to my mom.

The point of this story is threefold. First of all, when I'm in the emergency ward, I don't want to wake up and have people from the nonprofit sector providing the care. I want professional, unionized, well-trained public servants who know how to respond using medical intervention.

The second point of the story is to say that using procurement isn't about reducing the role of the public service. It's about lightening the workload of the public service so they can be freed up to do the jobs they were trained to do.

For every visit those of us that live in stable housing make to emergency wards each year, homeless citizens make seven.<sup>3</sup> Why? Far too often they are there because they need supportive housing, addiction and mental health treatment. Wouldn't it make more sense, and a better use of public resources, to give them the intervention that they actually need?

The third point of telling you the story about the emergency room visit is to say the government uses procurement to provide emergency care. And it works great! They purchase the time of doctors and nurses. They purchase the beds, mattresses, sheets, bed pans, lights, electricity to run the lights, medical equipment and so on. They even use procurement to build the emergency ward contracting out drywalling, painting, floor tiling and so on.

So, if nonprofits need more revenues and government needs more options, how do we make that happen? The answer is simple - nonprofits and governments need to use procurement to engage each other. We need to build systems that say YES! to solutions.

There's one last element to cover before moving along to The Big Three. Let's turn our attention to social enterprises - the mortar that holds everything together.

---

3 <https://www.cdc.gov/mmwr/volumes/72/wr/mm7242a6.htm>



**Social enterprise field trip - June 2025 (Purpose Construction, Winnipeg)**

# Chapter 4

## What to Know About Social Enterprise



You know it's a social enterprise if:

- ☑ It's a nonprofit, co-op or controlled by a community; and
- ☑ It's a business; and
- ☑ A significant portion of its revenues are from the marketplace; and
- ☑ It's working on tackling a social problem

### What Is A Social Enterprise?

The Social Enterprise Council of Canada defines social enterprise as “businesses that sell goods or services in the marketplace,” this includes government purchases, and they have a demonstrated “social, cultural and/or environmental purpose, and they reinvest the majority of their profits or surplus to maximize their social mission.”<sup>4</sup>

I have come to define social enterprise as nonprofits that are earning a significant portion of their revenue from the marketplace. You may find it helpful to define social enterprises differently and that's okay. There is a disservice to getting good things done by worrying about getting a consensus on definitions.

“

We recognize that social enterprises are established and operated to accomplish so many different things. For the purpose of UPEND, our focus is on modernizing the space between social enterprise and government. Social enterprise is an essential element of the Big Three. In essence, social enterprise is the mortar that holds the Big Three together.

**Barb Rallison**

## UPEND

Social enterprises are to social innovation what ride-sharing companies such as Uber and Lyft are to the transportation sector - both are disruptive business models. Uber has entered a well-established market and displaced existing companies because customers feel they are getting additional value not offered by traditional options. Social enterprises have begun this process as well - disrupting well-established ways of doing things with a mission to address social problems.

For generations, we've had nonprofits and charities on one hand and business and corporations on the other. Policy debate has been around advocating for more funding on one hand or more tax cuts to promote growth in the private sector on the other to address social problems. Businesses may donate to charitable causes but change in their communities has been elusive. The UPEND disruption is about moving away from the old and tired debate, not to meet in the middle, but rather use what each does best, together!

Raj Rathnavalu is the CEO of Newo Global Energy in Edmonton. Newo fits our definition of a social enterprise. It is a nonprofit that sells photovoltaic systems into the marketplace.



Raj has trained extensively to learn Buddhist teachings. Wanting to do good in the world, he founded Newo to show how business can be done with love and compassion. He explains that both the nonprofit sector and business sector have gifts.

Nonprofits know how to bring community together to work with people who are struggling, to offer them love and compassion. Businesses know how to use money and markets to make things happen at scale. Social enterprises enable all stakeholders to combine these gifts into a powerful force for change.

Social enterprises can be thought of as nonprofits that use market tools for social good.



Social enterprises are not the only kind of problem solvers out there. We are also big fans of social entrepreneurs and the local food sector. It can be challenging to place problem solvers in any one of these categories and that’s okay. Debates about definitions won’t get us where we need to go.

We like to define social entrepreneurs as people who own businesses that are making a social impact. Unlike social enterprises, they will have a profit motive and are owned by one or more people rather than the community.

Businesses in the local food sector are, in my mind, in their own category because, like with social entrepreneurs, they are usually privately owned but are very community oriented.

Social enterprises are community-owned through a nonprofit structure and reinvest their surplus to advance their social mission.

# Is it a Social Enterprise?

**A government funded training program**

**A cooperative operating as a hotel catering to tourists**

**A privately owned company that hires refugees**

**A health food store or yoga studio**

## What it actually is

A good use for government funding

A great example of community economic development

An impactful social entrepreneur

An impactful socially minded business

## Why it isn’t a social enterprise

It doesn’t earn a significant portion of its revenue from the marketplace

It isn’t tackling a social problem

It’s privately owned, rather than community owned

It isn’t directly tackling a social problem

Buy Social Canada is the main venture in Canada that supports businesses, governments and consumers to buy and sell with impact. Their website is full of useful resources including a list of Buy Social Canada certified social enterprises from across Canada which can be searched by region, province or product/service. Examples range from the YWCA Hotel in Vancouver to Hungry Heart Cafe in St. John’s Newfoundland, as well as construction companies, clothing stores, furniture resellers and nearly everything else you can think of in between.

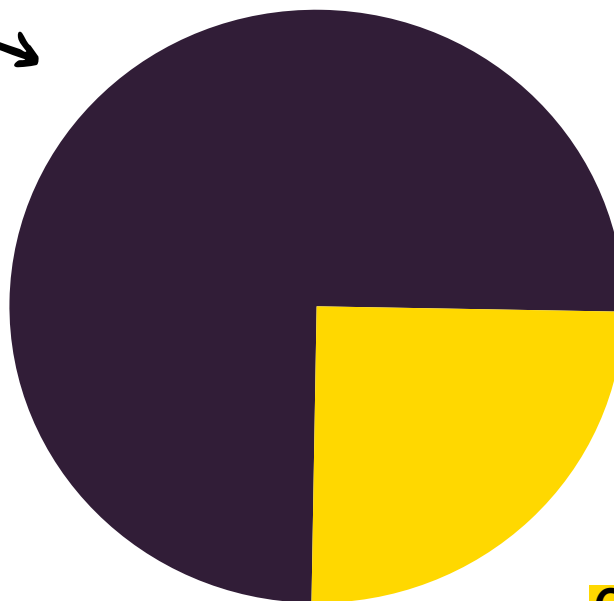
**The Revenue Model of a Successful Social Enterprise**

I have learned that successful social enterprises have not one, but two kinds of revenue. One form of revenue comes from social procurement. These are market contracts for goods and services that governments (or businesses) are already purchasing (see Chapter 5). The second kind of revenue is for supporting people to do well by providing, for example, parenting support and mentorship, on-the-job training including access to driver’s training, financial and language literacy, contact with Elders and so on. The revenue to support these more human-centred activities can come from funding and/or outcomes procurement (see Chapter 6).

We’ll move on now to discuss social procurement - the first of the Big Three Tools.

**Social Enterprise Revenue Model**

**Traditional Market Activity Such as Trade Services**



**Funding and/ or Outcome Purchasing for Training and Social Supports**



# Section II - The Big Three





# Chapter 5

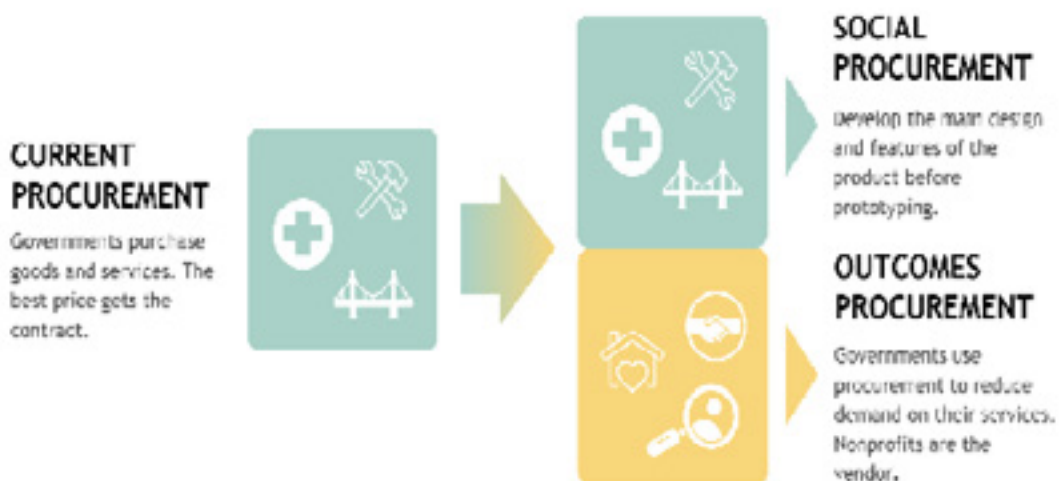
## What is Social Procurement?



Social Procurement is the tool to use:

- ✓ When a social enterprise hiring people with barriers to employment requires sales and/or contracts in the marketplace; and
- ✓ When a social enterprise wants to supplement, not replace, existing funding relationships; and
- ✓ When governments want more value for their purchasing dollars.

Social procurement is inviting potential suppliers of goods and services to include additional social benefits in their bids for government contracts enabling governments to get the best value for their purchasing dollar.



*Image: Social procurement and outcomes procurement offer options for government to leverage additional value out of their purchasing dollars. They also result in nonprofits having additional resources to deliver additional impact.*

## Traditional Procurement

Every year governments of all levels purchase billions in goods and services through procurement including drywalling, gasoline, road construction, laundry, security services, fighter jets and everything in between. Procurement officers within the government are trained to issue formal public “tenders” - usually found on a central market platform. Companies interested in supplying those goods and services respond by listing their qualifications and also the fixed price that they’d be willing to charge to deliver the good or service. These civil servants then select the bid that is the lowest cost.

## Social Procurement

Social procurement uses the same process but in the evaluation of the bids, other metrics are considered and valued. These could include, for example, the company’s ability to use the contract to reduce the number of people on Income Support or increase the number of women in the trades. The government can use its normal process of selecting bids to leverage additional benefits that it values. It shifts the evaluation from lowest price to best value.

Social procurement isn’t about special treatment for social enterprises. It is a tool for purchasers to acquire the things they value - a good price, high-quality, and outcomes that benefit the community.



Buy Social Canada is the place to go in Canada to find out about social procurement. They bring together purchasers that want to get more value out of their procurement with social enterprises that deliver better outcomes. They work with governments, corporations and even nonprofits to help them develop social procurement policies. They also do policy advocacy and offer a really great social enterprise certification program.

A leading example of social procurement in Canada is Manitoba Housing. Every year they procure about \$6 million in trades-based services from social enterprises in Manitoba. By doing business with social enterprises, they obtain drywalling, painting, landscaping, cleaning and security services at market prices. Manitoba Housing also gets the added value of employment for their tenants.

//

For governments, social procurement meets taxpayers' expectations of financial prudence by leveraging procurement dollars already within their budgets to simultaneously fulfill a procurement need as well as contribute to governmental social objectives.

## *Social Procurement in Action in Canada*

The Winnipeg Chamber of Commerce is a significant supporter of social procurement.<sup>5</sup> They see it as a disruptive business practice where the businesses providing the best value end up with the contracts. In order to compete, businesses have to learn how to offer this added value either by incorporating social outcomes in how they do business or by partnering with social enterprises when responding to government tenders.

Another example is the City of Vancouver. They purchase the time of 'temp' workers from EMBERS - a social enterprise that provides construction and landscaping jobs for people that might not otherwise have access to the labour market.<sup>6</sup> In Toronto, the City uses A-Way Express for some of its courier jobs,<sup>7</sup> while DASC Industries in Dartmouth has made screen printed clothing sales to various government agencies.<sup>8</sup>

While many Canadian cities now have social procurement policies or frameworks including Brampton, Halifax, Toronto, Calgary, Winnipeg and Victoria,<sup>9</sup> many of these policies are underutilized. From my experience, there hasn't been enough consultation with the social



5 [www.winnipeg.ca/media/3522](http://www.winnipeg.ca/media/3522)

6 <https://emberscanada.org/>

7 <https://www.awayexpress.ca/history>

8 <https://www.dasc-ns.ca/>

9 <https://www.buysocialcanada.com/directories/social-purchasing-partners/>

enterprise sector to ask, “What goods and services are you able to provide and what do we need to do in our procurement processes to have you compete for the contract?”

Some bids are way too big for social enterprises and the contracts need to be broken up. One example of this is a tender for the renovation of a hospital wing that’s hived off to qualified social enterprises for drywalling and painting rather than one large contract to a sole company. Additional work is also needed to grow the capacity of current social enterprises and to increase the number of social enterprises, as well as the variety of goods and services they offer.

Buy Social Canada’s website ([buysocialcanada.com](http://buysocialcanada.com)) is an excellent resource whether you are working in government or you are part of a nonprofit or social enterprise. They offer training on how to use social procurement and case studies to help all stakeholders understand how to get started, whether you are a social enterprise supplier or a government purchaser. It’s essential for government to shift their procurement approaches in order to leverage these additional benefits. See Chapter 8 for strategies on how governments can leverage the benefits of social procurement. The size of the contract depends on the capacity of the social enterprise that needs to be engaged in order for governments to leverage these additional benefits.

The disruptive potential of social procurement will be realized through greater adoption and application by all levels of government. It’s estimated that if only two percent of Canada’s procurement were delivered by social enterprises, 40,000 jobs for people with barriers to employment could be realized at no additional cost to government.<sup>10</sup>

## Social Procurement in a Global Context

Scotland uses social procurement widely and the results are obvious. Thanks to the Social Enterprise in Scotland Census, there is clear data on the impact of the sector. As of 2021, there were over 6,000 social enterprises in operation, half of which hire people with barriers to employment

### Scotland’s Social Enterprises Versus Canada’s Top 100 Biggest Companies

- 6,047 social enterprises
- 89,970 full time equivalent employees
- Nearly ½ hire people with barriers to employment
- 71% led by women



- Virtually none hire people with barriers to employment
- Only 2 companies led by women



<sup>10</sup> Assume \$50 billion in goods and services purchased by all three levels of government annually. If only two percent were delivered by social enterprises it would be \$1 billion per year. If half of this revenue is for labour, it would create 40,000 jobs at \$25,000 in average wages per year.

In 2018, I traveled to Scotland to do some research on social enterprise. While there, I visited Haven Products.<sup>11</sup> Haven Products provides electronics recycling. They hire people with criminal records to do the work. Their main customer at the time was the Scotland Police. Imagine a world where police are purchasing goods and services in such a way so as to lower crime rates.

Scotland isn't the only country on the move - in fact hundreds of countries are seeing the benefits of creating an impactful social enterprise ecosystem. Another example of this is in Australia. The Social Traders report estimates that there are 12,000 social enterprises in Australia employing 89,000 people, many of whom might not otherwise have access to the labour market.<sup>12</sup> Hong Kong has also made significant investment in developing a robust social enterprise ecosystem with an estimate of more than 2,500 social enterprises in Hong Kong.<sup>13</sup> Canada has a lot of catching up to do.

## *A Common Mistake About Social Enterprises*

A common mistake is to assume that social enterprises can use social procurement to make money in the marketplace and use these additional revenues to pay for social support often needed for those that they hire to remain successfully employed. This can include mentorship for parents, housing supports and tailored on-the-job training.

In Chapter 2, we compared a social enterprise giving away its outcomes to a grocery store with products on aisles 1-10 marked "free." A social enterprise that uses its revenues to subsidize the social aspect of its work is like a grocery store expanding the number of free aisles. It's possible to make a social enterprise work without government paying for the outcomes it is receiving but it won't be easy and isn't very replicable.

## *Local Procurement and Indigenous Procurement*

Local procurement and Indigenous procurement are two other kinds of procurement which allow purchasing dollars to secure additional benefits. We mention them here so that the differences between them and social procurement are understood.

Indigenous procurement is generally understood as governments purchasing goods and services from Indigenous owned companies. The value added with Indigenous procurement is to see wealth building in Indigenous companies by overcoming historic market barriers. These companies are different from social enterprises in that they usually hire the most qualified Indigenous people they can find whereas social enterprises look to hire people with limited access to the labour market.

Local procurement can be defined as purchasing goods and services from businesses that are owned by local citizens. The obvious advantage is seeing money circulating in the community rather than it leaking out. Keeping money circulating in the local economy has many spin-off benefits including increasing local jobs and local tax benefit. Communities with high numbers

11 <https://rehab.ie/enterprises/haven-pts/>

12 <https://www.socialtraders.com.au/rise-report/>

13 [https://www.britishcouncil.org/sites/default/files/british\\_council\\_hong\\_kong\\_social\\_enterprise\\_web\\_final.pdf](https://www.britishcouncil.org/sites/default/files/british_council_hong_kong_social_enterprise_web_final.pdf)

of locally-owned businesses often have lower levels of social unrest.<sup>14</sup> That said, local companies generally don't have expertise in hiring people with barriers to employment. Indigenous procurement and local procurement aren't in competition with social procurement. They are all good for different reasons and actually complement each other. Governments should pursue them all.<sup>15</sup>

### What About Trade Agreements?

One final note about social procurement is that trade agreements allow governments to directly negotiate contracts with nonprofits.<sup>16</sup> For more see Buy Social Canada's "Trade Agreements Primer."<sup>17</sup>

Trade agreements can however be troubling for governments using Indigenous and/or local procurement as they can be seen to be cutting out competition from outside vendors. This is especially true of large contracts. Any company can bid on contracts involving social procurement but social enterprises are uniquely positioned to deliver these added benefits. Social procurement is also a strategy to respond in times of trade uncertainty as there's an opportunity to leverage spending to achieve more community resiliency.

“

Social procurement is a partial strategy to respond in times of trade uncertainty as there's an opportunity to leverage spending to achieve more community resiliency.

Elizabeth Chick-Blount  
Buy Social Canada

## Social Procurement Plus Outcomes Procurement

It's important to note that social enterprises will have a tough time being successful using social procurement alone. Increasing the price of their product or service to pay for the social supports offered to those they hire will inevitably price them out of the market. Alternatively, they may choose to underpay their workers which defeats their mission. Social enterprises need a second kind of revenue to cover these costs that regular businesses wouldn't contemplate paying for. We'll turn our attention now to outcomes procurement as an approach to raising that revenue.

<sup>14</sup> Michael Shuman. An Introduction to LOIS Economic Development.

<sup>15</sup> <https://www.winnipeg.ca/media/3522>

<sup>16</sup> Article 504, Section 11(v) of the Canadian Free Trade Agreement states that procurement chapter does not apply to "procurements from philanthropic institutions, nonprofit organizations, prison labour or natural persons with disabilities."

<sup>17</sup> Buy Social Canada, *Trade Agreements Primer: Requirements and Opportunities Across Trade Agreements* (January 2021).

SOCIAL ENTERPRISE CENTRE



HOUSE OF COURAGE

GRAND OPENING

10/12



# Chapter 6

## What is Outcomes Procurement?



Outcomes procurement is the tool to use:

- When a government agency is struggling to keep up with a growing workload; and
- When the growing workload is largely caused by an identifiable cohort of “heavy predictable users of services” for whom contact with agency does not serve as a successful deterrent; and
- When there is an intervention that is well-known, proven and not experimental; and
- When there is a nonprofit that is a well-established, reputable, ie - they are an expert delivery agent.

### *What is Outcomes Procurement?*

Outcomes procurement modernizes the relationship between nonprofits and government agencies struggling to keep up with relentlessly growing workload so that these agencies have a new option - to purchase workload reduction from the nonprofit sector at a rate not greater than what they would pay to add capacity.

At the same time, outcomes procurement is also a good tool to help nonprofits to raise the revenue that's required to support people who need it.

Outcomes procurement modernizes the relationship between nonprofits and government agencies struggling to keep up with relentlessly growing workload so that these agencies have a new option - to purchase workload reduction from the nonprofit sector at a rate not greater than they would pay to add capacity.

## Why is Outcomes Procurement Needed?

Social enterprises that are successful in landing contracts in the marketplace will struggle if they are having to use some of those revenues to cover the things that their private sector competitors don't provide such as parenting support, financial literacy, access to driver's training and so on. Those nonprofits that are successful getting funding to cover these costs may be stable for a while but may one day be thrown into a crisis by a funding cut which is very common in the sector.

In order to make social enterprises a mainstream business they require access to growing revenue streams.

In order to make social enterprises a mainstream business they require access to growing revenue streams. This is the reason why outcomes procurement is essential. Outcomes procurement is needed to unlock those additional resources to optimize what the nonprofit sector can provide while enabling social enterprise to compete with otherwise poor outcomes from existing government-based interventions.

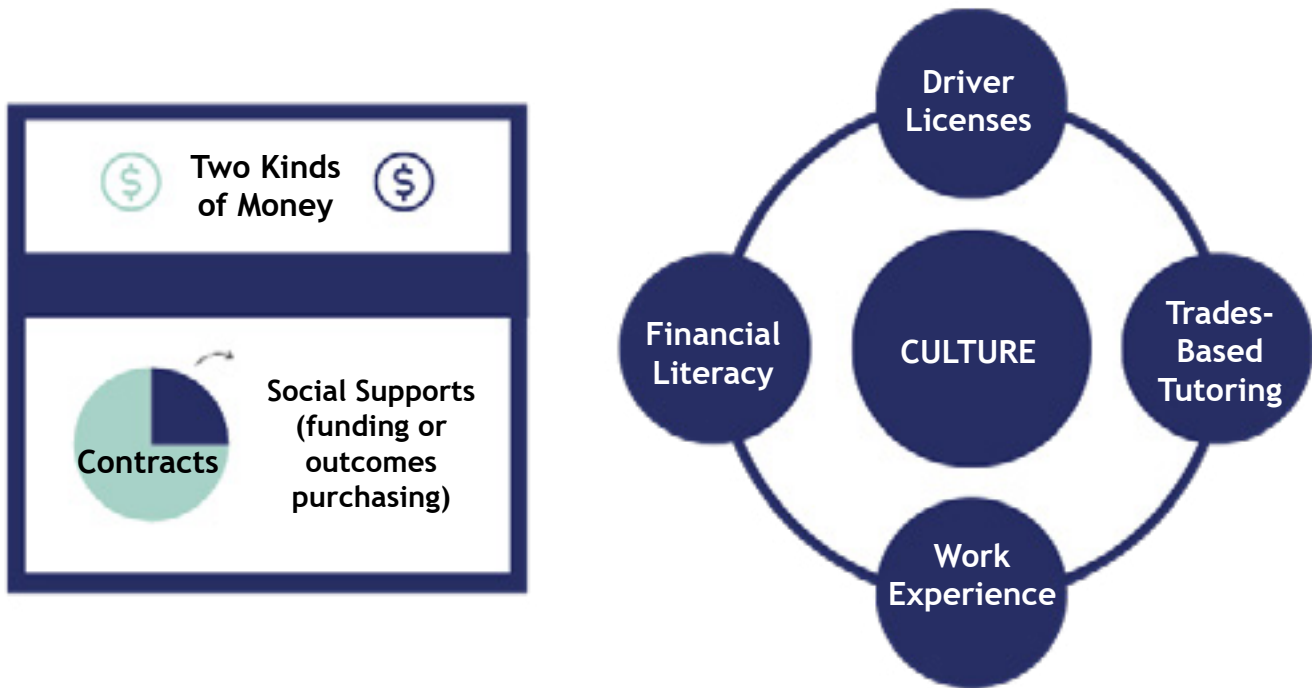


Image Description - Successful Social Enterprise Revenue Model.

Consider the added revenue stream if BUILD (See Chapter 1) could have a business relationship with Manitoba Housing providing trades-based services AND a business relationship with the very agencies that it financially benefits such as Manitoba Justice and the Winnipeg Police. This is what outcomes procurement can do.

## *Governments Can Use Outcomes Procurement to Control Their Costs*

Businesses are always weighing their options to control costs. When the cost of material inputs is too high, a business will look for another company that can provide the materials at a lesser price or a substitute a product that will do the same thing for less money. When labour costs are too high, businesses will look to automate part of the production process or seek digital solutions. These alternative interventions will cost money upfront but the key is that businesses who choose these alternate options do so because the cost of implementing is less over time than business as usual.

Governments don't have a good tool to do this as the way to reduce demand on their services is generally delivered by the nonprofit sector. And because nonprofits are funded they are not part of mainstream decisions around resource allocation.

Let's use Manitoba Hydro as an example of this demand reduction. Assume that the demand for electricity is going up. The cost of meeting this increased demand by building new generating stations is easily twice that of paying to incentivize consumers to use less electricity. So instead, Manitoba Hydro pays their customers NOT to use their product. This comes in the form of energy efficiency rebates and incentives.

Government needs a financial mechanism that would direct resources towards workload reduction, and that tool is outcomes procurement. This shift, represented by the difference between the two arrows in the chart below, is highly valuable because it represents significant cost savings for government.

### **Demand Avoidance**



### Income Assistance Caseload Reduction - An Example

In Calgary, the Alberta Ministry of Seniors, Community and Social Services recognized that many refugees on Income Support (social assistance) were indeed employable but there was no dedicated path to get them into the workforce and off Income Support. At the same time, resources for nonprofits that could help were being cut at a time when the number of people on Income Support was going up.

They entered into a surprisingly simple procurement agreement (not funding) with the Institute for Community Prosperity at Mount Royal University. The contract stipulated that Mount Royal University would be paid for every refugee they were able to get into the workforce and off Income Support for two years or more. The money required upfront to provide the interventions in the nonprofit sector came from the Northpine Foundation.



## Outcomes Procurement Explained

Governments generally resource their departments and agencies based on anticipated workload. Workloads across multiple government agencies have been steadily increasing for some time - consequently the public resources required to maintain service levels and response times have increased correspondingly. To acquire the goods, services, staff and capital necessary to manage these problems, governments use a well-developed tool called procurement.

Let's use an example of an overburdened emergency ward. This emergency ward is similar to so many emergency wards in that people considered homeless are frequent visitors because they lack supportive housing or effective addictions treatment.<sup>18</sup>

The emergency ward purchases the time of doctors and nurses. It purchases beds, medical equipment and signage. It also purchases security and cleaning services, electricity for lighting and natural gas for heating and so on. Procurement has many advantages. It allows governments to compare their options and to select the option that is of best value to the taxpayer. However, when governments engage nonprofits to reduce the problem, they use funding. So nonprofit solutions aren't part of the comparison.

Outcomes procurement allows these agencies that respond to people in crises to compare the resources required to respond to a particular group of people to what nonprofits would charge for successfully preventing the contact in the first place. Not only would there be cost savings but there's the added value of each agency being freed up to focus on their actual mandated purposes.

Outcomes procurement gives governments the option to buy what it wants. For example, instead of purchasing diesel fuel, they could purchase low carbon, job-creating heat and electricity.

To be clear, governments would continue their existing funding relationships with nonprofits. This commitment should be confirmed in writing to overcome mistrust built up between the nonprofit sector and government. But on top of existing funding, nonprofits will support cohorts of people in regular contact with emergency service providers and get paid for the value of the workload reduction that they deliver.

Governments dealing with social problems usually make one of two mistakes. Either they ignore the problem as they think there isn't a solution, the solution is too expensive, or the solution is for some other level of government to tackle. The other mistake is that they don't connect their strategy to the departments that are responding to the problem such as

<sup>18</sup> QuickStats: Rate of Emergency Department Visits, by Homeless Status — National Hospital Ambulatory Medical Care Survey, United States, 2010-2021. MMWR Morb Mortal Wkly Rep 2023;72:1153. DOI: <http://dx.doi.org/10.15585/mmwr.mm7242a6>

Health, Justice and Policing. This leaves them lacking in resources to provide the intervention in the first place.

It's important to realize that for a cohort of people who are struggling, the expected number of times they come in contact with various government agencies is very predictable. One hundred people who are homeless might have triggered 1,000 police calls two years ago and another 1,000 police calls in the previous year. Police can count on being dispatched roughly 1,000 times in the upcoming year barring a more effective intervention being offered.

It follows then that police agencies can purchase a reduction in expected dispatches associated with a specific cohort. Justice departments can buy a reduction in the expected number of court appearances and jail time for a specific cohort. Hospitals can buy a reduction in expected visits to the emergency ward or nights in the psychiatric ward for a specific cohort. Paramedics and fire responders can each buy a reduction in expected dispatches for a specific cohort and so on.

Instead of asking emergency service providers to fund, for example, supportive housing to address homelessness - which is outside of each of their mandates - they can procure the impact that supportive housing has on each of their agencies. Asking to fund an intervention (sometimes called defunding) will be resisted by politicians and the public because it is experienced as fewer resources NOW to meet a real and present growing demand.

### **What About Social Return on Investment (SROI)?**

Nonprofits and governments have become accustomed to measuring impact using what's called a Social Return on Investment (SROI). A SROI study generally quantifies the value of the societal impact of a particular intervention. Civil servants have many great SROI studies on their desks but still do not fund the interventions to scale despite knowing that there's value. Why? Because the government uses funding to engage nonprofits and the amount of funding available is very scarce.

## How To Value Avoided Workload

I have to admit that I’ve been in dozens of meetings with civil servants who can’t see the value of reducing workload. They just don’t get it. The bottom line is that you need a customer in order for outcomes procurement to work. There is no deal if the hospital doesn’t want to pay for reduced visits to the emergency ward. Getting a deal requires leadership. That could be political leadership or leadership from civil service. We will discuss this more in Chapter 8.

Government might not have a good idea about how much it costs to have a person visit the emergency ward three times a week, or how much a chronic shoplifter costs to the Justice department. It’s important to use a metric that is commonly used by the government department. In Justice, a common metric is “months between recidivism,” for example. Police regularly track their hours worked on each case. Ask the department to name the metric and then value what it would cost to reduce that metric significantly.

Another way to approach attaching a value to workload reduction is to consider the government department’s statements. A Police agency might say, “We are expecting an increase in police workload of 10,000 dispatches this upcoming year. We need another \$10 million to provide staffing to maintain our response times.” A good discussion would be to start with these observations.

**0.1%**

Estimated population involved in or affiliated with Gangs

**825**

Criminal Charges

**48**

Firearms Seized

**350**

Gang Arrests

**606**

Warrants Executed

**489**

Gang Compliance Checks

**4100+**

Breaches Charged

This data in this image is from The Saskatoon Police Service’s 2019 Annual Report.<sup>19</sup> The Saskatoon Police are essentially saying, “We spend enormous amounts of money on 0.1 percent of the population.”

What they didn’t say is, “For every gang member we spend \$200,000 a year in staff resources. If a nonprofit can successfully interrupt this cycle we’ll pay \$100,000 for one year of no new offenses and \$50,000 for the second year of no new offenses.”

Rather than defunding the police or annual well-above-inflation increases in tax dollars to police, outcomes procurement can curb crime, as well as police spending by selecting new and more effective public safety options.

<sup>19</sup> [https://saskatoonpolice.ca/pdf/annual\\_reports/2019\\_Annual\\_Report.pdf](https://saskatoonpolice.ca/pdf/annual_reports/2019_Annual_Report.pdf)

**BROKE: The Business of Systems Change**

Lucas Stewart and I joined up with New Perception to illustrate the disparities between procurement and funding. We created a short film which we think is both informative and humorous, called BROKE: The Business of Systems Change. In 15 minutes it shows the frustrations of civil servants and nonprofits and how outcomes procurement can be used for the betterment of both.

You can find the movie on YouTube.<sup>20</sup>

20 <https://www.youtube.com/watch?v=uojUD6ugNN4>



## Outcomes Procurement Compared to Social Impact Bonds and Funding for Outcomes

Outcomes procurement can often be confused with social impact bonds (SIBs). SIBs have been around for some time and yet, they have done little to move the needle on social issues. When there’s a SIB in play, you’ll hear a lot of talk about the needs of investors, debates about rates of return rather than outcomes. Here are some of the top issues with SIBs.

- SIBs are challenging to replicate because the private sector investment tool is unfamiliar to the civil service. Often, there are varying rates of return depending on how well a project does. In addition, the civil service has an extra stakeholder to deal with - investors. For these reasons and more, they are complex and have high transaction, verification and administrative costs.
- The public is often suspicious of SIBs because investors are benefiting. This makes politicians leery, having to explain why precious resources are being hived off by wealthy investors. There is often a lack of buy-in from the nonprofit sector as well as the focus of SIBs revolves around the needs of investors.
- Most importantly, SIBs don’t bring solutions to the table where governments regularly make decisions about resource allocation. They are a one-off exception to the rule. Mainstream systems remain unaltered.

	Social Impact Bond	Outcomes Procurement
<b>What is it?</b>	A complex private sector investment model revolving around a particular project. Payments to investors are triggered if outcomes are achieved that are better than standard results.	A mainstream option for overworked government agencies to purchase workload reduction from nonprofits at rates less than the cost of adding capacity
<b>Example</b>	“Project has cut jail recidivism from the usual 80% to 40% triggering an 8% rate of return to investors.”	“Department of Justice pays a social enterprise an agreed-upon amount for every month a repeat offender isn’t in contact with the Justice System.”
<b>Payments made to</b>	Investors	Nonprofits
<b>Level of Complexity</b>	High	Low
<b>Level of Engagement</b>	Project by project	Systemic
<b>Size</b>	Has to be large to justify transactional costs	Is able to start small and grow transformatively and organically

Similarly, outcomes procurement shouldn't be confused with funding for outcomes. Funding for outcomes, like SIBs, is just a complicated way of funding something. The thinking behind them is that the government isn't getting good value out of their funding and instead ties payments to results. Funding for outcomes leaves nonprofits competing for limited resources rather than seeing the competition between what nonprofits can do and how effective governments are in some specific areas.

**A Way To Get What We All Want**

Outcomes procurement moves us firmly towards what we all want including supportive employment, supportive housing, fewer paramedics waiting in emergency rooms for transfer of care, fewer police calls that are not related to actual crime, fewer homeless people lurching from crisis to crisis, and less red tape. When it comes down to it, governments can purchase what they want instead of what they don't want. The chart below provides a few examples:

Governments Using Procurement For:	Governments Could Purchase	High Impact Intervention with revenue streams to nonprofits
<b>Treatment of diabetics</b>	Number of pre-diabetics in an agreed upon cohort who do not become diabetic within three years	Healthy food, fitness and coaching
<b>Electricity</b>	Reduction in expected electricity bills in an agreed upon cluster of homes/buildings	Heat pumps, insulating
<b>Police dispatches</b>	Reduction in police dispatches of an agreed upon cohort	Supportive employment and/or supportive housing
<b>Court appearances</b>	Reduction in expected court appearances of an agreed upon cohort	Supportive employment and/or supportive housing
<b>Visits to emergency ward</b>	Reduction in expected visits to emergency ward of an agreed upon cohort	Supportive housing and addictions support
<b>Diesel fuel in off-grid communities</b>	Renewable heat in an agreed upon cluster of homes and buildings	Utilities owned by First Nations
<b>People on Income Support</b>	People in an agreed upon cohort no longer on Income Support	Supportive employment

Let's delve a little deeper into one example.

# BUY RENEWABLE HEAT! NOT DIESEL

## A STORY FROM DARCY WOOD

*Over 280 communities in Canada that are home to approximately 200,000 people, are not connected to electrical grids or natural gas pipelines.<sup>21</sup>*

*In 2017, Aki Energy set out to replace about one-third of the diesel fuel in the Northlands Denesuline First Nation. We pleaded with Indigenous Services Canada to simply sign a procurement agreement with us - to buy renewable heat from us. The renewable heat source could be from lake-based geothermal heat pumps and biomass. It would be risk free and at a cost less than what they would pay annually.*

*The government said, “We only fund solutions. We don’t buy them.”*

*You see, each year, governments put out tenders for diesel fuel to feed diesel generators and home furnaces in remote northern communities. They should not be surprised to get in return - diesel fuel. The diesel fuel inevitably leaks. It creates no local jobs. It is carbon laden and it’s expensive.*

*We managed to install a great biomass system to heat the school and a district heat pump system for a cluster of twelve buildings but because it was funded, it wasn’t replicable.*

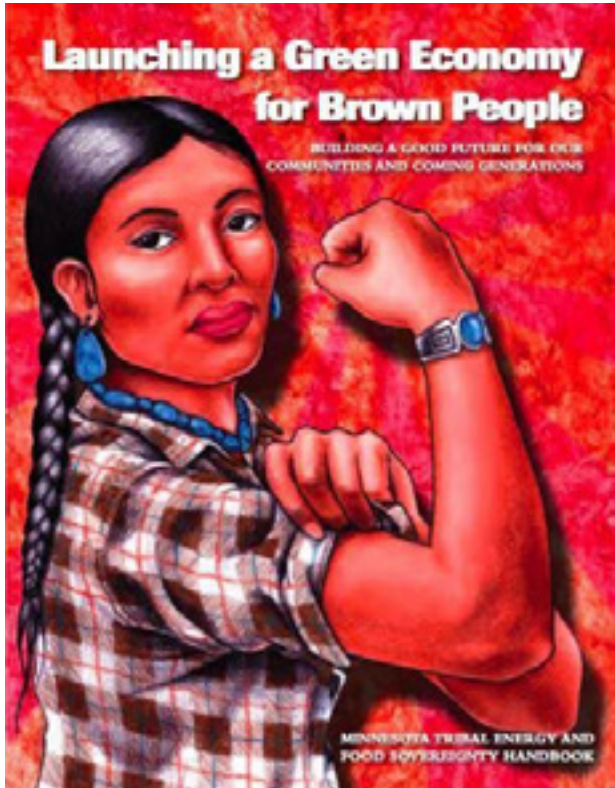
**Darcy Wood is the cofounder of Aki Energy. Recently retired from Aki Energy, he also served as the Chief of the Garden Hill First Nation.**



**Darcy Wood (second from right) celebrates another successful ground source heat pump installation at Fisher River Cree Nation**

In this example, government is putting out a tender to procure diesel. What they really want is heat on First Nations communities. Here's the catch, they're willing to procure diesel, but they'll only fund solutions, such as heat pumps and geothermal installation. These renewable energy solutions provide jobs to First Nations communities, clean energy for generations to come and reduce costs to government for income assistance and utilities year over year.

Outcomes procurement enables them to procure for heat and enable the community to have the flexibility to deliver solutions that provide heat to their homes. This shift in thinking from procuring for diesel to procuring for what diesel does (provides heat) is a game changer with cost savings to multiple levels of government.



They are, after all, paying annually for diesel fuel. Why not offer to pay for renewable heat and renewable electricity instead? They could also pay annually for carbon reductions and for moving people off of social assistance and into the labour market.

Combined, paying for these outcomes as they are being delivered would provide the revenue streams that a social enterprise would need to attract the investment to install the renewable energy equipment in the first place. Using outcomes procurement, they can convert money that's being used to procure bad outcomes to instead procure outcomes that have benefits directly for remote northern communities and the planet. It isn't the least bit complicated but it sure is different.

# Systems Change



## Existing Procurement is Purchasing

Diesel Fuel (and trucking costs)  
Soil remediation  
People on Income Support  
Carbon in atmosphere

## Outcomes Procurement Could Purchase

Renewable heat and electricity  
People not on Income Support  
Employment opportunities  
Reduction in carbon

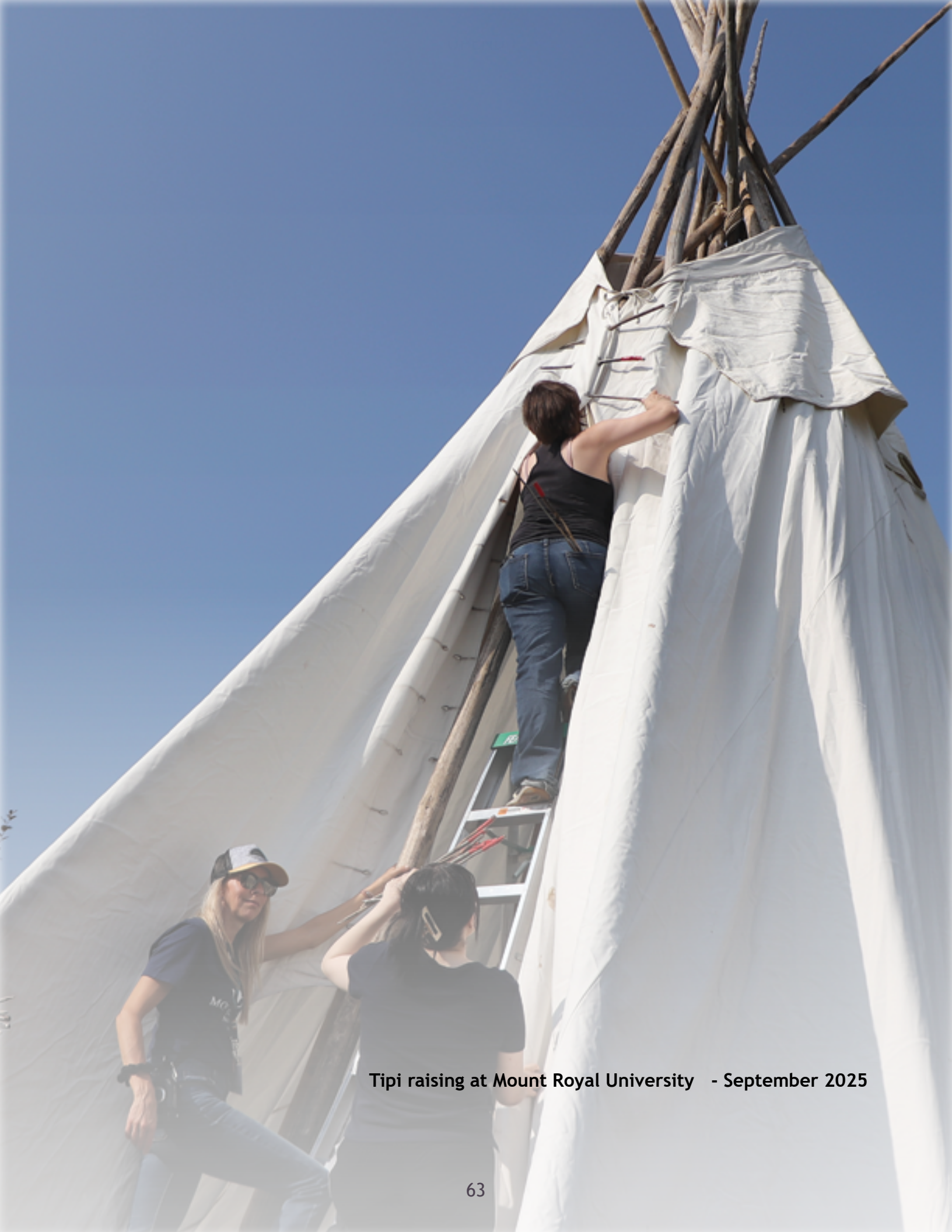
You will know it is outcomes procurement if the:

- Financial beneficiary is paying and paying after the outcome is delivered; and
- Financial beneficiary is paying for the impact that the intervention has on their own system using a metric that is simple and common to their everyday operations; and
- Intervention is community-led and not investor driven; and
- Value is comparable to the amount of money that government would otherwise need to add staff to be able to keep up with the growing workload.

### Where Do Nonprofits Get the Upfront Money if It's Not Coming from Government?

The path towards reorienting governments to be focused on solutions isn't complicated. It does however require three things: the government must make the market for the solution, a social enterprise sector must be offering what the government needs and foundations must be ready to provide the upfront resources required.

It would be unhelpful for the upfront money that nonprofits need to come from government. This sets up a risk for government and restrictive measures will surely follow. With outcomes procurement, nonprofits can start small and self finance. They can also use community bonds (see Chapter 7) or get a risk-free grant or loan from a foundation (see Chapter 8). Having explored social procurement and outcomes procurement, we will now turn our attention to community bonds, the third leg in the social innovation stool.



Tipi raising at Mount Royal University - September 2025

# Chapter 7

## What Are Community Bonds?



Community bonds are the tool to use:

- ✓ When upfront money is needed for a nonprofit to deliver an intervention;
- ✓ When there's a solid revenue stream to pay investors back;
- ✓ And when foundations want to get social impact out of their endowments

A community bond is an innovation in social finance that allows a nonprofit to offer investment opportunities to its community of supporters in a way that captures some of the social value of their projects. As with all investments, the investors want their money back so revenue streams are needed to anticipate those payments.

### *What Is A Community Bond?*

A community bond is an innovation in social finance that allows a nonprofit to offer investment opportunities to its community of supporters in a way that captures some of the social value of their projects. As with all investments, the investors want their money back so revenue streams are needed to anticipate those payments.

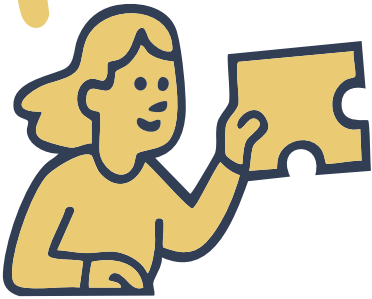


Community member or foundation buys a bond



Nonprofit uses the resources to finance their project

## What Are Community Bonds?



Investors have option to reinvest their principle



Nonprofit pay interest or issues a charitable tax receipt annually



### Example #1: 10 Carden in Guelph

A nonprofit in Guelph Ontario called 10C wanted to buy and renovate a downtown five-story building and rent the space out to other nonprofits who were working hard to make their city a better place to live. They liked the idea of owning the building themselves to generate wealth in the nonprofit sector.

After failing to get funding to pay for the \$2.5 million required to purchase and renovate the building, they went to the community and offered investments called community bonds with returns of 2.75 to 4.5 percent annually. They raised all the money they needed from community members, businesses and foundations who were keen to get not just a financial rate of return but a social rate of return too.

10C  
creating space for change

What if some of your investments could transform community?

Community Bonds Finance Change.

Series C	Series E	Series F	Series I	Series J
Interest Rate: 2.75%	Interest Rate: 3.0%	Interest Rate: 3.75%	Interest Rate: 4.5%	Interest Rate: 4.5%
Minimum Investment: \$1,000	Minimum Investment: \$1,000	Minimum Investment: \$50,000	Minimum Investment: \$50,000	Minimum Investment: \$10,000
Maturity Date: 1 year from investment	Maturity Date: 1 year from investment	Maturity Date: 1 year from investment	Maturity Date: 1 year from investment	Maturity Date: 1 year from investment

Add more social impact to your portfolio > [investment@10carden.ca](mailto:investment@10carden.ca)

In order to attract the capital, they outlined a plan to earn enough revenue (about \$90,000 per year) to pay the annual interest payments that their investors required. There’s an added value that this \$90,000 in investment revenue would circulate in the community and support community goals.



### Example #2: Ottawa Community Land Trust

The Ottawa Community Land Trust launched the Housing Forever Bond campaign. The goal is to raise \$3 million to pay off existing, higher interest debt and to purchase two more properties. The Ottawa Community Land Trust cleverly uses the term “Housing Forever Bond” because the housing will be permanently removed from the marketplace avoiding escalating values and therefore escalating rent to pay the bills.

### Example #3 - Solar Share

Solar Share is a social enterprise that owns and operates 51 solar projects in Ontario. Tapestry Community Capital has helped them raise money through a “Solar Bond.” SolarShare was incorporated in 2010 and has grown to over 2,000 members passionate about solar power. To date, their members have invested over \$80 million and have been paid \$17 million in interest.



# Advantages of Community Bonds

Nonprofits highlight several advantages of using community bonds:

- It allows them to engage their own community of supporters;
- They can issue the bonds on their terms - at lower interest rates;
- Some investments can be realized at zero interest if investors are offered an option to receive a charitable tax credit rather than an annual interest payment;
- It gives governments new options to get involved by incenting investors to donate their interest or to guarantee investments that will drive down interest rates (see Chapter 8); and
- Community bonds are a good tool to directly attract investments from institutions such as charities and foundations that have social mandates.

## Comparing Financing Options

Community bonds aren't the only type of financing option. There are other forms of community capital including Community Investment Cooperatives. Community Investment Cooperatives are similar to community bonds as they are controlled by the community but offer a diversified investment portfolio. They have been successful in investing in affordable housing and other local ventures. One example is Local Investing YYC operating in Calgary. To date, Local Investing YYC has mobilized \$2.32 million dollars in capital through RRSP and TFSA eligible shares to invest in 10 social-purpose ventures demonstrating either social and/or environmental impact.



	Community Bonds	Community Investment Coop	Bank
Bonds issued by	Nonprofits	Coop	Bank
Bonds issued for	A specific project	Diversified local portfolio	Diversified global portfolio
Results in...	Social or environmental benefits	Social or environmental benefits	Profit

## An Outlet for Social Capital

Let's look briefly at why community bonds are such a great tool to engage foundations.

As mentioned earlier, there are 11,000 foundations in Canada with over \$135 billion in assets. Some of these foundations are large and well known such as the Heart and Stroke Foundation and many big-city community foundations. Other foundations are smaller including foundations run by family foundations, faith groups or rural communities. It's important to single out this pool of money because they all have social, community or environmental mandates.

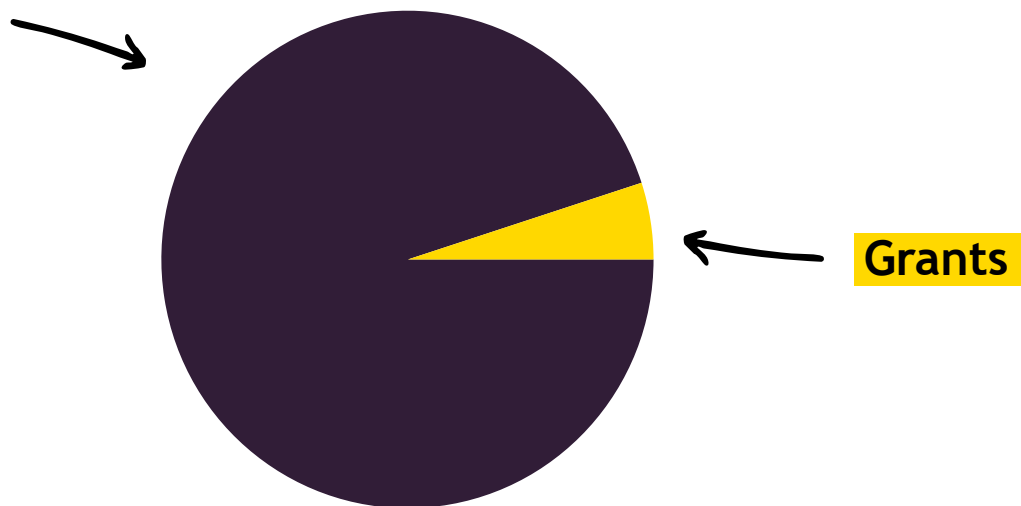
By law, foundations are required to annually disburse in grants a minimum of five percent of their holdings.<sup>22</sup> This leaves 95 percent disconnected from their mandates.

Using an example of a foundation with \$10 million in assets - it must distribute \$500,000 annually in grants. The other \$9.5 million is invested in the marketplace. That leaves 95 percent invested in traditional financial instruments. These investments may not be aligned with a foundation's outlined funding priorities.

In other words, there is a significant amount of capital held by foundations that could be invested in social impact beyond the tiny percentage allocated to grant based funding. Community-based financing tools like community bonds or community investment cooperatives can attract some of the remaining 95 percent of foundation resources by competing against their traditional investments that don't offer social impact.

### Foundation Business Model

Investments



<sup>22</sup> <https://www.canada.ca/en/revenue-agency/services/charities-giving/charities/operating-a-registered-charity/annual-spending-requirement-disbursement-quota/disbursement-quota-calculation.html>



Tapestry Community Capital is a social enterprise based in Toronto, Ontario that has a national scope. They have helped nonprofits, coops and charities raise over \$100 million for capital projects including renewable energy (solar) and housing projects. For the most part, community bonds in Canada are being used for projects that have a physical asset

such as buildings or renewable energy projects. Social procurement and outcomes procurement can also provide revenue streams that can be used to pay the interest required by investors using community bonds.

Investment from foundations that are generating environmental and/or social benefits is not wishful thinking. Some foundations across Canada are exploring using community bonds as an investment vehicle. Their confidence and willingness to put millions of dollars on the table and assume the risk is a reason to be excited about the possibilities that lie ahead.

Many foundations list their asset mixes publicly. For example, the Winnipeg Foundation has over \$300 million invested in secure, low interest bearing bonds and debentures and another \$250 million invested in real estate and mortgages.<sup>23</sup> Little to none of the money is invested in nonprofits and little to none of the investment is in Winnipeg. These are pools of capital that might be attracted by community bonds.

It is not known how reflective the Winnipeg Foundation asset mix is of the broader foundation community but we might roughly extrapolate that even five percent of the collective \$135 billion in Canadian foundation assets would amount to \$7 billion. This in and of itself, if invested in community bonds, would create 30,000 supportive housing units and generate a financial return for the foundation invested.<sup>24</sup>

While foundation capital would be a natural fit, we might also consider the \$700 billion invested<sup>25</sup> in the Canada Pension Plan or First Nation Trusts. Community bonds are also a great tool for nonprofits to engage their donors, most of whom have investment dollars. They can be invited to invest as individuals and, if a charity is involved, can be invited to donate their interest payments in exchange for a charitable tax receipt.

Community bonds are a powerful tool. They can provide the upfront, risk-free capital that nonprofits will need to deliver better outcomes for governments. Social and outcomes procurement provide the revenue streams to complete the circle.

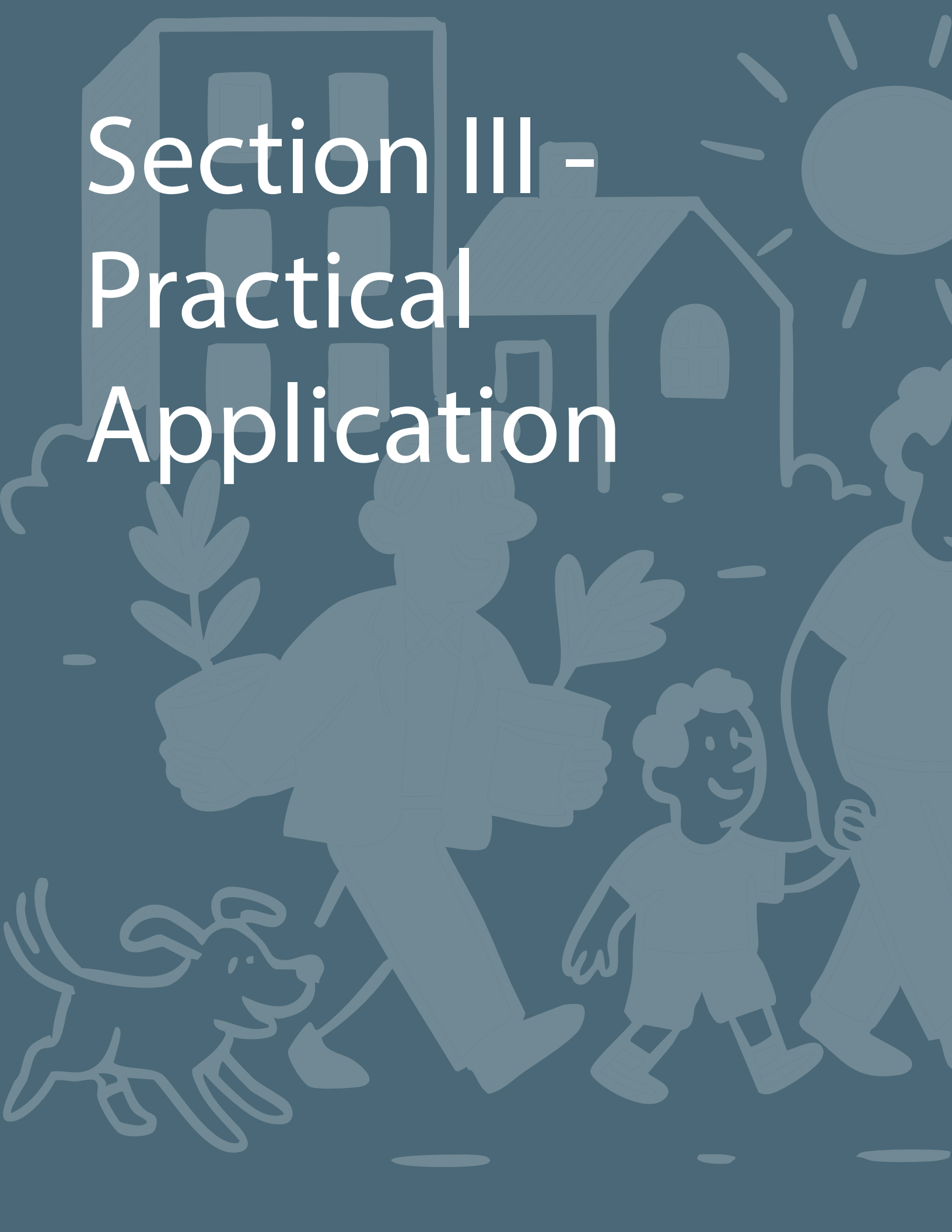
The Big Three tools are super exciting. To be impactful, governments, nonprofits and foundations must all go about doing their work differently. We will now turn our attention to discussing what these parties can and must do to act in their own self interests.

<sup>23</sup> [www.wpgfdn.org/publications](http://www.wpgfdn.org/publications)

<sup>24</sup> assuming \$200,000 per unit.

<sup>25</sup> <https://www.cppinvestments.com/wp-content/uploads/2024/07/PPP-Investments-F2024-Annual-Report.pdf>

# Section III - Practical Application





# Shifting Mindsets

## Status Quo Civil Servants

Relies on a few success stories to demonstrate the status quo is working.

Makes decisions with little focus on long term cost trend lines facing the department.

Sees poverty as a problem to manage. Very little can be done about it.

Believes partnerships with social enterprises are inappropriate.

Decision making has an emphasis on career advancement.

## Intrapreneurs

Knows things have to be done differently given societal trends.

Uses tools of social innovation to convert future costs into support for current solutions.

Knows that most people will thrive if given the right pathway to success.

Believes innovative partnerships with community-minded businesses is necessary and appropriate.

Places a high priority on community outcomes.

## *Some Tips for Intrapreneurs*

It's common for civil servants to think that if they aren't decision makers that there's nothing they can do, but there is. There's a path for civil servants to contribute to decision making which includes both helping the respective ministry or government department to meet its objectives and also to address its "pain points" - areas where the government is most struggling.

When I train civil servants, I always recommend starting small. Instead of using funding exclusively, seek out ways to start small with either social procurement or outcomes procurement. The work will grow organically. In the beginning, it's about how to move money differently between government and the social sector.

The key is to remember to "make it easy for problem solvers" (aka - social enterprises or nonprofits). Let them deal with the problems. Prioritize shifting your organization to being a customer to get better value than what you're getting now, beyond the lowest competitive price. Don't be afraid to use procurement to allow a competition to take place. If there are better outcomes wouldn't tax payers want you to choose that?

# AN INTRAPRENEUR IN ACTION

A STORY BY BRENDAN BAKAY

*I attended one of the workshops put on by the Institute for Community Prosperity at Mount Royal University in Calgary and came away excited about outcomes procurement. I gave Barb Rallison some advice though - "Stop explaining the model and give us an offer." We had been trying other models like social impact bonds but they were administratively difficult - hard to get off the ground and unreplicable.*

*I could see many selling points for outcomes procurement. "For starters, it minimizes financial risk for the government (or public) and has the potential to be less expensive than what we're paying for right now. By paying after we have saved the money, it's easier to justify the expenditures to leadership - it's a comparison to what we would have spent anyway. What we liked the most though is that we could start small and finally have a real path to addressing our workloads.*

*Outcomes procurement is so different, like a duck with cat paws. When Barb and Shaun pitched the idea, we had a few good chuckles. We first asked them, "What is the intervention going to be?" They responded with the information and a reminder that we wouldn't ask Xerox how they put the photocopier together or GM how they put the car together. They reminded us that our focus is now on being a customer rather than trying to solve the problem.*

*We then asked, "Where are you going to get the upfront money from?" Similarly, they responded with the information and an observation that we wouldn't ask GM when cars are being ordered."*

*A big part of our jobs is to avoid risk so in our typical risk averse way, we asked: "What if it doesn't work?" We realized ourselves - we don't pay, we save!"*

**Brendan Bakay is a procurement officer in Alberta's Assisted Living and Social Services. This is the government department that provides Income Support to Albertans (quotes are personal reflections only).**

# What Can Governments Do to Embrace the UPEND Shift?

## Shift Organizational Culture

- Acknowledge that the existing system isn't working for everything you're mandated to do.
- Support the "intrapreneurs" in your system.
- Start small and grow as you go along.
- Take it upon yourself to make something happen. It's no one else's job either.
- Move from competition between nonprofits to competition between what nonprofits offer and where government systems are failing.

## Embrace Social Procurement

- Leverage additional benefits across all government agencies and departments
- Negotiate directly with nonprofits on procurement contracts. Tendering is an option, but not required.
- Review Buy Social Canada's guide to Social Enterprise: Plan, Sustain and Grow. Outcomes Procurement.<sup>26</sup>
- Break up larger contracts into an appropriate scope and scale.
- Directly negotiate contracts at market rates.
- Include requirements in tenders for contractors to subcontract to social enterprises.

## Activate Outcomes Procurement

- Give your agency new options for groups of people for whom your existing interventions aren't working. This is especially true for those of you working in departments related to Health, Justice, Income Support or Policing.
- Be transparent about your costs.
- Resist the temptation to say that there's a cost to procuring outcomes. It's less expensive than the alternative and will save you money.
- Rather than expanding existing services, remember purchasing outcomes is about avoiding the need for increasing the capacity within your own department.
- Focus on the benefits of the nonprofit intervention to your department only.
- Do not cut funding to nonprofits because you're in the procurement game. It will undermine everything you're trying to do.

## Support Community Bonds

- Offer funding to nonprofits to support the start up costs of creating a community bond, including staffing, marketing and professional fees.
- Incent or require foundations to participate.
- Allow investors to donate their interest in exchange for a charitable tax receipt or better yet, exempt it from taxation.
- Guarantee community bonds. Government does this for many other investments for example energy or large infrastructure projects. Reducing risk for investors drives down interest rates.

26 [https://www.buysocialcanada.com/wp-content/uploads/BSC\\_GuidetoSocialEnterprise\\_2024.pdf](https://www.buysocialcanada.com/wp-content/uploads/BSC_GuidetoSocialEnterprise_2024.pdf)

# Strategies for Non Profits

“

If nonprofits insist on using funding only, it's like using a squirt gun on a forest fire.

**Marc Soberano**

Executive Director Building Up Toronto

The only thing that will work to change the systems that are causing, for example, homelessness and poverty is “different.” If you're looking for how to make a pitch to government to get more funding, that's great and important, but this isn't the guide for you. Let's face it, the existing relationship between government as funders and nonprofits as service providers is challenged. It breeds scarcity in the nonprofit sector, is a headache administratively and results in limited resources that don't address the growing demand for social service.

You have also known for a long time that the solutions you are offering are better and less expensive than what's being accomplished by government. It's been frustrating trying to convince government of this. Please know, civil servants are frustrated too and they don't like saying no.

You've said so many times, “if you give us more funding, you'll save money later.” You have to know that that's not what a civil servant hears. What they hear is that they'd have to come up with more funding, which almost certainly means saying no to another nonprofit that is being supported by the department. This is why they respond with “we can't afford to save money.” Funding is all about scarcity.

Remember that there are two kinds of money - funding and procurement. Fortunately, using the Big Three tools in this guide, you can move into a model of abundance. You'll first want to make an effort to get into the rooms where mainstream resources are being allocated. Remember that you have what government desperately needs. This is the ability to reduce their workload and to do so at less money than they'd pay to respond to it. You are giving them a strategy based on prevention. Procurement will ensure that your intervention is being compared with business as usual.

There will be other nonprofits in your sector who will want to compare The Big Three tools with privatization or commercialization. You might try to explain that they are community-based financial tools that allow nonprofits to get into the mainstream. If that doesn't work, you can ask them what their end game is. They likely will admit that governments are not going to come through with enough funding to move the needle. They may need more time to ponder the existing system.

At the same time, it's important to remember that they are doing great work! Keep and build upon your existing funding while pursuing outcomes procurement or social procurement as added revenue. The first step is to find an "intrapreneur" (see above). Talk to them. Seek to understand where their resources are constrained and work together to find win-wins for the government and for the good work you are already doing.

Ask the government agency that you're talking with to name some of their "pain points." Where are cost pressures growing most quickly? Do they have a typical demographic or persona of individuals that they work with repeatedly? Offer to help them reduce that problem. The key to this is to invite them to work with you to select the cohort that you'd be working with. Having them involved in the selection of the participants will help government workers quickly see the value of prevention rather than participants needing high-cost reactionary services.

The next step is to ask them how much they are currently spending to achieve the existing outcomes. The costs associated with the existing intervention are predictable and can be estimated. This will help you negotiate the value for the services you will offer that in turn will save the government money.

Don't be afraid to start small but remember you won't be piloting an intervention. Your existing work is the intervention. Instead, you'll be demonstrating how the money moves differently.

Government may want you to demonstrate that you know what you're doing. Whether you're selling drywalling or a reduction in police dispatches, they'll need to know you have the right people on staff. This is where starting small comes in handy. Over time, the social enterprise will grow because of this additional revenue.

One last reminder! Remember that the approach you are offering is largely risk free to government as they only pay for the services AFTER you deliver the service. The cost of the contract value will save them money and internal resources. It's a win-win for everyone.

Some in the nonprofit sector have troubles using market tools for ethical reasons. I would kindly offer that there are serious ethical problems with the systems we are living under now. For example, is it ok for foundations to have 95 percent of their money in traditional investments? Should police keep getting above inflationary increases using interventions that aren't working? We can't leave these existing systems unreformed. And if we keep making our arguments under the funding banner, we will end up no further ahead.

# *What Can Nonprofits Do to Embrace the UPEND Shift?*

## **Shift Organizational Culture**

- Adopt an enterprising mindset. Work with the government as a customer in addition to being a funder.
- Focus on moving money differently to move towards actual systems change.
- Put a price tag on your outcomes to move towards raising new revenues.
- Remember that what you deliver is what government needs most to reduce their overburdened workloads.
- Move from competition between nonprofits to competition between what you offer and where government systems are costly, overburdened and failing.

## **Embrace Social Procurement**

- Outcompete the private sector through your unique selling proposition as a social enterprise hiring people with barriers to employment.
- Put your surplus into growing the business, rather than paying for the social support needed for those you are hiring. These costs should be covered by outcomes procurement, funding or grants. If not, you'll price yourself out of the marketplace or have to pay your workers below market rates to cover those costs.
- Advocate to government to reduce the size of the contracts and/or parcel out the contracts to make them a better match for your existing capacity.
- Partner with existing contractors to enhance their bids. You have a unique selling proposition as a social enterprise to compete on contracts.
- Find more ideas at Buy Social Canada.

## **Activate Outcomes Procurement**

- Work with foundations to provide the upfront resources you will need to get going.
- Identify which government department is the financial beneficiary of your services. They are your customer. Work with them to identify where you can add value and save them money.

## **Modernize your relationship with foundations.**

- Leverage benefits of community bonds.
- Work with foundations to change how governments engage you. They will be surprised to see you approaching them together.
- Use your unique selling proposition to mobilize foundations interested in investing in you in new ways.
- Invite your community of supporters to back you in additional ways - donations and investing.

# Strategies for Foundations and Charities

Despite the best collective efforts, we are losing ground on major social issues. It's time to re-orient towards doing things differently. Traditional forms of grant funding are of benefit to the government, because without them, there would be more emergency room visits, more incarceration, more people on social assistance and so on. The impact of your granting can be supersized by using The Big Three.

You may have also been considering impact investment, but it's hard to invest in nonprofits if the financial benefits are being given away (to government). Getting governments using The Big Three will make impact investing so much easier for you. This will enable your foundation to demonstrate even greater social impact by making investments that are aligned with your mandate. Until now, investments you've been making may be causing the same problems that you're granting are attempting to resolve.

The nonprofit sector needs you now more than ever before to help reorient governments towards solutions rather than managing problems. It's important not to underestimate your influence on governments. They'll listen to you in ways that nonprofits won't be able to get their attention.

The question to ask is, what can charities and foundations do to help governments embrace social procurement, outcomes procurement and community bonds? We will address each briefly.

# *What Can Foundations Do to Embrace the UPEND Shift?*

## **Shift Organizational Culture**

- Acknowledge that as a foundation you have a unique role to shift and influence both government and the nonprofit sector towards better outcomes. Don't underestimate your influence on government.
- Partner with nonprofits to help governments see the value of doing things differently.

## **Social Procurement**

- Encourage and support government efforts to draft and implement social procurement policies.
- Lead by example by having your own social procurement policy.
- You can help on the supply side by granting to nonprofits the resources they need to get a social enterprise off the ground such as new staffing, board training and the purchase of equipment or vehicles.
- Find more ideas at Buy Social Canada.

## **Outcomes Procurement**

- You can help on the demand side by resourcing the costs associated with negotiating agreements.
- On the supply side, nonprofits will need risk free loans or grants to have the upfront money needed to get going.
- Remember, you're derisking the relationship between governments and nonprofits. It's really important to facilitate a modern and transformative relationship between the two.

## **Community Bonds**

- Dedicate a portion of your endowment towards social finance. Continue to increase the amount of investment through your endowment into social finance as you realize returns, both financial and social.
- Take into consideration that the size of your endowment has grown immensely due to things that are making it hard in communities like the financialization of housing or investments in sectors like fast food chains and fossil fuels. It's only right that you set a generous target to see some of your investments directed at solutions.
- Dedicate a granting stream towards the start up costs of a community bond or investment coop including the staffing resources and professional fees required to create the bond or investment coop and the associated marketing costs.

Given how bad outcomes are now, with trendlines going in the wrong direction, it seems right to say that the only thing that will work is different. Whether you work for government, a nonprofit or a foundation, you can begin to steer your ship in the direction of social innovation. These tools will better enable you to act in the interests of your employer and to give your mission statement some love. Here are some quick notes to you beloved Change-makers.

## ***NOTE TO GOVERNMENTS***

Being a customer has its benefits - you'll no longer have to say no to offers of help which you know will save money and create better outcomes. The Big Three is your path to taking pressure off your budgets by reducing workload. You'll be able to work with all levels of government much more easily.

## ***NOTE TO NONPROFITS***

New resources will allow you to scale up what you know works. This is an additional revenue opportunity, not a replacement for funding. It is your path to finally ensure governments value your work. Note that you can make arrangements with foundations that can manage your risk.

## ***NOTE TO FOUNDATIONS***

The granting work you're doing is amazing. Much of it has been with the hope that governments would see the value proposition of funding solutions in a way that real progress can be seen and felt. Making it easy for governments to make the transition will both be good for your endowments and your overall impact.

## ***NOTE TO FRONTLINE WORKERS***

We agree with you that defunding, privatization and outsourcing will take us in the wrong direction. Procurement will lessen your workload and free you up to focus on your core mandates.

# Chapter 9

Some Actual Examples



# WORK-INTEGRATED SOCIAL ENTERPRISES USING SOCIAL PROCUREMENT

## SOCIAL ENTERPRISES

National Association of Social Enterprise Contractors including

*Newo Global Energy (Edmonton), Build Up Saskatoon, BUILD and Purpose Construction (Winnipeg), Building Up (Toronto) and Impact Construction (St. John's Nfld)*

## FINANCIAL BENEFICIARY AND CUSTOMER

Public and nonprofit housing providers.



## CUSTOMER PROCUREMENT

Public and nonprofit housing providers using social procurement contractors for trades-based services to engage social enterprises rather than private sector contractors. Total value across Canada represented by the National Association is approximately \$15-20 million annually. There are approximately 250 people on their payrolls, the vast majority of whom have barriers to employment.

## UPFRONT CAPITAL

Upfront capital to launch the social enterprise was primarily self-financed. The contracts turn around quickly and invoices are paid within 30-60 days.

## INTERVENTION

Supportive employment including training and mentorship through trades-based social enterprises across Canada. Revenue to trades-based social enterprises use work via social procurement to complement funding.



## GROWTH POTENTIAL

Outcomes procurement contracts with justice and Police departments in local regions to increase revenue for employment supports, including employment training, mentorship, addictions support, etc. Additional cohorts of employment participants could be added over time, which are jointly agreed upon by the social enterprise and the customer (aka government).



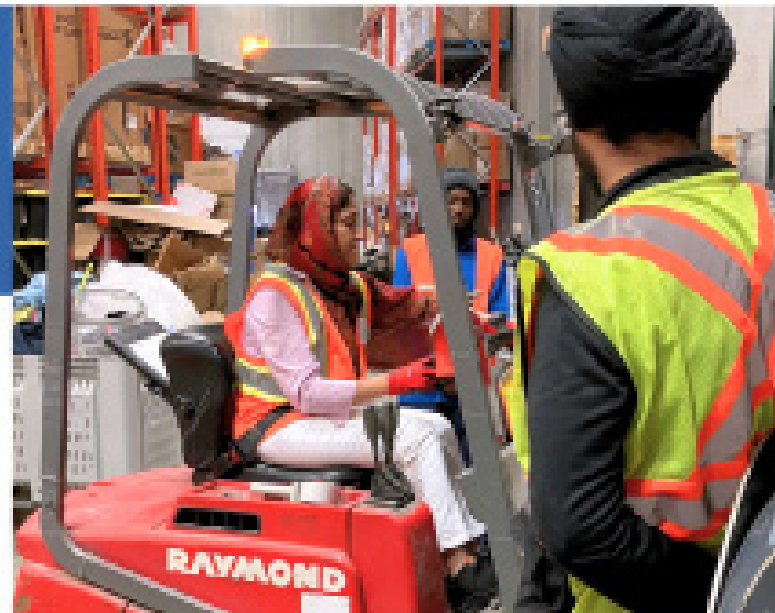
# INCOME SUPPORT CASELOAD REDUCTION INITIATIVE USING OUTCOMES PROCUREMENT

## SOCIAL ENTERPRISES

*The Institute for Community Prosperity at Mount Royal University (MRU) in partnership with 4 Calgary-based community serving organizations.*

## FINANCIAL BENEFICIARY AND CUSTOMER

*Ministry of Seniors, Community and Social Services within the Government of Alberta.*



## PROCUREMENT AGREEMENT

*Mount Royal University and the Government of Alberta signed a two-year agreement where, instead of the ministry using procurement to deliver 40 refugees on Income Support, the Ministry is using outcomes procurement to pay the Institute for 40 refugees not on Income Support for two years or more. The contract will be paid after the service is delivered.*

## UPFRONT CAPITAL

*Northpine Foundation provided the upfront investment for MRU to subcontract community partners and hire a coordinator to provide mentorship and job coaching. The revenue from the initial procurement contract and future contracts that is paid by the customer (the Ministry) will allow for additional cohorts to be added.*

## INTERVENTION

*MRU selected four community partners to provide employment training and customized employment support to the cohort. Access to English training, driver's training, mentorship, and job coaching is provided through the Institute. Partners include **Momentum**, **FireX3**, **Centre for Newcomers**, and **WINS**. The revenue from this contract is in addition to existing funding contracts for each organization. The cohort of 40 refugees was jointly selected by the Ministry, the university, and community partners.*

## GROWTH POTENTIAL

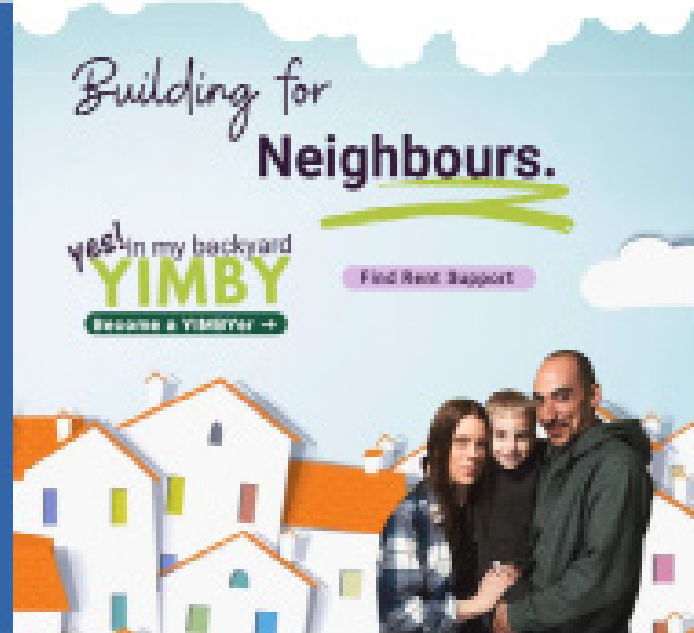
*Additional procurement contracts with other cohorts, such as those on disability, those with criminal records, parents with children, and refugees with low English literacy. Each cohort has a different value proposition for the Ministry. Social procurement would add an additional revenue stream to launch a social enterprise.*

**StartWork**  
JOBS FOR REFUGEES

# REDWOOD PARK RAISES \$10 MILLION FOR AFFORDABLE HOUSING USING COMMUNITY BONDS

## SOCIAL ENTERPRISES

Redwood Park Communities is raising \$10 million in community bonds to pay the capital required to establish 146 units of affordable housing in Simcoe County, Ontario. The community bond campaign was designed and guided by *Tapestry Capital*. The units will be renovated and/or built by Community Builders, a construction-based social enterprise also based in Simcoe County.



## INVESTORS

Investors earn between 3.5 - 4.5% annually depending on the amount of their investment. Investors are able to reinvest in new community bond options or have the entire principle returned when the bond matures.

yes! in my backyard  
**YIMBY**



## GROWTH POTENTIAL

More housing that will forever be controlled by the community rather than for investment returns will help maintain affordability. Outcomes procurement contracts with local and provincial governments to provide supportive employment for residents of Redwood Park Communities.

**HELP US BUILD DEEPLY AFFORDABLE HOUSING**



# Putting it all together

Social procurement, outcomes procurement and community bonds, what we call *The Big Three*, can be used by governments, social enterprises and foundations to finally tackle the most stubborn and expensive social problems in Canada. Below are a few examples of their potential.

## Mental Health



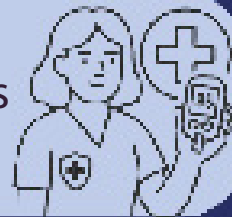
A local sustainable farmer uses a community bond to raise capital for tiny homes on her farm. Using revenue from outcomes procurement, she houses people who are frequent visitors to the local mental health ward teaching agricultural skills and wellness.



## Gang Violence

A trades-based social enterprise uses social procurement to secure work with public housing. Outcomes procurement secures resources needed to pay for training and employment supports for an agreed upon cohort.

## Diabetes



A nonprofit secures an outcomes procurement agreement with a provincial health authority to be paid for every prediabetic that doesn't become diabetic. They secure a community bond to raise the upfront dollars to deliver the intervention.



## Policing

The local police department issues an outcomes procurement contract committing to pay a social enterprise \$2 million if it lowers the expected police dispatches by 1,000 or more for an agreed upon cohort. The initiative frees up police so they can be dispatched more quickly when a 911 call occurs.

# Chapter 10

How to Get Started



## A Career of Richness

A STORY BY MARC SOBERANO

*I was 24 years old and had just completed a business degree at the Ivey School of Business at Western University. I wanted to do something meaningful with my life which led me to volunteer at Ashoka Canada, an organization that supports Canada's leading social entrepreneurs. At the time, I had no idea that this experience would lead me to start my own social enterprise. At Ashoka, I met Shaun Loney. I felt that what Shaun and BUILD were doing in Winnipeg made so much sense from a social, environmental and financial perspective. I felt deep down that this model should exist everywhere including my home city of Toronto. The rest is history.*

*In 2014, I made a trip to Winnipeg to see for myself what a successfully operating social enterprise in the trades sector looks like. I understood from their amazing team that the spirit of BUILD and the importance of storytelling in getting buy-in from the government as funders and customers. I felt ready and eager to adapt BUILD's model to my own context in Toronto. Having the opportunity to see what a thriving social enterprise might look like a few years down the road made things easier to get started. We now had a vision to work towards.*

*After the trip to Winnipeg, a group of us gave birth to Building Up. Our objective was to create pathways to employment for people that experience barriers to employment. In the beginning, we did this through training people to install and retrofit water and energy efficient toilets. I wasn't an expert in toilets, or trades, or training, or business, or social enterprise, or, for that matter, in anything - believe me! I quickly learned that I didn't have to be.*



**Marc selling toilet installs at a Toronto trade show in 2015**

*We didn't have a business plan and I'm glad we didn't. With a business plan, I would have overthought everything and we would have never got started. We crunched some broad numbers and had conversations with meaningful stakeholders to the extent that I saw a feasible-enough path forward. I roughly knew what was needed to run the organization and created a very simple spreadsheet to determine costs and the number of retrofits we would need to cover them. The breakeven point felt very manageable. A friend made our logo and created the website. All of a sudden, we seemed to exist!*



*I spoke to anyone I could, whether they were a potential customer, funder, trainer, or partner. Each time I met someone, I asked them to introduce me to three or four other people that could provide guidance or advice. At first, I was stuck in a 'chicken or egg' scenario. Building Up couldn't get credibility until we did work and we couldn't get work until we had credibility. We used some unreasonable optimism to create momentum. We slowly hired people to do jobs as we secured work or resources. A friend did our books for us. We had no vehicles. I borrowed my sister's car as I could fit six toilets in there! There was no office space. What we did have was big hearts. We made common sense decisions and stayed true to our early commitment to create employment paths for those who most needed it.*

*It was March 2015 when Building Up really started to take off. We received a \$100,000USD grant from Michael Bloomberg's Genesis Generation Challenge. The key lesson here is because we had the gumption to just get going, we now were in the position to win this award. This was a turning point. We were able to turn some "what ifs" into reality such as "what if we had a social contractor that could hire people who didn't have access to employment?" Using Bloomberg's name didn't hurt either!*

*More good things began to happen after that. Our focus was to make sure we were learning along the way. We hired a plumber to lead the crews and teach the trades and I was moonlighting as the unofficial math teacher, social worker, job developer and marketing manager. I had a more robust skill set than I initially gave myself credit for!*

*As we evolved, we were more responsible to the needs of our trainees. For instance, when a couple of Building Up trainees went back to jail, we realized we needed to embed more support to reduce the likelihood of recidivism among trainees. The quality of our training and services has improved so much over the years. We now line up loans, drivers' licenses, housing advocacy, mental health supports and whatever a person needs at a given point of their journey from trainee to tradesperson.*

*By seeing ourselves as a workforce development agency that operates a business rather than a business that does some workforce development, we eventually moved towards engaging governments differently by offering them a new, more effective approach to help people get off social assistance. The government has been able to appreciate the value of partnering with us. Essentially, they are buying our services.*

*Building Up now has over 100 employees and an annual budget of over \$6 million. We have built strong relationships with 10 unions. Our trainees go onto apprentice with these unions. We have won awards in the nonprofit, energy and social enterprise sectors. We've been on CBC's The National, TV Ontario's - The Agenda and in the Toronto Star.*

**Marc is the founder of Building Up in Toronto.**

Marc's story is so informative. And fairly typical of how so many successful social enterprises get started.

I did a workshop once and a participant practically accosted me at a break and said, "You're gonna give me the 10 steps to getting started and you're gonna do it now." Everyone laughed. I scribbled out the 10. It's definitely not scientific! Use it if it's helpful. See if you can see these steps in Marc's story.

# 10 STEPS TO STARTING A SOCIAL ENTERPRISE

# 1

**Do not follow this list!**

You'll have your own list. Weave your own way around opportunities and problems.

## Generate ideas.

You're not the first to use new approaches to try to address a problem. What other social enterprises are there that you can learn from or work with?

# 4

## Lean into WE not me.

Gather together a group of solutions-minded people with diverse skill sets.

# 2

# 5

## What is your widget?

Get clear on what you're selling and put a value on it. Focus on how to create additional revenue other than funding through procurement. Focus on moving money differently.

## Understand the problem?

# 3

Seek out the intrapreneurs in government to understand where you can add value in areas where they are struggling. Which department is the financial beneficiary of your work. Open up a conversation about doing things differently. This is how you can add revenue to your existing funding to grow your good work.

# 6

## Who are your customers?

Who are your customers that will value your approach? Think about which government department or agency is your financial beneficiary. Find the intrapreneurs within each and open up conversations. How does your intervention or product outcompete the competition? What's your unique selling proposition?

# 7

## Start. Just please start.

Start at the beginning, not the middle or the end. You can start before you even incorporate. Pop-up approaches are a great way to going and test you ideas. Apply Lean Start Up techniques - it's a thing. Is there another nonprofit that you can partner with or start a division under for now? See point #9.

## Make sure your financial house is in order.

And while you're at it, keep on top of your board's needs and other stuff that's not so much fun.

# 10

# 8

## Tell your story.

Invite the media, politicians, civil servants and philanthropists for tours. Make them feel part of the solution. Invite them to be a part of the journey.

## Listen to the social enterprise.

It will tell you what it needs. This might sound 'out there,' but you'll soon see that the wisdom is right there, in the social enterprise itself.

# 9

# Conclusion

## *Conclusion*

Who would have known that when BUILD was founded in 2006 that the journey would provide so much knowledge about what changemaking actually looks like.

We are just spinning our wheels trying to make change until we lean into The Big Three.

Using social procurement, the three levels of government could see 40,000 jobs for people who don't currently have access to the labour market if they target only two percent of their existing purchases of goods and services - at no extra costs to government.

Using outcomes procurement, we can easily see a 10 percent reduction in police workload, visits to emergency wards and number of people on Income Support - at no extra costs to government.

Using community bonds, foundations can create 30,000 new affordable and supportive housing units across the country by allocating just 5 percent of their endowments (a small fraction of what they have invested in land, real estate and mortgages that aren't offering social impact benefits).

And these numbers are only the impact of just getting started. These three tools are game changers. Moves in this direction are practical and needed.

We hope you'll find this information helpful. We're excited about what love and compassion can do to reverse harmful societal trends if given the opportunity to be compared against the outcomes that we are living with now.

This guide is a beginning to use these tools. Please contact me at [UPEND@shaunloney.ca](mailto:UPEND@shaunloney.ca) if you're interested in training or a workshop. We train civil servants, nonprofits, and foundations to increase impact. I also enjoy speaking engagements to broader audiences.

The Institute for Community Prosperity also invites you to engage with them. Visit their website to sign up for workshops and courses on social innovation, systems-learning and community engagement, or contact us for presentations about UPEND. We look forward to connecting!

*Published October 2025*

