PUBLIC POLICIES ENABLING SOCIAL IMPACT INVESTMENT FUNDS: TAX-CREDITS AND CASH TRANSFERS

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I dedicate this dissertation to my beautiful daughter Kirsten, who has been a source of inspiration since the day she was born and has given me the courage to face the challenge and intensity of a Ph.D. program.

DECLARATION

Brian Carriere submitted this dissertation under the direction of my thesis committee; the persons listed below. It was submitted to the Department of Public Administration to be approved in partial fulfillment of the requirements for the degree of Doctor of Philosophy in Public Administration at the University of Ottawa.

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ABSTRACT

Over the past decade, Social Impact Investing (SII) has garnered increasing attention among public policy makers as a solution for multigenerational, complex, intractable social and environmental problems, or as some advocates like to say, 'wicked' problems. The growing interest in SII aligns with the expansion, since the 1980s, of a set of public sector reforms that make use of new public policy instruments to achieve public objectives. Neoliberal economists and New Public Management (NPM) theorists have long argued for these reforms to improve the effectiveness and efficiency of government bureaucracies. These reforms have led to a paradigm shift that Lester M. Salamon has labeled 'New Governance', characterized by public policies that make use of market mechanisms, partnerships with new actors, networks and flexible rules. Public administration scholars have suggested focusing on public policy instruments instead of the traditional focus on programs and institutions to gain an understanding of the dynamics of the 'New Governance' paradigm and to address important questions that go beyond the dimensions of effectiveness and efficiency. This dissertation draws on Lester M. Salamon's framework for analyzing public policy instruments combined with a conceptual framework developed by the Organization for Economic Development and Cooperation (OECD). The thesis uses this framework to assess the SII market by examining three cases of Canadian federal public policy instruments designed and implemented to achieve socio-economic objectives. These policy instruments provide either a cash transfer or a tax incentive to create investment funds mandated to invest with a purpose of making a return and achieving a positive social outcome. The dissertation employs a qualitative research approach and case study method to explore questions of equity and effectiveness to produce findings and recommendations useful to pubic administration scholars who focus their research on public policy instruments and to public policy makers who are considering policy options for structuring and growing the SII market. Data was collected through an extensive document review and 19 semistructured interviews. A dimensional analysis, SII analysis and discourse analysis of the data were undertaken. The researcher made the choice of undertaking a discourse analysis in order to fill a gap in the public policy instrument literature and inform the debate on SII. This dissertation contributes to the body of knowledge on public policy instruments and SII by presenting the results of a comparative analysis of three public policy instruments that created investment funds mandated to produce socio-economic outcomes.

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TABLE OF CONTENT

Page

LIST OF TABLES

LIST OF FIGURES

LIST OF APPENDICES

LIST OF ACRONYMS

AUM	Assets Under Management
CDA	Critical Discourse Analysis
CEDIF	Community Economic Development Investment Fund
CSN	Confédération des syndicats nationaux
CWEF	Canadian Worker Cooperative Federation
FSTQ	Fond de solidarité des travailleurs du Québec
FTQ	Fédération des travailleurs et traveilleuses du Québec
II	Impact Investing
ISED	Innovation, Science and Economic Development Canada
LSVCC	Labour Sponsored Venture Capital Corporation
NPM	New Public Management
NSCC	Nova Scotia Securities Commission
REB	Research Ethics Board
RRSP	Registered Retirement Savings Plan
SII	Social Impact Investing
SME	Small and Medium-sized Enterprises
SROI	Social Return on Investment
WD	Western Economic Diversification Canada
WEF	World Economic Forum
WEI	Women's Enterprise Initiative

CHAPTER 1: INTRODUCTION

1.1 Background

Over the past decade, Social Impact Investing (SII) has garnered increasing attention as a solution for multigenerational, complex and intractable social and environmental problems, or, as some advocates like to say, “wicked” problems. There is still debate among scholars and practitioners as to what exactly constitutes SII (Pinsky, 2011:48), but generally speaking, it involves investments in profit-oriented solutions for social and environmental issues. What is clear is that policy makers are increasingly interested in SII both domestically[1] and internationally[2]. Their interest stems from the view that SII approaches can supplement stretched public budgets by offering new sources of funding and improve public sector outcomes by integrating the measurement of social or environmental impacts.

Governments have been employing market-oriented mechanisms for some time. The logic for government involvement in SII is similar to the logic underpinning arguments

[1] In the Canadian context, Cabinet Ministers developed and are in the process of implementing a National Social Innovation and Social Finance strategy. Public consultations were undertaken and the implementation started in the fall of 2018. Two parliamentary committees and one senate committee completed studies on the potential of social finance in Canada. In 2012, Human Resources and Skills Development, now Employment and Social Development Canada, collected ideas from nonprofit and charitable organization on how the federal government can leverage social finance for addressing social challenges. Finally, a 2010 Canadian Task Force for Social Finance identified social finance as a critical and timely lever for accelerating social innovation.

[2] In 2015, a Global Social Impact Investment Steering Group was created. It replaced the 2013 G7 Social Impact Investing Taskforce, which was initiated by David Cameron, the former Prime Minister of the United Kingdom. The taskforce produced recommendations on how to structure and grow the SII market within participating countries and internationally. As well, the Vatican demonstrated leadership in SII when it started organizing an annual conference on Social Impact Investing in 2015. These are but two examples of growing interest in SII internationally.

for public sector reforms advanced by New Public Management (NPM) theorists and neoliberal economists. For the better part of forty years, NPM scholars and neo-liberal economists have been pressuring governments to improve the effectiveness and efficiency of government programs and institutions by making use of private sector models and principles (Salamon, 2000:1611; Gunningham, 2005:332; Klijn, 2012:1). Governments have responded to this pressure by engaging with non-state actors and experimenting with a range of new public policy instruments (Salamon, 2000:1610; Hood, 2007:131). Lester M. Salamon has labeled this new paradigm, “New Governance”.

Even with a history of experimenting with innovative public policy instruments, governments should be cautious. There is little academic research on SII approaches and even less research on SII undertaken from a public administration perspective. This means little theoretically driven empirical evidence exists to suggest that SII is more effective than traditional government programs and institutions. As well, questions remain as to if public policy instruments enabling SII funds are more equitable, legitimate or transparent. This dissertation aims to fill a research gap by examining three cases of public policy instruments that were designed and implemented to create and sustain investment funds for the purpose of achieving economic and social objectives.

This chapter provides an introduction to the dissertation. The structure of this chapter is as follows; Section 1.2 presents the context and significance of the dissertation; Section 1.3 provides the purpose of the research; Section 1.4 offers a summary of the methodology of the dissertation; and Section 1.5 outlines the structure of the dissertation.

1.2 Context and Significance of the Dissertation

Despite the rapid expansion of SII projects and initiatives domestically and internationally, there remains a gap in theoretically driven empirical research on the subject. Generally speaking, SII can be construed as part of a growing trend in government experimentation with innovative public policy instruments to reach public objectives. Experimentation with new public policy instruments are being undertaken to improve the effectiveness and efficiency of government bureaucracies. Public administration scholars have referred to this trend as a movement from government to governance (Salamon, 2000: 1612; Landry of Varone, 2005:131). Lester M. Salamon has labeled this paradigm shift as "New Governance". The trend is characterised by governments acting in concert with non-state actors when designing and implementing public policy instruments rather than simply providing public goods and services directly to citizens (Krahmann, 2003:323; Isslays, 2005:156). New Public Management and neoliberal theorists have long argued for these types of reforms.

1.2.1 New Public Management

New Public Management scholars emerged in the late 1970s and early 1980s arguing for reforming traditional public administration structures and principles. Their belief was that government bureaucracies had become so large that they were no longer serving the interests of individual citizens due to their ineffectiveness and inefficiencies (Hughes, 2003:61). NPM scholars argued that society, economies and political systems had become so complex that new administrative structures were needed to manage the complexity. The research produced by NPM scholars laid the foundation for a set of government reforms implemented in Western industrialized democratic countries. However, not all scholars agree with the NPM philosophy.

Some public administration scholars argued that NPM takes a simplistic view of public institutions and the social issues they are mandated to address. Some of the innovative public policy instruments advocated by NPM scholars are so complex that they can actually present new problems rather than be solutions (Salamon, 2001:1621). As well, public institutions operate in a very different context than private sector organizations, which means that private sector mechanisms may not be useful for some public institutions (Savoie, 2002: 265; Singh, 2003:16). For this reason, some public administration scholars advanced frameworks and concepts for analyzing new public policy instruments associated with the shift from government to governance for managing society and the economy.

1.2.2 Public Policy Instrument Research

Public policy instrument research emerged as a method of researching the collaborative character of governance; public administration scholars researching public policy instruments shifted the research focus from government programs and institutions to public policy instruments (Salamon, 2000: 1640). Salamon (2000:1642) defined public policy instruments as an identifiable method or technique used by governments to take collective action to solve a public problem. Public policy instrument researchers recognize the need for a new analytical approach to make sense of the complexity of the public policy process due to the increasing use of governance models. These scholars argued the evaluation of government action required more than a simple analysis in terms of effectiveness and efficiency.

Public policy instruments require an evaluation in terms of dimensions that are relevant to the public sector (Lester M. Salamon, 2000:1647). Public policy instruments should be examined not only in terms of effectiveness and efficiency, but also in terms of other dimensions such as equity, manageability and political legitimacy (Lester M. Salamon, 2000:1647). Public administration scholars have advanced theories and frameworks for guiding research on and conceptualizing public policy instruments, which has produced a rich body of literature.

Even with the contribution of these public administration scholars, there remains a need for analysis of new public policy instruments especially when it comes to gaining an understanding of the politics of policy instrument selection by governments (Hood, 2007:139). As well, adding contextual analysis to economic instruments and comparing different instruments to one another are needed (Eliadis et al., 2005:7). Finally, gaining an understanding of public policy instruments in an historical context would also be useful (Hill, 2005:68).

This dissertation contributes to the body of knowledge on public policy instruments by presenting the results of a comparative analysis of three public policy instruments. The dissertation employed a theoretical framework built from Lester M. Salamon's work on the subject. The research defined each policy instrument. This provided an understanding of each public policy instrument in an historical context. The dissertation also includes a dimensional analysis prioritizing the dimensions of equity and effectiveness for each policy instrument. As well, a discourse analysis was undertaken. The discourse analysis revealed preferences for or against each of the policy instruments based on factors that go beyond their perceived effectiveness and efficiency. The dissertation also contributes to the nascent body of academic literature on SII.

1.2.3 Social Impact Investing Research

Scholars have undertaken very little research on Social Impact Investing. Practitioners interested in generating opportunities for application of SII models and recommending policy options for structuring and growing the market have produced most of the existing research on the subject (Clarkin and Cangioni, 2015:137). There is a clear need for empirically driven academic research on SII. This dissertation aims to contribute to a nascent body of literature on SII by analyzing three public policy instruments through an OECD (2015) framework for assessing SII. The ultimate goal of this analysis was to provide recommendations to policy makers considering policy options for getting involved in the SII market. Scholars and practitioners still have not reached a consensus on a precise and universally accepted definition of SII; however, the OECD framework for assessing SII projects is quite substantive.

The OECD (2015) defines Social Impact Investing as investments in companies, organizations and funds with the intention for producing not only a financial return but also a positive and measurable social or environmental impact. *Intentionality* and *measurable impact* are central to SII. SII has four core characteristics: *intentionality, investment with return expectation, range of return, and impact measurement*. Of note, some practitioners would not view the investment funds created by the public policy instruments chosen as case studies for this dissertation as SII funds even with the funds' mission to produce both economic and social objectives. According to the OECD, investments funds that do not have a formal mechanism to measure social or environmental impact cannot be defined as SII funds.

According to the OECD, for an investment to be considered a SII fund, the investor must be intentionally searching to produce positive social outcomes. As well, they must be expecting to make a return on investment, however, the return can range from a below market to a market rate of return to an above market rate of return. There must be a commitment to collect, analyze and report data on the social or environmental performance of the investment. The current research contributes to the nascent academic literature on SII by providing some insight on equity outcomes and effectiveness of certain policy instruments that created investment funds with social and economic objectives. It also provides evidence that political discourse can impact the choice of public policy instruments demonstrating the need for more empirical evidence on the social outcomes of SII approaches.

1.3 The Purpose of the Dissertation

This dissertation explored the equity and effectiveness outcomes of three public policy instruments. It evaluated them using an OECD framework for assessing SII funds. The purpose of this dissertation was to explore the equity and effectiveness outcomes of public policies aiming to advance socio-economic objectives by creating investment funds. It also included an investigation into the strengths and weaknesses of the different policy instruments to make a contribution to the public policy instrument literature and to the nascent literature on Social Impact Investing. The specific objectives of the dissertation were:

- to investigate the extent to which the public policy instruments reach their policy objectives;
- to investigate and compare three different public policy instruments in their ability to produce an economic and social objectives;
- to gain an understanding of the equity and effectiveness outcomes of the public policy instruments.
- to recommend policy options from the findings of the research.

1.4 Methodology

The research for this dissertation employed a qualitative data collection and analysis methods guided by a theoretical framework for analyzing public policy instruments built by Lester M. Salamon and an OECD conceptual framework for assessing SII investments. Having chosen a qualitative research approach, the dissertation was most suited to a case study design. A case study is a record of research, which provides a detailed description, and analysis of a phenomenon, social unit or system bounded by time or place (Miles and Huberman, 1994:25; Merriam and Tisdell, 2015:37; Berg, 2016:225).

Table 1.1 on page 9 provides a summary of the three case studies. Case 1 is a federal public policy instrument titled the Labour Sponsored Venture Capital Corporation (LSVCC) Tax-Credit. The LSVCC Tax-Credit was designed and implemented to create union backed investment funds called LSVCCs to promote regional economic development, give unions a say in economic decisions and provide a vehicle to help low-skilled workers to save for retirement. The province of Québec, which houses two LSVCCs named Fonds de solidarité FTQ and Fondaction CNS was the jurisdictional focus for this dissertation. Case 2 is a federal public policy instrument providing a tax-credit for Nova Scotia residents investing in Community Economic Development Investment Funds (CEDIF). CEDIFs are required to make equity investments in rural based small and medium sized (SME) firms. The CEDIF chosen for Case 2 are Farmworks and New Dawn Enterprises. Case 3 is the Western Economic Diversification Canada's Women's Enterprise Initiative (WEI). The WEI created four nonprofit organizations, which were included in the case study. The choice of case studies was restricted to federal policy instruments because of data availability and consistency for level of analysis. It was also important for the researcher to select organizations that represented the country's regional and cultural diversity.

Data were collected through an extensive document review, which collected 129 documents, and 19 semistructured key informant interviews of executives, senior program officers and senior public servants that were directly involved with the public policy instruments under investigation. Data ware collected between May 11, 2016 and May 10, 2017. The data were coded and analyzed using the qualitative data analysis computer software package NVivo 11.

Table 1.1: Case Studies

	Public Policy Instrument	Public Policy Instrument Name	Organizations
Case 1	Tax-credit	Labour Sponsored Venture Capital Corporation Tax-Credit	1. Fondaction CNS 2. Fonds de solidarité FTQ
Case 2	Tax-credit	Community Economic Development Investment Funds Tax-Credit	1. Farmworks 2. New Dawn Enterprises
Case 3	Initial cash transfers plus an annual recurring cash transfers	Western Economic Diversification Canada's Women's Enterprise Initiative	1. Women Enterprise Centre of British Columbia 2. Alberta Women Entrepreneurs 3. Women Entrepreneurs of Saskatchewan 4. Women's Enterprise Centre of Manitoba

1.5 Structure of the Dissertation

This dissertation comprises six chapters. Chapter 1 presents the framework of the dissertation. It also provides the definitions of public policy instruments and Social Impact Investing. The existing gap in the public policy instrument and SII literatures and the contribution of this dissertation are discussed. Finally, the purpose of the research is presented and methodology introduced.

Chapter 2 provides a literature review of governance, New Public Management, public policy instrument and SII research. This chapter also discusses the relationship between these areas of research. Following, a theoretical framework is built from the public policy instrument and SII theory.

Chapter 3 explains the methodology of the dissertation and includes the justification for choosing a qualitative research method and a discussion of the case study approach. It also includes the method of data collection and analysis.

Chapter 4 defines the public policy instruments to provide a foundation for Chapter 5 and Chapter 6. Common features and more specific design features are presented.

Chapter 5 consists of the results of the data analyses including a dimensional analysis, a SII analysis and a discourse analysis.

Chapter 6 discusses the implications of the findings presented in Chapter 5. The discussion further incorporates theoretical and empirical evidence from the literature on public policy instruments and SII. This chapter provides policy recommendations for policy makers considering different policy options for structuring and growing the SII market.

CHAPTER 2: LITERATURE REVIEW

2.1 Introduction

This chapter reviews the literature on New Public Management (NPM) to give background information for this dissertation. NPM is a contemporary government reform movement that would like to see governments make more use of private sector models and partnerships. Public policies aiming to grow the Social Impact Investing (SII) market can be considered part of this reform movement. The chapter also critically analyzes the academic literature on public policy instruments and reviews the nascent scholarly work on SII. The analysis is followed by a presentation of a theoretical framework constructed from public policy instrument theory and a SII framework presented by the Organization for Economic Development and Cooperation (OECD). The theoretical framework used to undertake research on three federal public policies instruments chosen as cases studies for this dissertation.

The chapter begins by setting the context with a discussion about the concept of governance since public policy instruments are systematically linked with governance (Eliadis, Hill and Howlett, 2005:4). As Eliadis et al. (2005:5) state, “it is impossible to think analytically or sensibly about governance without also thinking about the tools or instruments that make it a practical reality.” The public policy process is complex and often includes dozens of policy options and involves hundreds of actors. These actors obviously try to influence the choice of policies and programs leading to conflict due to different positions as to what constitutes the “correct” policy option (Weible, 2007:3; Schlager: 2007:293; Howlett, Ramesh and Perl, 2009:20). Adding to the complexity, the policy process can be impacted by unexpected events, span a period of decades, address different policy domains and require the participation of different levels of government (Weible, 2007:3).

Over the last thirty to forty years, governments have made a conscious decision to increasingly address public policy issues by collaborating with non-state actors and by employing new forms of internal processes as well as innovative public policies and programs (Salamon, 2000:1610; Hood, 2007:131). Economists and political scientists who developed a renewed belief in neoliberal economic theory and began believing in the power of the private sector for achieving public objectives have pressured governments to improve the effectiveness and efficiency of programs and institutions (Salamon, 2000:1611; Gunningham, 2005:332; Klijn, 2012:1). Convincing governments of the value of SII as an instrument for public good could be considered part of this larger effort to improve effectiveness and efficiencies of government activities by adopting private sector models and mechanisms. The public administration scholar Lester M. Salamon (2000:1619) conceptualized and labeled this reform movement as "New Governance".[3]

Public administration scholars have primarily been concerned with studying the public decision-making process for the purpose of improving it (Brunner, 1991:157). There is a

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[3] This dissertation makes use of Lester M. Salamon's framework for analyzing public policy instruments. Lester M. Salamon first argued for a focus on tools of public action rather than government programs or institutions in a journal article published in the Fordham Urban Law Journal in 2000. This journal article was later used basically unchanged as an introductory chapter for a professional guide to the principles and practices of public administration titled *The Tools of Government: A guide to the New Governance* published in 2002. This dissertation makes use of the original journal article.

long scholarly tradition for analyzing public policy instruments for producing insights into the policy process. Public policy instruments are defined as “techniques of governance that, one way or another, involve the utilization of state authority or its conscious limitation” (Howlett, 2005:31). This dissertation makes use of public policy instrument theory for analyzing three federal cases of public policy instruments that incentivized the creation of investment funds for addressing social and economic inequalities. It is therefore drawing on the tradition established by public policy instrument scholars.

The dissertation also makes use of the nascent scholarly work on SII. Little theoretically driven empirical research has been undertaken on SII. The absence of empirical research on SII is even more pronounced when considering the research from a public policy perspective. Moreover, there is still debate among scholars on the purpose, definition and results of SII (Pinsky, 2011:48; Eurosif, 2012:7; Höchstädter and Scheck, 2014:449). Some conceptual work, notably that of the OECD (2015) can be drawn from for definitional purposes. This dissertation makes use of the OECD framework to analyze the three public policy instrument and aims to make a significant contribution to this nascent body of literature.

The Chapter is structured as follows. Section 2.2 examines the concept of governance within the public administration literature. Governance is a necessary starting point for considering policy instruments as techniques of governance (Howlett, 2005:32; Salamon, 2001:1632). Section 2.3 turns to a discussion on NPM, the reasons for its emergence, an understanding of its basic principles. Section 2.4 includes a critical analysis of the literature on policy instruments followed by Section 2.5, a review and analysis of the nascent literature on SII. Section 2.6 offers a framework for analyzing the three cases of public policy instruments. Section 2.7 discusses the assessment of public policy instruments in the context of SII. Finally, a conclusion is offered.

2.2 Governance

In a broad sense, SII is part of a growing trend in a government reform movement where innovative public policy instruments are chosen to reach public objectives. Innovation in public policy arrangements is central to the definition of governance. Of note, scholars from different disciplines have defined and used the term governance in a variety of ways depending on the context and level of analysis.[4] One commonality found across definitions is that governments now act in concert with non-state actors as a necessary element of producing public policy, regardless of the level of government (Krahmann, 2003:323; Isslays, 2005:156).

In national policymaking, the level of analysis for this dissertation, the term governance has been used as a distinct concept to refer to reforms to public administrative structures involving subnational bodies and non-state actors. For example, a government chooses to address a social issue by offering a cash transfer through a contribution agreement to a nonprofit organization, a company or an association to offer a public service. Reforms

[4] The term governance has been used in a variety of ways when describing policymaking and has been observed to hold at least six different meanings in political discourse within British politics; academic literature applies the concept of governance to more than twenty subject areas (Rhodes, 1996: 652; Krahmann, 2003:324).

have also included the introduction of competition and market principles within government institutions (Krahmann, 2003:325).[5] For the purpose of this dissertation, governance will be defined as governments using innovative public policy instruments to address social and economic issues by collaborating directly or indirectly with non-governmental organizations and other government bodies to stimulate investment in small or medium sized enterprises (SMEs).

An important characteristic of governance is government movement towards the use of horizontal network-based policy instruments and away from vertical or hierarchical policy instruments (Bressers and O'Toole, 1998:224; Salamon, 2000:1636; Eliadis et al., 2005:9; Ringeling, 2005:185; Landry and Varone, 2005:130). Horizontal policy instruments incorporate partnerships with other government entities and non-governmental organizations; they also make use of other forms of participatory policy making. In contrast, vertical or hierarchical public policy instrument comprise command and control instruments such as laws and regulations.

As mentioned above, Lester M. Salamon (2000:1623) descries governance as a 'new approach to public problem-solving for the era of "third-party government" in which we find ourselves.' Salamon's label of "New Governance" was deliberately constructed using the word "new" and "governance" to place emphasis the need for a new approach

[5] According to Krahmann (2003:325), scholars have used the term governance primarily in four ways. The other three include the use of the term as a generic category synonymous with a state structure (for example, parliamentary system); in the governance of a particular policy domain (for example, education); and in the analysis of corporate governance.

to conducting research into government and public policy to account for the emerging collaborative nature of public policy making. Salamon argues that investigations into the public policy process should focus on public policy instruments as the unit of analysis.

Salamon (2000:1624) argues that there is a need for, 'a shift in the "unit of analysis" in policy analysis and public administration from the public agencies or the individual public programs to the distinctive *tools* or *instruments* through which public purposes are pursued." Salamon is credited for advancing a clear and authoritative framework for analyzing policy instruments (Bressers and O'Toole, 1998:217; Howlett, 2005:35; Hood, 2007:134; Lascoumes and Le Gales, 2007:1). Salamon sees a link between the "New Governance" paradigm and the rise of NPM (Hood, 2007:134). Over the past few decades, NPM advocates have been arguing for public sector reforms and alternative ways of delivering public services. This has given rise to new public policy instruments.

2.3 New Public Management

Although NPM and governance have different points of origin, both concepts have similarities in terms of placing value on performance management principles and the adoption of horizontal networks in policy arrangements (Grindle, 2004:526; Klijn, 2012:1). NPM emerged in the late 1970s and early 1980s as a set of public administrative doctrines that were meant to replace traditional public administration principles (Klijn, 2012:3). Neoliberal economists had been arguing that the size of government had become an impediment to economic growth and individual rights and freedoms (Hughes, 2003:61).[6] Their argument convinced some politicians to experiment with NPM reforms first introduced in the United Kingdom then in other Anglo-American countries like the Australia, Canada, New Zealand and the United States; NPM reforms then spread to developing countries (Premchand, 1983:344; Klijn, 2012:3).

Neoliberal economists advocated for two separate but similar packages of government reforms (Krahmann, 2003:327). The first consisted of increased involvement of the private sector in the provision of public services through privatization, outsourcing, coproduction and public-private partnerships. The second included an integration of private sector management techniques within government institutions promising to increase accountability and transparency with competitive tendering, performance incentives and internal auditing.

2.3.1 The Emergence of New Public Management

NPM proposals, and governance models for that matter, gained acceptance because they offered a promise of solving perceived failures of the welfare state at a time of economic crisis and increasing societal complexity (Wright, 1994:105; Klijn, 2012:13). Cynicism towards governments' ability to deliver services and programs that serve the interests of citizen or communities had become the norm (Salamon, 2000:1612). Mounting government debt and over extended public budgets in Western industrialized countries combined with financial crises led to the public perception that welfare states had become

[6] The theoretical foundation for the former comes from the public choice theory and the later comes from menagerialism. Public choice theorists advocate for market forces and accountability. Managerialism argues for greater autonomy for managers.

unaffordable and ineffective (Trebilcock, 2005:57). At the same time, globalization, urbanization, and specialization were undermining traditional forms of ties such as family, religion and neighborhood for individual citizens, which created a general sense of anxiety. NPM offered ideas and models to cope with this perceived complexity (Klijn, 2012:2).

2.3.2 Defining New Public Management

Although NPM has a number of overlapping elements, there is still debate as to the precise meaning of the concept (Christensen and Laegreid, 2002:12; Pollitt, Thiel and Homburg, 2007:2). The respected British public administration scholar Christopher Hood (1990:4) conceives NPM as an administrative argument or philosophy for the design of public institutions based on ideas from the private sector. Hood (1990) draws on the United Kingdom's experience to present seven interrelated elements to describe the concept. These elements include: (1) hands-on professional management; (2) explicit standards and measure of performance; (3) output controls; (4) a shift to disaggregation; (5) a shift to greater competition; (6) a stress on private sector styles of management practice; and (7) discipline and parsimony in resource use. Building on Hood's work, Pollit (2001:473) presents eight elements adding market orientation and the idea of value shift from concerns of equity and security to efficiency and individualism. Dunleavy (1994:38) argues that NPM emphasizes competition, disaggregation and incentivization.

Osborne and Gaebler published a book titled *Reinventing Government* in 1992, which focuses on concrete reform ideas for and innovation within the public sector. The book is meant to be a guide for government decision makers. Osborne and Gaebler argue that engendering an entrepreneurial culture within government institutions and treating citizens like customers would dramatically improve government services. Also central to their work is collaboration between public, private and the nonprofit sectors, empowerment of citizens, competition, an orientation towards results, decentralization and market mechanisms.

NPM reforms are characterized by improving the effectiveness and efficiency, placing a focus on the end-user of the government services and making a commitment to quality improvement. As the argument goes, these improvements can only be achieved by introducing market or market-like mechanisms for the delivery of public services (Pollitt, 2001:474; Christensen and Laegerid, 2002:24). However, NPM has been criticized by a number of scholars.

2.3.3 Critics of New Public Management

To some degree, the early scholarly work on NPM was descriptive, but more recent analysis has revealed paradoxes associating NPM recommendations as being too prescriptive in the delivery of public services (Hood and Peters, 2004:267). Scholars have argued that NPM takes a simplistic view of public institutions and the public problems they are aiming to solve. Public institutions have complex objectives, existence of layers of accountability and lower degrees of freedom than private sector organizations. Salamon (2001:1621) argues that policy instruments included in the NPM package of reform contain implementation and management challenges that may actually present new problems rather than improving the delivery of government services. Krahmann (2003:327) contends that recent studies comparing the efficiency of NPM to traditional government programs remain inconclusive. He adds that in developing countries they may not have improved the efficiency and effectiveness of public services at all.

Some scholars argue that NPM is flawed because public institutions operate in an environment that is vastly different from that of private sector organizations (Savoie, 2002: 265; Singh, 2003:16). Using private sector ideas and models in the public sector may not be appropriate due to these contextual differences. Government institutions have ethical, social, political and constitutional considerations that place constraints on public managers and employees (Pollitt, 1990; Cheung & Lee, 1995; Armstrong, 1998). Giving public managers more authority to manage their budgets, teams and government programs like the private sector may constitute a breach of their constitutional responsibilities (Maor, 1990:6). Moreover, increasing freedom for public managers within public institutions could provide opportunities for unethical behaviour.

Pollitt and Dan (2011:14) argue that the, "NPM literature is far more concerned with efficiency than equity". Equity is an important dimension for public policy considering it directly impact social cohesion (Politt and Dan, 2011:3). Salamon (2000:1648) argues that equity is a critical dimension for evaluating public policy instruments especially newer ones being introduced at the insistence of the NPM movement. Hood (1990:4) questions NPM's assertion that a tradeoff exists between efficiency and equity. Scholars have also criticized some NPM reforms on the basis of legitimacy, transparency and accountability to public institutions. This point will be returned to below in section 2.4 Policy Instrument Theory.

Some scholars have criticized the shallowness of NPM. Hood (1991:9) noted that, "in spite of its professed claims to promote the 'public good' (of cheaper and better public services for all), NPM is alleged to be a vehicle for particularistic advantage". Others have called it a movement of self-serving interests of an elite group of senior managers within public institutions that stands in opposition to the public interest and to that of lower level staff for that matter (Dunleavy, 1985:301; Yeatman, 1987:339; Kelleher, 1988 (as cited in Hood, 1991:9); Pollitt, 1991:134; Hood, 1991:9). As well, it is argued that politicians employing NPM approaches lose control over policy implementation, which presents its own challenges (Maor, 1990:5).

2.4 Public Policy Instrument Theory

Public administration scholars have been undertaking research on the public policy process including concepts like governance and NPM by analyzing public policy instruments for decades. For example, Harold Lasswell, known as the founder of the policy sciences, deliberated on the actions and effects of instruments of politics manipulated by governments in the form of symbols, signs and icons in the 1950s; he also described their effect on each stage of the policy process (Howlett, 2007:34). The current stream of academic research on public policy instruments within the field of public administration is relatively new. It originated as an effort to improve on the policy implementation research movement of the 1970s (Salamon, 2000:1624). Early public policy instrument scholars aimed to conceive taxonomies for making comparisons within the public policy process across time, area and policy domain (Hood, 2007:129). This early research shifted the unit of analysis from public institutions, the unit of analysis for traditional public administration scholars, and individual programs, the unit of analysis for implementation researchers, to distinctive tools or instruments used by governments to achieve public objectives (Salamon, 2000:1624; Hood, 2007:129; Landry of Varone, 2005:130).

2.4.1 Defining Public Policy Instruments

Public policy instruments are techniques used by governments. Salamon (2000:1642) defines them as, “an identifiable method through which collective action is structured to address a public problem.” This will be the definition used for the purpose of this study. Public policy instruments can range from simple information instruments to more complex tax and benefits schemes (Linder and Peters, 1989:35). For example, a government campaign to educate the public on the harms of cannabis is an information instrument, and a tax-credit for research and development activity in the high technology sector is an example of a tax and benefits scheme. The move from the traditional government to governance has produced a proliferation of new public policy instruments that has not only changed the scope and scale of government action, but also its basic form (Salamon, 2000: 1612; Landry of Varone, 2005:131).

2.4.2 A New Paradigm

Governance characterized by the increased use of new policy instruments has created an environment that allowed for the entrance of a "wide assortment" of new actors into the realm of public policy (Salamon, 2000:1621). Moreover, the shift has made the public administration of these policy instruments more complex. Managing networks of public and private actors has placed pressure on public managers. Public managers have been in need of acquiring new knowledge and skills. Public policy makers are also impacted in that they must consider factors that were not present with traditional public policy instruments. For example, there are transparency and accountability considerations when entering into partnerships with non-state actors. Salamon (2000:1620) argues for a new paradigm in public administration research to make sense of and manage this complexity.

Salamon (2000) presents features of "New Governance" in comparison to what he labels "classical public administration". These features are presented in Table 2.1 on page 25. This comparison is useful in understanding governance and in turn public policy instrument theory. As mentioned above, scholars researching public policy instruments make them their unit of analysis. This includes a focus on organizational networks rather than the tradition public administration scholar focusing on the internal functioning of public institutions. As well, research on governance includes the perspective of non-state actors involved in the policy process. Researchers concentrate their investigations on cooperative action within complex networks instead of the command and control structures of traditional public administration structures. Finally, public managers require different skills to operate in a world of negotiation and persuasion that replaced the management functions of a command and control system.

Table 2.1: New Governance vs. Classical Public Administration

Classical Public Administration	"New Governance"
Program/agency	Instrument
Hierarchy	Network
Public vs. private	Public & private
Command and Control	Negotiation and persuasion
Management skills	Enablement skills

Source: Lester M. Salamon (2000): *The New Governance and the Tools of Public Action: An Introduction*

2.4.3 Generational Differences

Scholars have produced two independent, discipline-based, streams of public policy instrument research: (1) by political scientists; and, (2) by economists (Howlett, 2007:31). Political scientists and economists' research on public policy instruments can be differentiated in terms of approach and area of focus. Political scientists have preferred an inductive research method choosing to review official public records to understand the rationale for government decision-making. Economists have chosen a deductive research method and have been mostly interested in public policy instruments that structured business-government relationships and their impact on business efficiency. Economists have mostly investigated questions around market failure and appropriate responses when market failures are identified.

Within the scholarly work produced by political scientists, Hood (2007:127) identified three main strains of analysis of public policy instruments: (1) focus on forms of organizations, or institutions, as policy instruments; (2) focus on the politics of public policy instrument selection; and, (3) focus on generic approaches that attempt to be institution and technology free.

All three strains of research make public policy instruments their object of study and aim to build knowledge on the public policy process. The first stream includes investigations into forms of organization and new instruments used for delivering public services. The organizations of interest include government institutions, private contractors and other third-sector bodies (Hood, 2007:133). The second stream places emphasis on the subjective interpretation of politicians and decisions makers as well as the political process for choosing policy instruments. The third stream includes taxonomies that aim to categorize public policy instruments to compare them over time, area and policy domain. Hood (2007:127) argues that the three research strains are complimentary and have important contributions to make to the public administration literature. As will be seen below, some scholars disagree with this position and believe that some strains are more useful than others.

In addition to categorizing the policy instrument literature into streams and analytical strains, policy instrument research can be divided in terms of generational differences. "First-generation" scholar undertook early research on public policy instruments. "Second-generation" scholars have undertaken more recent academic work. The distinction becomes clear when comparing the work by these two groups of scholars. The early work tended to oversimplify public policy instruments (Howlett, 2007:31). Scholars conducted research on one single public policy instrument[7]. Scholars also conceptualized them as simply being a technical instrument operating in a world without context (Howlett, 2007:34). The choice of instruments was viewed as simply being a matter of choosing a good versus poor instrument with pro-market instruments being seen as good and nonmarket ones being seen as poor (Howlett, 2007:34).

Over time, these issues were address by "second-generation" researchers. "Second-generation" public policy instrument researchers developed an understanding of the importance of the social, political and economic contexts. They also conceptualized the idea of public policy instrument mixes where public policy instruments operated alongside other instruments within institutions and programs. These researchers understood the complexity of the public policy process and therefore the complexity of public policy instrument choice. Ultimately, these scholars are interested in designing and having governments choose optimal "mixes" of instruments to simplify the complexity of the decision-making and implementation contexts.

2.4.4 Taxonomies for Classifying Public Policy Instruments

Some early public policy instrument scholars were simply interested in identifying and listing public policy instruments available to government (Linder and Peters, 1989:39).

[7] Scholars came to realize that public policy instruments could not be analyzed as single instruments because they most often are employed in policy instrument mixes. Later research acknowledged this fact (Howlett, 2005:34).

This type of analysis was seen as too superficial and eventually was replaced by scholars who developed taxonomies for categorizing instruments in order to understand why they were chosen by governments (Howlett, 2007:35). These taxonomies allowed researchers to gain insights into factors driving the public policy process and the identification of patterns of public policy making (Howlett, 2007:36).

Christopher Hood was the first to develop a taxonomy for the purpose of systematically analyzing public policy instruments over time, space and policy domain (Salamon, 2000:1646; Howlett, 2007:36; Lascoumes and Le Gales, 2007:1; Landry and Varone, 2007:107). In his book titled *The Tools of Government* (1983), Hood presented four broad categories titled: (1) nodality (information), (2) authority, (3) treasure; and, (4) organizational resources. These categories imply that a government can influence the behavior of individuals or organizations by employing, "… information at its disposal, its legal powers, its money or its formal organizational capacity…" to advance the public interest (Linder and Peters, 1989:41). Scholars writing around the same time period also proposed classification schemes. McDonnell and Elmore (1987) advanced a similar four-fold taxonomy focusing on strategies of government intervention and arguing that governments' action be classified under the broad categories of mandates, inducements, capacity-building and system changing.

Schneider and Ingram (1990) elaborated upon previous taxonomies and advanced a classification system that focuses on target groups impacted by public policy instruments. Their classification system includes the dimensions of (1) authority tools, (2) incentives,

(3) capacity tools, (4) symbolic or hortatory tools; and, (5) learning tools. Schneider and Ingram's contribution to the literature is that they pointed out that policy design must take into consideration the populations addressed by the public policy instrument rather than simply looking at the policy instrument in isolation (Peters and Hornbeck, 2005:78). Evert Vedung (1998) offers a simpler classification system with three categories: (1) carrots, (2) sticks; and, (3) sermons. Doern and Phidd (1992) argue that that there are really only five broad categories of policy instruments: (1) self-regulation, (2) exhortation, (3) expenditure, (4) regulation including taxation; and, (5) public ownership. Doern and Phidd's contribution to the literature includes the notion that moving from the first category to the last means moving along a continuum of legitimate coercion.

Given the diversity of the classification systems proposed by scholars, this approach has garnered criticism (Salamon, 2000:1646). For instance, the frameworks make use of extremely broad categories that are not mutually exclusive (Linder and Peters, 1998:40). They ignore important aspects of the policy process such as the culture of public institutions and of the actors involved in influencing a policy decision. Finally, scholars have argued that the simple categories created by Vedung oversimplify the policy process to the point where the classification system is not useful for rigorous scholarly research. Howlett (2007:32) states, "Both theorists and practitioners need to move beyond simple, dichotomous zero-sum notions of instrument alternatives. Dichotomous sets of policy alternatives (like market versus state) and metaphors (like carrots versus sticks) lend themselves to blunt thinking about instruments and their modalities." Hood (2007:139) also took issue with the limitations of the carrots, sticks and sermons metaphors for categorizing policy instruments.

Categorizing public policy instruments can, however, be a first step in an effort to understanding and improving the public policy process. The approach can produce some insights and result in some preliminary recommendations on choice of instruments for policy makers (Howlett, 2007:38). Hood (2007:137) maintains that “generic approaches”, or taxonomies, for analyzing public policy instruments have had and still have value as an approach because they do simplify the analysis of such a complex subject matter. As well, Hood (2007:138) explains that the diversity of classification systems, or taxonomies, can be attributed to scholars’ different analytical purposes and therefore asking different questions. “Second generation” public policy instrument scholars created more complex taxonomies to account for the wider range of options available to governments and added the context-based nature of instrument choice to public policy instrument theory.

Salamon (2002) provides a clear and authoritative account of the importance of public policy instruments in understanding governance in a major book he edited titled: *The Tools of Government: A Guide to the New Governance.* Salamon argues that public policy instruments can be understood by analyzing the instruments’ characteristics using different dimensions. As stated above, his theoretical approach is part of a new paradigm he labels “New Governance”, which he links to the rise of NPM over the past few decades (Hood, 2007:134). Salamon’s dimensions will be expanded upon in section

2.6.1. Theoretical Framework since Salamon's work is the foundation for this study's theoretical framework. Also of note is that Salamon's work falls into Hood's first strain of public policy instrument research, the focus on forms of organizations, or institutions, as policy instruments. This strain also includes investigations into new tools emerging as a consequence of governance.

In an effort to advance a framework for understanding more complex public policy instrument mixes, Howlett (2007) made a significant contribution to the literature by tracing the evolution of public policy instrument taxonomies. He observed that public policy instruments could be classified as either substantive or procedural. Howlett (2007:34) defines substantive instruments as, "those altering the mix of goods and services provided and available in society" and procedural instruments as, "primarily intended to alter policy processes". His work is significant in that it developed a spectrum of substantive and procedural policy instruments and that it links public policy instruments with institutional styles and policy contexts (Eliadis et al., 2005:15). Howlett's classification of substantive policy instruments and procedural instruments is provided in Appendix A.

2.4.5 Beyond Taxonomies

In their landmark article, Linder and Peters (1989) propose an approach that build on instrument choice and policy design theory. They call attention to the importance of subjective perception or the meaning ascribed to public policy instruments by policy makers or experts who design them. They contend that policy makers and experts are influenced by ideology, politics and their subjective value of certain policy instruments, which impacts their choice of one instrument over another. They also argue that institutional and political factors are important considerations when analyzing public policy instruments (Linder and Peters, 1989:36). They are very critical of efforts to classify policy instruments without consideration of these factors.

Lascoumes and Le Gales also stress political factors associated with policy instruments choice. Lascoumes and Le Gales (2007:9) argue that analysis of public policy instruments should include an investigation into the relationship between a particular instrument and the politics of policy instrument choice. They believe that investigations into the actors involved and their relationships are always good practice for any research in the social sciences. Lascoumes and Le Gales' main objective, however, is to explain the significance of a sociological approach to analyzing public policy instruments in accounting for public policy change. Their main area of interest is how public policy instruments structure relationships and social control; they argue that issues of legitimacy, politicization and depolarization are important considerations for public policy instrument scholars.

Legitimacy and accountability are recurring themes for many scholars undertaking research on public policy instruments, especially in the context of governance (Eliadis et al., 2005:6). The move from government to governance can cause a lessening of political authority, which in turn creates issues of legitimacy, transparency and accountability. Of these studies, Pierre Issalys' (2005) study makes an important contribution to the literature. Issalys argues that public policy instruments should not be analyzed in terms of effectiveness and efficiency, but in terms of legitimacy by looking at the rule of law and at political accountability and fairness. Toope and Rehaag (2005) also present a legal argument for analyzing the legitimacy of public policy instruments, but their focus is on institutions and institutional context. These later contributions to the public policy instrument literature debate provided evidence that simple economic analysis is not enough to build an understanding of the complexities of public policy instrument choice by decision makers (Eliadis et al., 2005:14). Public policy instruments are context-sensitive and are linked to governance, which has implications for legitimacy, transparency and accountability.

2.4.6 Gaps in the Public Policy Instrument Literature

As the body of knowledge on public policy instruments continues to grow, there is still much academic work to be done. Hood (2007:139) stresses that all three of his observed strains of research require further development, including analysis into institutions and instruments, analysis of the politics of tool selection and generic approaches that aim to be institution free. Relatively speaking, very little scholarly work has been done on the first two strains. This is especially true concerning the meaning ascribed to public policy instruments by government officials (Linder and Peters, 1998:34). Research into characteristics of the political system and their influence over public policy instrument choice is also needed.

Research into the nature of public policy instrument mixes has also been identified as a need (Howlett, 2007:33). Much of the economic analysis on single public policy instruments require updating to include the context in which they were implementing and in which they operate as well as their link to governance. Investigations into how instruments perform relative to one another are also needed, especially for newer instruments being designed and implemented in different governance contexts (Eliadis et al., 2005:7). Moreover, there is a need to analyze public policy instruments in a historical context (Hill, 2005:68). Scholars, policy makers, public managers and others would benefit from a systematic body of knowledge on newer public policy instruments and "New Governance".

The current study seeks to make a contribution to public policy instrument literature by addressing the need for analysis of newer public policy instruments linked with governance and within the context of the politics of policy instrument choice, two of three of Hood's strains of research on public policy instruments. It also analyzes policy instruments in a historical context. The study compares three public policy instruments, two tax credits and one cash transfers. All three public policy instruments were designed and implemented to provide an incentive for institution formation and to increase enterprise development and growth over a period of approximately 30 years.

The dissertation investigates the formation and the life of these public policy instruments to understand their characteristics as well as the political context in which they have operated. The research will also include a comparison of how these instruments perform relative to one another. The dissertation makes a contribution to the literature by filling some of the research gaps identified by previous public policy instrument scholars.

2.5 Social Impact Investing Theory

This section provides a sketch of the emerging literature on SII. Multilateral organizations, different levels of government, the private sector and non-governmental organizations have produced most of the early literature on SII; this grey literature has come in the form of white papers, working papers, reports, case studies and blog posts (Clarkin and Cangioni, 2014:136). In general, the authors have been practitioners who have focused on opportunities for the application and potential of SII (Clarkin and Cangioni, 2015:137). However, some academic studies have been undertaken. This work has become the foundation of a nascent body of academic literature on Social Impact Investing.

Clarkin and Cangioni (2015) conducted a systematic and extensive review of the SII literature. They found 52 academic articles. Only six focused on theoretical development and only five were written for an academic audience (Clarkin and Cangioni, 2015:141). Daggers and Nichols (2016), scholars operating out of the Saïd Business School at the University of Oxford conducted a meta-analysis of the SII literature. They identified 73 academic papers on the subject of SII (Daggers and Nichols, 2016:1). It is clear that SII is a new field of academic enquiry, however, there is general consensus among scholars that SII is a growing practice that has been built on decades of work in microfinance, community economic development and environmental sustainability (Freireich and Fulton, 2009).

2.5.1 Defining Social Impact Investing

There is still debate as to what exactly constitutes Social Impact Investing (Pinsky, 2011:48). Despite the rapid expansion of SII models, there is a lack of consensus on a precise and universally accepted definition for the term. The Rockefeller Foundation is often credited as having coined the term Impact Investing (II), a synonym for SII, in 2007 at the conclusion of a series of meetings it had organized for investors and philanthropist (Bugg-Levine and Emerson, 2011; Clarkin and Cangioni, 2014:138).[8] SII is defined by some as being the purposeful act of investing with the intention of producing a financial return plus an intentional and measurable social or environmental impact. Consideration for financial return and risk mitigation are secondary to the intent of producing a measurable social or environmental impact. The concepts of social finance and blended value investing have also been used as synonyms for SII (Martin, 2013).

A 2015 study by the Organization for Economic Development and Cooperation (OECD) offers a substantive definition of SII. It is more akin to a conceptual framework for assessing SII and can be viewed as one of the most comprehensive efforts to date in building a definition of SII. Building a base of evidence for Social Impact Investing is the focus of the study. The OECD defines SII as, “investments made into companies,

[8] Impact investing was originally defined as “using profit-seeking investment to generate social and environmental good” (Jackson, 2012), however, the definition was later refined in 2010 as, “investments intended to create positive impact beyond financial returns”. The Rockefeller Foundation demonstrated leadership in SII market-building when it launched their *Impact Investing Initiative*, a five-year $38 million funding program. The Foundation’s work and funding contributed to the creation of organizations, rating systems and networks such as Impact Reporting and Investment Standards (IRIS), Global Impact Investment Rating System (GIIRS) and the Global Impact Investment Network (GIIN), a network of practitioners, scholars and policy makers.

organizations and funds with the intention for producing not only a financial return, but a measurable social or environmental impact." *Intentionality* and *measurable impact* are central to SII. The OECD outlines four core characteristics: *intentionality, investment with return expectation, range of returns and impact measurement*.

According to the OECD, for an investment to be considered a SII, the investor must be intentionally looking to produce positive social outcomes. They must be expecting to make a return on investment, however, the return can range from a below market to a market rate of return to an above market rate of return. There must also be a commitment to collect, analyze and report data on the social or environmental performance of the investment. Transparency and accountability are also viewed as important characteristics of impact investing. As will be seen in section 2.6 Theoretical Framework, the OECD framework is used as a cornerstone for this study's theoretical framework.

It is important to differentiated SII from Socially Responsible Investing (SRI), Sustainable Investing, Ethical Investing or pure philanthropy. SRI and Sustainable Investing are investments in either private or publicly listed companies allocating significant human and financial resources to Corporate Social Responsibility (CSR) initiatives and performing well on Environment, Social and Governance (ESG) indicators. The intention of investors making a SRI is focused on minimizing negative impacts in contrast to intentionally wanting to generate positive social or environmental change (O'Donohoe, Leijonhufvud and Sltuck, 2010 as cited in Clarkin and Cangioni, 2014:138). Ethical investing refers investors negatively screening so called 'sin companies', companies that sell tobacco, alcohol, gambling, sex- or weapons-related services or goods. Philanthropy involves raising money for the purpose of providing support to those in need or providing grants to organizations that aim to relieve poverty, advance education, advance religion or have some other purpose considered to benefit the community. Money is given without an expectation of it being returned.

Table 2.2 below provides what Bridged Ventures, an actor in the United Kingdom's SII market, has labeled a Spectrum of Capital. The Spectrum of Capital is a visual representation of the terms defined in previous paragraphs. At the left end of the spectrum, we find traditional or mainstream investments made by mainstream financial sector professionals. These include, for example, investments made by wealth managers

Table 2.2: Spectrum of Capital

			SII		
Traditional or mainstream Investments	**Responsible or ethical Investments**	**Sustainable Investments**	**Thematic Investments**	**Impact First Investments**	**Philanthropy**
Finance only	←	***A New Paradigm***		→	***Impact Only***
Pure financial returns + no or little social or environmental impact	Financial return + Focus on ESG[9] risks ranging from consideration of ESG factors to negative screening of harmful products	Financial return + Focus on ESG opportunities through investment selection, portfolio management and shareholder advocacy	Focus on one or more cluster(s) of social or environmental issues + Financial return from commercial growth opportunity	Focus on one or more cluster(s) of social or environmental issues + Some financial return	Focus on one or a cluster of social or environmental issues + No financial return
Example Investing in real estate without consideration	Example Excluding companies with high ESG Risk	Example Investing in companies included in the Jantzi Social	Example Investing in a Solar energy community bonds	Example Investing in a Social Impact Bond or making	Example Foundation awarding a grant to a charitable

[9] ESG stands for Environment, Social and Governance

for energy efficiency or alternative sources of energy Investment in an oil and gas energy company	Screening or companies that sell tobacco, alcohol, weapons, and pornography products from a portfolio	Index, FTSE4Good, NYSE Sustainability Index	Investments made by Health Care Funds Microfinance investments	community loans Issuing a patient capital loan	organization Corporation awarding a grant to a charitable organization

Source: Adapted from Bridges Ventures Research (2012): *The Power of Advice in the UK Sustainable and Impact Investment Market*

into mutual funds or publicly traded companies on behalf of their clients. At the other end of the spectrum, we find pure philanthropy where charities and foundations provide grants for social or environmental ideas, initiatives or programs; for example, the United Way awarding grants to community organizations helping at-risk youth. Figure 2.2 on page 38 depicts the new and growing paradigm of Social Impact Investing.

2.5.2 Social Impact Investing Research

As mentioned above, making investments for generating a positive social outcome is not new. Community Futures Development Corporations (CFDCs) and Community Business Development Corporations (CBDCs) have been around since 1985. What is different with SII is an increase in the number of advocates and players entering the market. Government authorities are also taking action help SII move from a series of uncoordinated and ad hoc innovations to a more structured market (Jackson, 2012:6). Finally, the SII movement is also defined by impact measurement. This means that individuals and organizations must demonstrate through the measurement of social or environmental indicators that they are making an impact on people's lives. The growing SII market is leading to some theorization, however, it is very much an area where research is lagging behind practice (Daggers and Nichols, 2016:1).

A limited number of research studies have been undertaken or are currently under way to track the growth of SII, to highlight the challenges associated with growing a SII market and to gain an understanding of social impact measurement. In the United States, *The Global Impact Investing Network (GIIN)*, a creation of the Rockefeller Foundation in 2009, has been publishing reports on SII. They have also, in partnership with multinational financial services firm J.P. Morgan Chase, been conducting an annual survey of Social Impact Investing activities among its members. The Rockefeller Foundation has commissioned and produced a substantial amount of material on SII. The United Kingdom's Government and Cabinet Office have funded or published reports on SII as well. These are but a few examples of organizations producing grey literature on the subject. A number of academic institutions have launched initiatives in an effort to build evidence on the performance of SII approaches because faculty members who truly believe in the power of SII for addressing complex social problems approached them. Table 2.3 on page 41 provides a list of universities with SII initiatives including research and other activities.

Research outputs from these academic institutions have contributed to the nascent literature on Social Impact Investing. Two of the most recent and substantial pieces of literature have come in the form of books. The edited collections titled *New Frontiers of Philanthropy* (2014), edited by Lester Salamon and *Social Finance* edited by Alex Nichols, Jed Emerson and Rob Paton have become major contributions to the SII literature (Daggers and Nichols, 2016:10). Salamon's (2014) creation is the first comprehensive account of the new actors and tools operating within a growing SII market. Nichols et al.'s (2016) book provides a collection of essays on practice, policy and research within SII as well as the broader field of social finance. These edited volumes and most of the academic literature on SII include case studies, scoping exercises, conceptual work and descriptive pieces.

There are few empirical studies, which means there is a clear need for more analysis and deeper theorization on SII to better understand the complexity associated with these new instruments; there is also a need to evaluate the effects on target groups, stakeholder groups and society (Saltuk and El Idrissi, 2014; Clarkin and Cangioni, 2015:137).

Table 2.3: Academic Institutions with SII Initiatives

Academic Institution	**Initiative / Centre**	**Country**
Carleton University	Carleton Centre for Community Innovation	Canada
Duke University	CASE: The Centre for the Advancement of Social Entrepreneurship	United States
Georgetown University	Beek Centre for Social Impact and Innovation	United States
Harvard University	IRI: The Initiative for Responsible Investment	United States
Heidelberg University	CSI: The Centre for Social Investment	Germany
University of New South Wales, Swinburne University of Technology, The University of Western Australia	Centre for Social Impact	Australia
University of Pennsylvania, Warton Business School	Warton Social Impact Initiative	United States
University of Oxford, Saïd Business School	Skoll Centre for Social Entrepreneurship	United Kingdom

Source: Adapted from Daggers and Nichols (2016): *The Landscape of Social Impact Investment Research: Trends and Opportunities*

Some literature on SII has come in the form of journal articles. For example, scholars affiliated with 3ci contributed to a 2013 special issue of the *Journal of Sustainable Finance and Investment*. The special issue included the publication of six academic articles addressing issues within Social Impact Investing. Tessa Hebb (2013), a major contributor to the emerging field, provides an introductory editorial. Wood, Thornley and Grace (2014) provide an examination of the role of public policy in enabling SII in the United States. Jackson (2013) argues for the integration of program evaluation concepts in the measurement of social impact in SII. Mendell and Barbosa (2013) examine emerging SII exchange platforms. Geobey and Weber (2013) contribute by analyzing a case study. Evans (2013) draws on contract and principle-agent theory to provide a theoretical framework for the discussion of strategy in SII. Finally, Florek (2013) explores legal structures of social enterprises in a cases study form the United Kingdom.

2.6 Theoretical Framework

A theoretical framework for this study was built from elements of Lester Salamon's (2000) systemic approach to evaluating public policy instruments and the OECD's (2015) framework for assessing SII. The study includes two levels of analysis: (1) a dimensional analysis of public policy instruments to build knowledge of governance; and, (2) an assessment of the public policy instruments within a SII context. There will inevitably be some overlap between these two levels of analysis.

2.6.1 Dimensional Analysis

For the dimensional analysis, Salamon (2000) recommends a two-step process: first, defining public policy instruments by identifying their descriptive features; and second, employing dimensions to evaluate the public policy instruments. According to Salamon (2000:1642), defining public policy instruments involves describing their *common features* and *design features*. *Common features* are those that belong to a certain groups of public policy instruments. *Design features* are unique to individual instruments that have been designed for a specific objective. The process of defining policy instruments includes identifying who is involved, what their roles are and how the individuals are related to one another. This is important because policy instruments structure action and regularize patterns of behaviour for individuals in that they become institutionalized (Salamon, 2000:1642).

Defining policy instruments also includes highlighting certain elements. Policy instruments structure action to deliver a *type of good or activity* (for example, the provision of investment capital for a start-up business), make use of a *delivery vehicle* (for example, government uses a cash transfer or a tax credit to increase the investment capital available for start-up businesses), include *a delivery system* (for example, a nonprofit organization or a union sponsored organization) and have a *set of rules, whether formal or informal that define the relationships between entities within the delivery system* (Salamon, 2000:1643-1644). These elements will be used to define the case studies for this dissertation. The policy objective of each public policy instrument was added because of its relevance to the dissertation's dimensional analysis. The elements being used to define the public policy instruments for this study are listed in Table 2.4 on page 44.

For the second part of the analysis, dimensions selected from those suggested by Salamon will be central. Salamon (2000:1647) argues that policy instruments can be understood using many different dimensions. He recommends using multiple sets of dimensions, however, the dimensions of *equity* and *effectiveness* were identified as most important for this study. These two dimensions taken together can provide information on how public policy instruments are performing within the context of Social Impact Investing. The primary dimension of interest for this study was that of equity given that one of the defining characteristics of SII is to generate a positive social impact. However, any analysis of public policy instruments must give some consideration to the dimension of *effectiveness*. The dimension of effectiveness was a secondary, but equally important consideration for this dissertation.

Table 2.4. Public Policy Instrument Design Features

Instrument	
Policy Objective	
Actors Involved	
Role of Actors	
Actor Relation to One Another	
Product/Activity	
Delivery Vehicle	
Delivery System	
Set of Rules	

Source: Lester M. Salamon (2000): *The New Governance and the Tools of Public Action: An Introduction*

Equity has been fundamental to public administration since Frederickson developed a theory of social equity and put it forward as the "third pillar" of public administration. He wanted it to be considered as having equal status as efficiency and economy (Frederickson, 1990). Equity concerns the fairness of social policy. Any attempt to introduce new public policy instruments under the banner of positive social impact must include an analysis of their ability to meet equity concerns. The term *equity* can be differentiated from the term equality. These terms tend to be used differently depending on legal and historical contexts. As a negative definition, both refer to an absence of discrimination, either directly or indirectly. In Canada, Klodawsky, Siltanen and Andrew (2017:312) defined *equity* as a means to equality. It is recognized that equity, understood as fair treatment, does not necessarily mean treating people the same. Fair treatment can be different depending on the different needs of particular groups.

Effectiveness, like equity, is a core value in public administration. It has been a concern for public administration since Woodrow Wilson (1887) called for public administration to focus on effectiveness and efficiency. The term *Effectiveness* is the extent to which instruments are achieving their intended objectives. The most effective instruments are those that most reliably allow governments to achieve their intended purposes. The definition of *effectiveness* was taken from Salamon's (2000) definition of the term.

At times, *equity* and *effectiveness* are difficult to evaluate because objectives can become muddled during the design, implementation and management of policy instruments. As well, conflict can emerge as to the true objectives of the instruments because different actors have different attitudes, values and beliefs and chose to focus on objectives, which aligns with their worldview. Actors can also disagree ideologically, which carries conflict into their view of the role of the state in achieving policy objectives.

2.6.2 SII Analysis

It is clear that more research is needed on SII models. This is especially true for research undertaken from a public administration perspective. As governments continue to consider policy options for incentivizing the use of SII approaches for reaching public objectives, investigations into strengths and weaknesses of different public policy instruments will be increasingly important. Governments have made use of different public policy instruments for creating investment funds that generate economic and and social outcomes. Some of these investment funds appear to fit the definition of SII. However, research is needed to determine if these investment funds can be labeled SII. As well, analysis of their effectiveness and their ability to contribute to a more equal society is needed to justify government involvement. This dissertation employed an OECD (2015) framework to analyze the extent the case studies can be considered SII funds and to see what lessons can be drawn for policy makers considering policy options for structuring and growing the SII market.

The starting point for the OECD (2015:33) framework is recognizing the social need being addressed. The social issue area and the target group must be defined. The social context within which the SII operate should also be addressed. The next stage in the assessment is to set eligibility boundaries by choosing characteristics and attributes that will determine if the investment is in fact SII. The OECD (2015:59) identifies seven key characteristics for SII; they are: *beneficiary context*, *social target areas*, *good/service*, *investor intent*, *return expectation*, *delivery organization*, and *measurability of social impact*. A brief definition of each characteristic is provided in Table 2.5 on page 47.

Table 2.5. Definition of SII Characteristics

Beneficiary context	The context of the investment activity is important. Some investments that may be viewed as SII in some contexts may not be viewed as SII in others. For example, an investment in a technology company may seem like a traditional investment, however, it can be seen as a SII if the company is located in a rural community and is contributing to poverty reduction. Identifying if the population is at risk is important for the analysis of this characteristic. This includes consideration for social demographic variables such as age, gender, income level, family type, education level, location, ethnicity and race must be considered. SII should target a population at risk.
Social target areas	In the United States, Canada, the United Kingdom, Europe, Australia and New Zeeland, a social target area would align with those countries' social policy. For example, addressing homelessness or lowering barriers for persons with disabilities. In low-income countries, the social target area could be defined in terms of more traditional sectors, such as agriculture or energy production.
Good/service	Goods and services can be either pure public, pure private or mixed. SII applies to goods and services that are mixed. They target certain beneficiaries, however, within this group no one should be excluded.
Investor intent	The intent of the investor is a critical characteristic for SII. The investor's primary goal must be to make a positive social impact. The financial return must be a secondary consideration. However, a simple statement of social intent is not enough. The delivery organization must put forward sufficient effort into demonstrating they are making a difference in people's lives. This can include a compulsory reporting of social outcomes in the organization's policies and procedures.
Return expectation	There must be some return expectation, but it must be secondary to social intent. Return expectation can range from below market to above market rates of return, but it must be present to differentiate it from philanthropy.

Delivery organization	The intent of the delivery organization is also a critical characteristic for SII. The delivery organization must have a clear social mission. However, a social mission is not enough. The delivery organization must put forward sufficient effort into demonstrating they are making a difference in people's lives. This can include a compulsory reporting of social outcomes in the organization's policies and procedures.
Measurability of social impact	SII requires the consideration of social impact in the investment decision-making process and some form of measurement of social impact.

Source: OECD (2015): *Social Impact Investment: Building The Evidence Base*

While Social Impact Investing must meet each characteristic listed in Table 2.5 on page 47, attributes may vary according to the purpose of the analysis, perspective of the actor and the investment context (OECD, 2015:60). For example, a researcher may have a different purpose and perspective than a policymaker. As well, investments in a developed country context may be viewed differently than in a low-income country context. The OECD (2015:61) approach allows for some variation as to which attributes to select for the framework.

2.7 Conclusion

This chapter has critically analyzed the literature on public policy instrument theory and reviewed the nascent literature on SII. The literature on public policy instruments suggests that analyzing policy instruments is useful in generating insights into the policy process. Since the public policy process is complex, theory helps to organize this complexity. Lester M. Salamon's (2000) conceptual framework and dimensions of equity and effectiveness were determined to be particularly useful for the current investigation into public policy instruments and SII.

An investigation into public policy instruments must consider the New Public Management and governance literature. Over the past few decades, public administration scholars have identified a trend that has been defined as governance and is characterized by the participation of non-government actors, decentralization, working through networks, privatization, etc. Social Impact Investing is viewed as a being part of this broad movement toward governance.

Although NPM and governance have different points of origin, both concepts have similarities in terms of placing value on performance management principles and the adoption of horizontal networks in policy arrangements. It is a movement that advocates for public sector reform using private sector models for the improvement of effectiveness and efficiency of government department and agency. The NPM movement could be responsible for the current belief in the power of SII in achieving socio-economic objectives and the advocacy for government involvement in the SII market.

It is clear that more research on the performance of SII is needed. The academic literature on SII is scarce and empirical research is needed to ensure governments are making evidenced-based decisions when choosing among different policy options for participating in a SII market. This is especially true when it comes to public policy enabling SII. The OECD advanced a framework for defining social impact investing. It will be the starting point for analyzing three cases of public policy instruments chosen for this dissertation. The aim is to produce findings that can inform the current debate on the role of government in structuring and growing the SII market.

CHAPTER 3: METHODOLOGY

3.1 Introduction

This chapter outlines the methodology and research approach adopted for this dissertation. It begins with an explanation of the reflective/interrogative process undertaken to develop the dissertation's research questions and this will be followed by the rationale for choosing a qualitative research design. The dissertation's research design is presented in Section 3.2. This section includes a discussion on the choice of a multiple-case study approach and the research sample. Section 3.3 describes the types of data collection methods used, and Section 3.4 details the methods employed for analyzing and synthesizing the data collected and generating insights into the case studies under investigation. The analyses discussed in this chapter include a dimensional analysis, a SII analysis and a critical discourse analysis. This section also describes the qualitative data analysis software used to undertake the dimensional analysis. This section ends with highlighting the ethical considerations, justifying the use of a qualitative research method as well as outlining the dissertation's limitations. Section 3.5 summarizes the chapter.

3.1.1 Research Questions

The purpose of this dissertation was to explore the equity and effectiveness outcomes of public policies aiming to advance socio-economic objectives by creating investment funds. Dagger and Nichols (2016:3) observed in their comprehensive meta-analysis of current academic research on Social Impact Investing that theoretically driven research on this subject is lacking. Scholarly work on SII is needed to gain a better understanding of which policy instruments produce equitable and effective outcome. Advocates of SII models are applying pressure on governments to structure and assist in growing the nascent SII market. Although SII is relatively new, public policies aiming to achieve socio-economic objectives by incentivizing investment in communities have a deep history in Canada. These types of investments are similar to SII. A better understanding of public policies that incentivize the creation of investment funds with a mission to achieve social and economic outcomes will help policy makers make evidence-based policy decisions when considering policy options for structuring and growing the SII market.

To fulfill the research objectives of this dissertation, research was undertaken to address one primary research question and four sub-questions. The primary research question was formulated after conducting an extensive scan of the public policy instrument and Social Impact Investing literature. The researcher identified where evidence on these subjects was missing or insufficient, particularly from a public administration research perspective. Academic contributions to the SII literature are scattered and disparate (Dagger and Nichols, 2016:3). The gap is even greater when considering SII from a public administration research perspective. To date, public policy researchers have published 11 academic papers that are conceptual in nature and include no theoretically driven empirical research (Dagger and Nichols, 2016:12). The starting point for this dissertation was to research three public policy instruments that aimed to create SII funds. This led to the formulation of the primary research question as a guide for the inquiry process. The primary research question is: ***Are public policy instruments enabling Social Impact Investment funds reaching their policy objectives?***

The primary research question was conceived prior to developing this dissertation's theoretical framework, presented in Chapter 2, and prior to undertaking the key informant interviews. An iterative process was followed to formulate the sub-questions. Data collection generated new insights into the kind of information that would be needed to answer the primary research question. Some qualitative researchers recommend waiting until the data collection process to develop additional research questions (Agee, 2008:432). The sub-questions narrowed the broader focus of the primary question and gave direction to the kinds of data that was relevant for the dissertation's enquiry on public policy instruments and SII.

The subsequent questions reshaped the data analysis phase of the research. The sub-questions addressed in this dissertation are: (1) How do the investment funds perform in terms of equity and effectiveness? (2) How can the public policy instruments be improved to achieve better outcomes? (3) Should all investment funds with missions to reach socio-economic objectives be considered SII as defined by the OECD? (4) What lessons can be drawn from the public policy instruments under investigation? (5) What factors influenced the public policy instrument choice in the three case studies?

3.1.2 Rationale for Qualitative Research Design

There are two main research paradigms used in social science and public administration research; these are referred to as deductive and inductive approaches to research (Riccucci, 2010:45). A research paradigm is a set of beliefs or a worldview that guides the researcher in making choices of research methods, what data are to be collected and how it should be interpreted (Simon, 1969). A deductive approach begins with examining theory and literature to develop conceptual structures and hypotheses to be tested by empirical observation to explain causal relationships (Riccucci, 2010:45). Inductive approaches are more concerned with discovery and description and focuses on extracting and interpreting meaning of experience from interviews, observations or documents (Denzin and Lincold, 2013:15; Merriam and Tisdell, 2015:17). Research methods must be compatible with the theoretical paradigm chosen by and the worldview of the researcher. Worldviews can be described as positivists or constructivists. Positivists and constructivists are differentiated by their view of reality.

The positivist view is that reality exists independent of the researcher and is driven by immutable, universal, or natural laws (Riccucci, 2010:49). Positivists believe that reality can be objectively observed and measured; their research emphasizes the accumulation of facts to describe phenomena experienced (Riccucci, 2010:50). Conversely, the constructivist view is that reality is a construct of the human mind with no single objective truth (Riccucci, 2010:49). For constructivists, the researcher needs to observe reality perceived as subjective. The main difference between positivists and constructivists is that positivists argue that knowledge can only be generated through the scientific method and constructivists maintain that knowledge is constructed by scientists and oppose the idea of a single methodology to generate knowledge. Qualitative methods are associated with inductive reasoning while quantitative methods are associated with deductive reasoning (Riccucci, 2010:45).

Quantitative methods focus on collecting data objectively, measurement and statistical methods of analysis. Quantitative data have the advantage of being more generalizable to a large population. However, quantitative methods are criticized for failing to explain why events or phenomenon may have happened or behaved in a certain way. Although positivism is an important research approach for the natural sciences, it is only one of many research approaches in the field of public administration. Rapid social change and diversification of individual lived experiences within different social contexts make qualitative research strategies suitable for social science research (Denzin and Lincold, 2013:15). Qualitative methods investigate how individuals think and react. They produce results that provide a deep understanding of participants' experiences, motivations and values. However, qualitative methods are criticized as being subjective and biased. Public administration research is marked by uncertainties, values, social traditions and anomalies and has historically been researched using qualitative research methods (Riccucci, 2010:46).

This dissertation employed a mixed strategy starting with a deductive approach with the enquiry being guided by theory then moving towards an inductive strategy. The dissertation relied on qualitative research methods that placed emphasis on discovery and description. It focused on extracting and interpreting meaning of the experience lived by public servants and practitioners interviewed. It was felt that qualitative methods were more likely to elicit the rich data necessary to address the proposed primary research question formulated for this dissertation. The fundamental assumptions and key features that distinguish using qualitative research methods form quantitative research methods also fit well with the dissertation's purpose and objectives. These features include: (1) gaining an understanding of the process of implementing the public policy instruments that were under investigation; (2) developing a contextual understanding of the public policy instruments; (3) gaining an understanding of public servant and practitioner perspectives on the equity outcomes and effectiveness of the public policy instruments; (4) maintaining research design flexibility.

3.2 The Research Design

Having chosen a qualitative research approach, the dissertation was also most suited to a case study design. A case study is a record of research, which provides a detailed description, and analysis of a phenomenon, social unit or system bounded by time or place (Miles and Huberman, 1994:25; Merriam and Tisdell, 2015:37; Berg, 2016:225). For this dissertation, the social system under invitation was the design, implementation and execution of three different public policy instruments. As Miles and Huberman (1994:172) indicate, a multiple-case research design is ideal for seeing processes and outcomes on a deeper level and for developing more sophisticated descriptions and powerful explanations of a given system of phenomenon. The reason for choosing a multiple-case research approach versus a single-case approach was to increase the likelihood of findings being relevant and generalizable to a SII policy context and to ensure that my observations did not end up being idiosyncratic (Miles and Huberman, 1994:172). As Merriam and Tisdell (2015:23) explain that insights drawn from case studies can directly influence policy, practice and future research.

This multiple-case study focused on 19 research participants. The participants represented eight organizations managing investment funds that were mandated to achieve socio-economic objectives, as well as three federal government departments, two provincial government departments and agencies, one university and a federation of workers co-operatives.

3.2.1 The Case study approach

A multiple-case study approach was chosen for this dissertation as it was seen as the best fit given the research objectives. As Yin (2014:16) explains, the case study approach is best suited for an empirical inquiry that "investigates a contemporary phenomenon in depth and within its real-world context". Instead of attempting to reduce the complexity or standardize the context for comparison purposes, as is done in quantitative research, the context is carefully examined and findings are interpreted with this in mind. The multiple-case study design offers the opportunity to analyse data collected using common dimensions that emerge, which expands the generalizability of the findings (Yin, 2014:61). Some researchers, such as Yin (2014:88), propose that a theoretical framework should inform the data collection process for case study research because theory helps define the selection and parameters of cases. A theoretical framework not only shapes the questions for interview protocols, an important tool in qualitative research, but also connects the research to a particular discipline, in this case public administration (Yin, 2014:89)

A theoretical framework was built prior to choosing the cases. Considering the array of policy instruments being employed by federal and provincial/territorial governments, a conscious choice was made to focus on three cases of federal public policy instruments due to time constraint and availability of data sources. Being located in Ottawa and having relatively easier access to federal government departments compared to provincial/territorial ones, it was felt that narrowing the scope of the dissertation to the federal government level was a prudent choice. Federal public policies that provide incentives for the creation of investment funds with the mission to achieve socio-economic objectives were chosen to form the three in-depth case studies. A parameter was set to limit the investigation to between two and four investment funds per public policy instrument. The selection of case studies also rested on the following considerations: (1) wanting to ensure regional representation across Canada; (2) aiming to make comparisons across different target groups, and finally, (3) aspiring for generalizability of findings to inform government policy choices for structuring and growing the SII market.

3.2.2 The Research Sample

The case studies chosen for this dissertation represented three public policy instruments administered by different federal departments or agencies. Table 3.1 on page 58 provides an overview of the case studies. The table identifies the name of the public policy instruments and the organizations that were created as a result of the implementation of the policy instruments chosen for this research project.

Table 3.1: Case Studies

	Public Policy Instrument	Public Policy Instrument Name	Organizations
Case 1	Tax-credit	Labour Sponsored Venture Capital Corporation Tax-Credit	1. Fondaction CNS 2. Fonds de solidarité FTQ
Case 2	Tax-credit	Community Economic Development Investment Funds Tax-Credit	1. Farmworks 2. New Dawn Enterprises
Case 3	Initial cash transfers plus an annual recurring cash transfers	Western Economic Diversification Canada's Women's Enterprise Initiative	1. Women Enterprise Centre of British Columbia 2. Alberta Women Entrepreneurs 3. Women Entrepreneurs of Saskatchewan 4. Women's Enterprise Centre of Manitoba

Case 1 is a federal tax-credit implemented to encourage individuals to invest in Labour Sponsored Venture Capital Corporations (LSVCCs). Being a national policy instrument, LSVCCs existed in each of the provinces at one time. This dissertation concentrated on two LSVCCs created in the province of Quebec. Case 2 is a federal tax-credit implemented to encourage individuals to invest in Community Economic Development Investment funds (CEDIFs) in the province of Nova Scotia. Case 3, the Western Economic Diversification Canada (WED)'s Women's Enterprise Initiative (WEI), is one-time cash transfers plus an annual recurring cash transfer for operational expenses. The WEI initial subsidy contributed to the creation of four nonprofit organizations, each responsible for managing their own investment fund. The nonprofit organizations are located in each of the western provinces.

A purposeful sampling procedure was employed to select this dissertation’s sample. A purposeful sampling method is typical for a case study research design and is used to derive an in-depth understanding of specific cases (Merriam and Tisdell, 2015:96). The following criteria was used to select research participants: (1) public servants, scholars or practitioners having worked on some aspect of the design, implementation or management of some aspect of the public policy instruments under investigation; or, (2) public servants, scholars or practitioners directly or indirectly connected to the public policy instruments under investigation. Personal and professional networks were leveraged to identify potential research participants. A snowball sampling strategy, sometimes referred to as network or chain sampling, was also employed; a snowball sampling strategy involves the researcher asking research participants to make referrals of other individuals whom they know to participate in the study (Miles and Huberman, 1994:28).

The research sample included 19 voluntary research participants. The participants were divided into three groups (Group 1, 2, 3), which aligned with the three different case studies. In Group 1, the LSVCC group, four executives representing Fonds de solidarité FTQ and Fondaction CNS were interviewed. One senior public servants representing what was formerly known as Industry Canada, now known as Innovation, Science and Economic Development (ISED) was also interviewed. In Group 2, the CEDIF group, included executives representing Farmworks and New Dawn Enterprises. Also included in Group 2 were two senior public servants representing the Nova Scotia Department of Finance and the Nova Scotia Securities Commission (NSSC). A former faculty member at Cape Breton University and a staff member working for the Canadian Worker Co-op Federation were included in Group 2. In Group 3, the WEI group, four executives representing the four nonprofit organizations listed in Table 3.1[10] were interviewed. As well, Group 3 comprised two senior public servants working for WED. Finally, two individuals were interviewed including a senior public servant representing Employment and Social Development Canada (ESDC) and one representing the Canada Revenue Agency provided valuable information for all three cases and were included in all three groups. All research participants had a direct or indirect connection to the three public policy instruments under investigation, and differed in terms of gender, age and occupation.

3.3 Data collection process

This section discusses the different types of data collection methods used for the dissertation. The use of multiple methods and triangulation is important for attempting to obtain a deep understanding of the case studies under investigation. This approach adds rigor to the study and provides corroborative evidence of the data collected (Denzin and Lincold, 2000:300; Merriam and Tisdell, 2015:139). This dissertation employed different data-collection methods including a literature review, document review and semi

[10] The four nonprofit organizations are the Women Enterprise Centre of British Columbia; Alberta Women Entrepreneurs; Women Entrepreneurs of Saskatchewan; Women's Enterprise Centre of Manitoba.

structured interviews. Data ware collected between May 11, 2016 and May 10, 2017 the period of time permitted under the certificate of ethics approval granted for this dissertation. The following list summarizes the steps used to carry out the research. A deeper discussion of each step follows the list.

(A) Preceding the data collection, a comprehensive literature review was conducted to study the contribution of other scholars and writers to public policy instrument theory and SII;

(B) Following the proposal defense, approval for the research project was sought and received from the University's Research Ethics Board (REB). The REB approval process involved outlining the research study including all procedures and processes needed to ensure adherence to the university's ethical standards for research involving human subjects, including research participants' confidentiality and informed consent;

(C) Once ethics approval was granted, a comprehensive document review was undertaken;

(D) Potential research participants were contacted by telephone or email, and those who agreed to participate in the study were interviewed.

3.3.1 Literature and Document Review

The secondary data collection method used in this dissertation consisted of a literature review and a document review. A ***literature review*** was conducted to inform the dissertation's research design. Four topics of literature were identified to be relevant for the current dissertation: governance, new public management, public policy instrument theory and Social Impact Investing. The focus of the review was to gain a better understanding of public policy research undertaken to date and how it can be used to inform the discourse on SII. The literature review also served to identify research gaps and to build an analytical framework for the data collection and analysis processes. Over two hundred pieces of literature were found on governance, new public management, public policy instrument theory and Social Impact Investing. Just over fifty pieces or literature proved useful for the current dissertation.

A ***document review*** was undertaken to discover, understand and gain insight into the individual cases chosen for this dissertation. The document review provided the historical context on the design, implementation and management of the public policy instruments under investigation. Government and private and nonprofit organizations' websites were scanned. As well, publications of annual reports, research reports and evaluation reports were collected and analysed. Results are presented in table 3.2 on page 63.

Part of the document review included the collection of data via a website called ***Open Parliament***. Launched in 2010, Open Parliament is an open source website that uses an algorithm to pull information from the Parliament of Canada's parliamentary proceedings of bills, debates and committees making them publicly available. The website is more user friendly compared to navigating the Parliament of Canada's own website and its electronic version of *Hansard*, the official transcripts of parliamentary proceedings.

Table 3.2: Document Review Results

Case 1	• 15 research and evaluation reports • 2 books • 3 journal articles • 32 annual reports
Case 2	• 30 research and evaluation reports • 4 journal articles • 13 annual reports
Case 3	• 18 research and evaluation reports • 12 annual reports

Once the data were collected, a triangulated approach using the Parliament of Canada's website and *Hansard* was used to validate the data. Key words searched included Women's Enterprise Initiative, Western Economic Diversification Canada, women owned business, LSVCC, CEDIF, tax-credit. Results are presented in Table 3.3 below.

Table 3.3: Open Parliament Search Results

Case 1	14 Parliament of Canada parliamentary proceeding records found
Case 2	29 Parliament of Canada parliamentary proceeding records found
Case 3	6 Parliament of Canada parliamentary proceeding records found

3.3.2 Semi Structured Interviews

The method of primary data collection used in this dissertation consisted of semi-structured interviews. This method was felt to be useful because it has the potential of producing important data for analyzing individual experiences with the public policy instruments under investigation. The information collected came directly from participants who have different perspectives. A major benefit of collecting data through individual interviews is that they offer the potential to capture a person's perspective of an event or experience (Yin, 2014:110; Merriam and Tisdell, 2015:108). This method provided the opportunity to clarify statements and probe for additional information.

Interviews are a fundamental tool of qualitative research (Merriam and Tisdell, 2015:108). Qualitative research interviews allow for the unfolding of meaning for the subject under investigation from the participant's point of view and experience (Kvale, 1996:278). Collecting data through interacting with people is a legitimate way to generate data and capturing meaning from their experience. However, there are some limitations associated with this research method. Not all people are equally cooperative or as generous with their time. As well, interviews are not neutral tools for collecting data; they are the result of interaction between the participant and the researcher as well as the context they take place in (Fontana and Frey, 2005:695; Rubin and Rubin, 2011:13).

The following paragraphs describe the process undertaken for the semi structured interview process followed for this dissertation. First, an interview guide was developed using the theoretical framework described in Chapter 2. There is a clear relationship between the dissertation's theoretical framework and the interview questions. Open-ended interview questions were written to reflect the dimensions included in the framework. It was anticipated by the researcher that these dimensions would also be used to analyze the data collected. An emphasis was placed on gaining an understanding of the research participants' perspective on the equity outcomes and effectiveness of the public policy instruments under investigation. As well, it was deemed important to collect information on the public policy instruments in the context of SII. Once the interview questions were drafted, they were reviewed and approved by my thesis supervisor. My thesis supervisor's comments were incorporated in the final version of the interview guide. A copy of the final interview guide is included in Appendix B.

For the interview process, individual emails were sent or telephone calls were made to prospective research participants describing the purpose of the study and inviting them to participate. A date and time to conduct the interview either over the telephone or in person were established with those who accepted the invitation. Confirmation emails including the interview guide without the prompts and the consent form were sent to 19 individuals. A copy of the consent form is included in Appendix C. Before the interview commenced, participants were asked to provide their consent to the interview. Each interview was recorded in their entirety. On completion of the interview, the audio recordings of the interviews were transcribed verbatim.

3.4 Approach to Data Analysis

Data collected through the document review and the semistructured interviews were managed, organized and analyzed in preparation for writing the findings, Chapter 4 of this dissertation. The challenge throughout the data collection and analysis process was to make sense of large amounts of data and identify significant patterns. Data analysis began with the theoretical framework created from the public policy instrument and SII literature. The first step was to undertake a dimensional analysis by coding data according to categories and descriptors from the OECD framework for assessing SII and Lester M. Salamon's (2000) framework for analyzing public policy instruments. The qualitative data analysis computer software package NVivo 11 was used to code the data.

The NVivo software allowed for the creation of analytical matrices with nodes[11] representing the dimensions drawn from this dissertation's theoretical framework. As the process of coding the interview transcripts proceeded, a second step was to create more categories to the coding matrix and new matrices were prepared to capture emerging patterns as they emerged. To see if there were similarities or differences among participants, coded data were tested against a frequency chart created for this purpose. This step also helped with the cross-case analysis described below.

The coding process included placing data into different categories. Synthesis of the data involved reconstructing the data into a more integrated explanation. Overall, the approach was to come up with a number of clusters, patterns and dimensions that were linked together either similarly or divergently that collectively described the three case studies. Towards this end, a three-layered process was followed. First, comparisons were made within categories. Second, connections between threads and patterns across categories

[11] Researchers use nodes in NVivo to categorize information and to look for emerging patterns and ideas. Nodes can be created and organized according to themes, dimensions or cases such as people or organizations. Nodes can be created to gather evidence about the relationships between items in a research project. Retrieved from http://help-nv10.qsrinternational.com/desktop/concepts/about_nodes.htm

were made. Third, the analysis was situated within the broader literature on public policy instrument theory and SII. The three layers were not undertaken separately but were part of an iterative process throughout the synthesizing process.

During the dimensional analysis, specific discourses started to emerge. Some of the documents, interview transcripts and parliamentary proceedings revealed either preference for, or opposition to, certain public policy instruments, which could be traced to certain political parties or political philosophies. As the evidence of these discourses continued to mount, it was decided, in consultation with my thesis supervisor, to undertake a critical discourse analysis. The third step of the data analysis was to perform a discourse analysis.

Critical Discourse Analysis (CDA) emerged in the late 1980s as an approach concerned with studying and analyzing written or spoken texts to reveal the discursive sources of power, dominance, inequality and bias. One of the most reputable CDA scholars is Norman Fairclough (Bloomaert and Bulcaen, 2000:448). Fairclough (2007:135) defined CDA as an analysis which aims to systematically explore relationships of causality and determination between (a) discursive practices, events and texts, and (b) wider social and cultural structures, relations and processes; to investigate how such practices, events and texts are ideologically shaped by relations of power and struggle over power. In other words, CDA aims to make transparent the connection between discourse and social structures. CDA scholars tend to conduct research in certain areas including political discourse and institutional discourse (Bloomaert and Bulcaen, 2000:451).

The CDA undertaken for this dissertation includes an analysis that aligns with the work of traditional CDA scholars. Political and institutional discourses were analyzed using a Giddens (1984) perspective where language stands in relation to social structure[12]. In other words, language communicated can be interpreted for the purpose of explaining larger social processes and structures. The CDA for this dissertation does exactly this. Political and institutional discourses were analyzed and produced insights into ideological preferences or aversion for certain public policy instruments playing a role in the perceived effectiveness and efficiency of these policy instruments. This was found to be relevant for the current dissertation.

3.4.1 Ethical Considerations

Any research involving human subjects requires the serious consideration of ethical issues relating the protection of research participants (Miles and Huberman, 1994:288; Merriam and Tisdell, 2015:18; Berg, 2016:39). Informing and protecting respondents is of vital concern for social science research. As stated above, the recruitment process involved enlisting voluntary cooperation of individuals who are informed and aware of the study's purpose. As well, a central issue with respect to research ethics is how information collected from research participants is treated. Although it was anticipated that no serious ethical threats would be posed to any of the participants or their well-being,[13] safeguards were used to ensure research participants' rights were protected.

[12] This sentence draws on Giddens' (1984) theory of structuration.
[13] The University of Ottawa's Office of Research Ethics and Integrity awarded a certificate of ethics approval that categorized the research project as minimal risk.

First, informed consent remained a priority throughout the study. Written or recorded verbal consent to voluntarily participate in the research was received from each interviewee. Second, research participants' rights and interests were respected and considered important when choices were made regarding the reporting of data collected for this dissertation. There was a commitment to keeping the names and other identity characteristics of individuals confidential. Cautionary measures were taken to secure the storage of research-related records and data, and nobody other than the researcher had access.

Finally, the collection of data were kept within the time limit established by the University of Ottawa's Office of Research Ethics and Integrity, which was between May 10, 2016 and May 11, 2017. As well, the University of Ottawa's Office of Research ethics and Integrity suggests that data collected for this dissertation must be conserved for a minimum period of five years following the completion of data collection. The data must be maintained in a manner that allows for verification or replication of the research work. This includes a complete and accurate set of research data, methodologies and findings, including graphs and images, in accordance with University of Ottawa policies and procedures.

3.4.2 Justifying Claims in Qualitative Research

In qualitative research, efforts must be made to address issues of validity, the degree to which something measured represents what is it is supposed to measure, and reliability, the consistency of something measured over time. In seeking to address validity and reliability of qualitative research, Guba and Lincoln (2013:82) argue that qualitative research should be assessed differently from quantitative research. There are clear differences between quantitative and qualitative research. For qualitative research to be valid and reliable, researchers must control for their own biases that has the potential to influence the design, implementation and analysis of a research project.

Validity suggests whether the findings are accurate and credible from the standpoint of the research. This criterion becomes a key consideration in the research design (Yin, 2014:45; Merriam and Tisdell, 2015:36). Both methodological validity and interpretive validity are important considerations. Methodological validity involves asking if the methods for collecting data are appropriate for the research questions being asked and determining if the methods can lead to the types of explanations being sought. Interpretive validity involves asking about the validity of the data analysis and of the interpretation on which it is based. This step is dependent on methodological validity.

To enhance validity, triangulation of the data sources and data-collection methods was used for this dissertation. Collecting data from multiple sources and methods provides a fuller and richer picture of the subject under investigation. As well, to enhance validity assumptions were clarified prior to undertaking data collection and steps though which interpretations were going to be made were also illustrated up front. Interview transcripts and some of the data analysis were sent to researcher participants for verification and confirmation that they accurately represented their perspective. Emergent findings were also discussed with peers and colleagues. Finally, a process of reflection was used to check for bias in both collecting and analyzing data. It is important to check against bias to ensure findings are the result of the research and not from the bias and subjectivity of the researcher.

Reliability is the extent that research findings can be replicated by other similar studies. Qualitative research usually does not cover a large enough sample to provide a reasonable degree of reliability. However, as Guba and Lincoln (2013:105) argue, the more important question becomes one of whether the findings are consistent and dependable with the data collected. The goal is not to eliminate inconsistencies, but to ensure that the data produced as well as the phenomenon under investigation is correctly understood. With this in mind, it was important to consistently use and document research procedures and demonstrate that coding matrices have been used consistently.

For this dissertation, reliability was addressed by carefully and meticulously documenting the rationale for all choices and decisions made during the research process. This audit trail as some scholars name the process can enhance the rigor and transparency of qualitative research (Bowen, 2009:305). Using NVivo to keep a detailed account of how the data were analyzed and interpreted did this. Also, inter-rater reliability was addressed by asking a colleague to code some of the interview transcripts. Coding was generally found to be consistent, but some divergence did occur.

3.4.3 Limitations of the Research

This dissertation contains certain limiting conditions, some of which are related to the common critiques of qualitative research methodology in general and some of which are inherent in this dissertation's research design. Careful thought has been given to ways of accounting for these limitations and to ways of minimizing their impact. Unique features of qualitative research mythology present potential limitations.

Because analysis ultimately rests with the thinking and choices of the individual researcher, qualitative research in general is limited by the researcher's subjectivity. An overriding concern is that of bias. One of the key limitations of this dissertation is the issue of subjectivity and potential bias regarding the researcher's belief in the power of impact investment for producing positive socio-economic outcomes. A related limitation was that research participants might have had difficulty being interviewed by a doctoral candidate. Few of the participants knew the researcher and the majority of them were much more senior than the researcher. Because of this, the responses elicited might have been affected. Another issue could have been that the participants may have tried to give the answers the researcher was looking for considering the interviews were for the completion of an academic program.

Recognizing these limitations, the researcher took the following measures. First, the research agenda and assumptions were fully declared up front. Second, the researcher made certain to be prepared for the interviews to conduct a professional interview. Third, peers were asked to review the interview guide and the coding matrices. As well, research participants were asked to review their interview transcripts. Fourth, any research participant identifiers including names and titles were removed from the interview transcripts before the data analysis phase of the dissertation. Fifth, to address the problem of participant reactivity, a conscious effort was made to create an environment that was conducive to honest and open dialogue. Previous experience interviewing participants helped in this regard.

A final limitation was that the sample was restricted. This is especially true for the number of federal civil servants interviewed. The research would have benefited from speaking with civil servants representing the Canada Revenue Agency. Although a number of attempts were made to reach the individuals responsible for the three case studies under investigation, the effort had to be abandoned because of time constraints. Therefore, a critique of this dissertation might be the limited possibility of generalizing this study to other contexts. This limitation was addressed in submitting an Access to Information Request. Unfortunately, no data were shared using this process. An effort was made to pay attention to contextual information employing the analytical framework built for the study to gain an understanding of where and how the data can be applied to different context especially within the emerging SII market.

3.5 Chapter Summary

In this chapter, the methodology and research approach adopted for this dissertation has been outlined. This dissertation employed a qualitative data collection and analysis methods guided by a theoretical framework built from Lester M. Salamon's framework on public policy instrument analysis and an OECD conceptual framework for assessing SII models. Having chosen a qualitative research approach, the dissertation was most suited to a case study design. A case study is a record of research, which provides a detailed description, and analysis of a phenomenon, social unit or system bounded by time or place (Miles and Huberman, 1994:25; Merriam and Tisdell, 2015:37; Berg, 2016:225).

Data were collected through an extensive document review and semistructured key informant interviews of executives, senior program officers and senior public servants to answer the primary research question: ***Are public policies instruments enabling social impact investment funds reaching their policy objectives?*** A dimensional analysis was undertaken to evaluate equity and effectiveness outcomes of the public policy instruments comprising the three case studies. Preliminary findings provided secondary research questions and suggested that a discourse analysis should also be undertaken, a decision that yielded knowledge that filled a gap in the public policy instrument literature and proved useful for making recommendations for policy makers considering policy options for structuring and growing the SII market. The dissertation is limited in terms of the common criticism raised for qualitative research in that the research is constrained to the researcher's subjectivity. Steps were taken to account for these limitations.

CHAPTER 4: DEFINING THE PUBLIC POLICY INSTRUMENTS

4.1 Introduction

This dissertation examined the equity outcomes and effectiveness of three public policy instruments aiming to achieve socio-economic objectives through the creation of investment funds that make investments in SMEs. It also examined these public policy instruments through an OECD framework for assessing Social Impact Investing. As mentioned in Chapter 2, Lester M. Salamon (2000:1642) argues that analyzing public policy instruments should be done in two steps. First, the public policy instruments should be defined in terms of descriptive features. Second, the public policy instruments should be evaluated using predetermined dimensions.

This chapter outlines Salamon's (2000) first step. It defines each of the public policy instruments making up the three case studies in this dissertation. It defines the policy instruments in terms of *common features* and *design features*. *Common features* are features that belong to a certain groups of public policy instruments. *Design features* are unique to the individual instruments designed for reaching specific public policy objectives. The three case studies have been documented to produce a better understanding of each policy instrument and to provide a foundation for the findings shared in Chapter 5.

Each of the three public policy instruments analyzed for this dissertation can be labeled conditional subsidies. Generally speaking, a conditional subsidy is a transfer of money from a government department or agency to another organization that must meet certain agreed upon conditions. In each of the three cases, the transfer of money is from the federal government to either a not-for-profit, cooperative or for-profit organization. To receive the subsidy, the organizations have a responsibility for the maintenance of a number of conditions canonized in federal legislation. The three cases can be divided into two types of conditional subsidies, two of the policy instruments are tax-credits and one is a cash transfers through a contribution agreement.

Case study number one is a federal income tax-credit for individual investors who invest in Labour Sponsored Venture Capital Corporations. The second case study is a tax-credit for individuals investing in Community Economic Development Investment Funds. The third case study, the Women's Enterprise Initiative, comprised a lump sum cash transfers plus a recurring annual cash transfers for the creation and operation of four nonprofit organizations and four investment funds. The *common features* and the *design features* for each policy instrument are presented below. The document review and semistructured interviews produced the data for this Chapter.

The chapter is divided in the following sections. Section 3.2 describes the common features of each public policy instrument. Section 4.3 presents the design features of each public policy instrument. Section 4.4 concludes the chapter.

4.2 Public Policy Instrument Common Features

This section describes common features of each public policy instrument chosen for this dissertation. All three public policy instruments belong to the group of policy instruments labeled conditional subsidies. A conditional subsidy is defined as a transfer of funds usually by government to another party for the purpose of influencing that party's behaviour to promote a social good or advance an economic policy (Bemelmans-Videc, Rist and Vedung, 1998:79). Conditional subsidies have certain features that define them. First, governments provide an incentive to influence the behaviour of a third-party in an attempt to avoid carrying out the activity themselves. Second, governments formulate conditions pertaining to the activities to be completed to receive the incentive. Conditional subsidies can be subdivided into, among other types, direct cash transfers and tax-credits.

The three conditional subsidies analyzed for this dissertation include two tax-credits, also known as tax reductions, for individuals investing in either LSVCCs or CEDIFs and one cash transfer payments to four nonprofit organizations as part of the WEI. Tax-credits for individuals can be defined as deductions from a individuals' income to reduce their taxable income in turn reducing their overall tax burden.[14] Cash transfer payments are defined as grants, contributions or other financial transfers to an individual, organization or other level of government to further government policy objectives (Treasury Board of Canada Secretariat, 2002:6). What's unique about these specific public policy

[14]This definition is similar to the one used by the Government of Canada (2018, May 6). Retrieved from https://www.canada.ca/en/financial-consumer-agency/services/financial-toolkit/taxes/taxes-3/6.html

instruments compared to the wide array of public policy options available to governments is that in each of the cases the ultimate aim is to achieve both economic and social policy objectives. Common features of cash transfer payments and tax-credits are described below.

4.2.1 Tax-Credits

The federal government supports investment in community economic development through both the tax system and spending programs. Tax-credits aim to impact individual behavior by providing an incentive to attract investment for a specific purpose. Like direct cash transfer payment programs, tax-credits have policy objectives and rules that define the stakeholders, determine how much individuals receive, in what circumstances they qualify and the overall costs for governments.

Unlike direct cash transfer payment programs, tax-credits for individuals have two features that distinguish them. First, only taxpayers who work are eligible to receive tax credits. Two, the tax-credit is administered through the tax system where individuals receive a tax refund rather than through a government department or agency (Liebman, 1998:83). A tax-credit's administrative structure impacts participation, compliance rates as well as administrative costs and efficiencies. Tax-credits are justified in terms of mitigating a market failure associated with the externality of certain economic activities (For example, underinvestment in rural based businesses). Finally, governments have a long history of using tax incentives as a tool for redistributing wealth and reducing inequality and poverty (Liebman, 1998:83).

4.2.2 Cash Transfer Payments

Governments award cash transfer payments to further their policy objectives. Transfer agreements are signed with either individuals or organizations to address the needs of an identified sector, group or individual(s). Cash transfer agreements come with terms and conditions, results monitoring, as well as, program evaluation requirements throughout the life of the program or project being funded. Some forms of transfer agreements are more restrictive than others. For example, contribution agreements are more restrictive than grants.

Creating cash transfer programs is a complex undertaking (Treasury Board of Canada Secretariat, 2002:11). The process begins with determining a policy objective. Identifying a target group or individuals that will benefit form the transfer program is the following step. This step is followed by consultations and communication with and between the relevant stakeholders to identify and agree upon the program’s purpose and objectives. Specific terms and conditions to be met or carried out before fund transfers must be established. Finally, success outputs and outcomes are identified to determine if the program is achieving the policy objectives set at the outset of designing the program. Then the program is implemented, monitored and evaluated.

4.3 Public Policy Instrument Design Features

Defining public policy instruments requires the identification of certain elements that speak to the unique deign features of each instrument (Salamon, 2000:1642). To define the public policy instruments of interest, the following elements are important:

- their policy objectives;
- the actors involved, their roles and how they are related to one another;
- the product or service being delivered;
- the delivery vehicle and system;
- the set of rules that define the relationships within the delivery system.

Highlighting these elements is important because in spite of the institutionalization of the three public policy instruments over the past four decades, scholars have not yet attempted to define them in this manner.

4.3.1 LSVCC Tax-Credit Design Features

The federal LSVCC Tax-Credit was designed and implemented in 1985 as a tax expenditure that was building on the success of a provincial LSVCC tax-credit initiated by the Government of Québec two years prior. The provincial LSVCC Tax-Credit was created to respond to a serious and deep economic recession that had hit the province of Québec particularly hard. In the early 1980s, The Québec government was tasked with managing this deep recession caused by high interest rates, the collapse of Canada's economy and a global contraction in demand for Québec commodities (Hébert, 1989).[15] Searching for a solution to the rising unemployment, permanent job loses, plant closures as well as production and investment relocations, the Québec government was open to hearing new ideas (Osborne and Sandler, 1998:506)[16]. The government decided to conduct public consultations. During the public consultations, the Fédération des travailleurs et travailleuses du Québec (FTQ) proposed to use worker's savings to reinvest in the Québec economy to create and maintain jobs.

The FTQ, Québec's largest trade union, proposal had Québec workers' savings going into Québec based and union controlled investment funds, which would choose to invest in Québec SMEs and provide training in economic and financial maters to low-skilled workers (Osborne and Sandler, 1998:506). Labour leaders in Québec, after much deliberation, were convinced that unions should be involved in making investment decisions that affect the future of their members and the province.

The National Assembly of Québec voted on fundamental laws to create the LSVCC Tax-Credit, an innovative public policy instrument at the time. The government partnered with the FTQ by contributing a $10 million dollar loan to create Canada's first LSVCC

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[15] The interest rate for mortgages had reached 18 per cent. Enterprises applying for risk capital faced interest rates of 20 to 25 per cent in 1983. The Québec based financial institutions were managing the crisis as much as possible, however, they withdrew their support once they faced risks to their solvency.

[16] A number of Quebec enterprises were subsidiaries of American companies and some had Toronto based investment firms managing the pension funds. This was especially true in the manufacturing sector. Many firms went bankrupt and the recession threatened the existence of many enterprises and pensions funds because of relocation of factories or factory closures. The unemployment rate rose to a staggering 14 per cent in 1982 (Hébert, 1989).

named the Fond de solidarité des travailleurs du Québec (FSTQ). The loan was eventually converted into shares. The FSTQ is a labour sponsored fund that is required to follow certain governance rules and policies and procedures that are codified in Québec fundamental laws. The Government of Canada joined the partnership two years later by passing legislation and providing a matching $10 million dollar loan to the FSTQ, which was also later converted into shares.

When it was first passed, the provincial legislation included an annual provincial tax-credit of 35% for Québec residents who invested up to $3,500 in the fund. The federal legislation provided a matching federal tax-credit. The federal tax-credit was made available to all provinces and territories. The investments would qualify for Registered Retirement Savings Plans (RRSPs). When the federal government introduced its LSVCC tax-credit, the tax-credit was changed to and annual tax-credit of 40% (each government offering a 20% tax-credit) and the maximum investment allowable was increased to $5,000. In 1996, both levels of government reduced their tax-credits to 15%, the current level.

With the federal tax-credit, all provinces could and can still participate. For the purpose of this dissertation, the investigation was narrowed to the jurisdiction of Québec. Québec has two LSVCCs named the FSTQ and Fondaction CSN. Reference to LSVCCs in other provinces will be made simply for making comparisons. The Québec based LSVCCs have been very successful in raising investment for the Québec economy. However, this was not the case in all provinces. The issues experienced by other provinces will be

Table 4.1. LSVCC Tax-Credit Design Features

Instrument	**Federal LSVCC Tax-Credit**
Policy Objectives	• To address gaps in financing for SMEs; • To create and maintain employment; • To increase workers' personal savings for retirement; • To strengthen venture capital pools; • To keep investment within provinces and territories • To define a new role for unions and workers in the Canadian economy.
Actors Involved	• Government of Canada • Government of Québec • Fédération des travailleurs du Québec (FTQ) • Confédération des syndicats nationaux (CSN) • Québec residents • Québec based SMEs
Role of Actors	• Government of Canada provided a loan to capitalize the first LSVCC fund, which was later converted into shares and provides a tax-credit for individual investors. • Government of Québec provided a loan to capitalize the first LSVCC fund, which was later converted into shares, and provides a tax-credit for individual investors. It also regulates its LSVCCs. • Fédération des travailleurs du Québec sponsors a LSVCC and participates in its governance structure and strategic decision-making. • Confédération des syndicat nationaux sponsors a LSVCC and participate in its governance structure and strategic decision-making. • Québec residents provide investment capital for the LSVCCs. • Québec SMEs receive investment capital from LSVCCs.
Actor Relation to One Another	*See figure 4.1 below
Product/Activity	• Investment capital for SMEs • Capacity building for entrepreneurs
Delivery Vehicle	• Tax expenditure

Delivery System	• Commercial enterprises incorporated pursuant to special act of the Québec legislature (Only 2 LSVCCs were created in the province of Québec)
	    ◆ Fond de solidarité FTQ
	    ◆ Fondaction CSN

Set of Rules	• Individual investors must reside in the province of Québec; • 15% federal tax-credit provided to individual investors on investment of up to $3500; • 15% provincial tax-credit provided to individual investors on investment of up to $3500; • In Québec, investment must be locked in until retirement; • Unions need to sponsor the LSVCC and are responsible for naming a certain number of directors; • LSVCCs must invest in SMEs of a certain size; • LSVCCs are strictly regulated by securities, mutual fund and tax legislation.

described in Chapter 5. Table 4.1 on page 83 provides a summary of the LSVCC Tax-Credit design features.

Policy Objectives

There were two categories of objectives for the LSVCC tax-credit. The first category comprised social and ethical objectives. The second category included objectives associated with venture capital[17]. LSVCCs were primarily created for social and ethical reasons. At the time, the Government of Québec was interested in working with the province's largest union to co-create a solution for addressing the serious issues resulting from the deep recession of the early 1980s. The LSVCC Tax-Credit aimed to increase the retirement savings for low-income Québec residents and to encourage investment within the province resulting in job creation and maintenance of employment. Increasing the pool of venture capital to address the gaps in financing for SMEs was a secondary policy objective.

Actors involved

The Québec government was an instrumental actor in creating the LSVCC model and has also continued to play an important role in the tax-credit's sustainability. As mentioned above, the Government of Québec enacted legislation in 1983 to create the first LSVCC and establish the provincial LSVCC tax-credit. Since then, it has worked closely with the FTQ to ensure the success of the FSTQ, a strategy it has also adopted for ensuring the

[17] Venture capital can be defined as investment provided to start a new company or a small business that has the potential for long-term success and growth. Retrieved from https://www.investopedia.com/terms/v/venturecapital.asp.

success of its partnership with the Confédération des syndicats nationaux (CSN) to create the Fondaction CSN. Fondaction CSN was created in 1985. It is Québec's second LSVCC.

The Government of Canada partnered with the Government of Québec to ensure the sustainability of the FSTQ. In doing so, the Government of Canada endorsed the LSVCC model. It provided a $10 million dollar loan, which was eventually converted into shares, and enacted its own legislation introducing a federal LSVCC tax-credit. The federal government implemented other measures to stimulate the use of the LSVCC model in other provinces and territories. The Government of Canada encouraged other provinces to pass legislation for incentivizing the use LSVCCs (Osborne and Sandler, 1998:509). These efforts were successful and a number of provinces passed legislation offering a matching tax-credit and setting rules governing LSVCCs. In 1990, the Government of Canada passed legislation that launched the first national LSVCC sponsored by the Canadian Federation of Labour.

The FTQ and CSN sponsored the two largest LSVCCs in Canada. They have been actively involved in the governance structure and investment decision-making of the LSVCCs. Unlike other provinces, the labour unions in Québec took part in the discussions leading up to the creation of the first LSVCCs. They see LSVCCs as vehicles for creating and preserving jobs in the province and for providing training in economic and financial matter to their members thus advancing the interests of the union. As will be seen in Chapter 5, this was not the case in other provinces. The Québec labour leaders orchestrated a serious internal debate about the role of unions in capital markets and their place in capitalism, which led to the decision of being active participants (Osborne and Sandler, 1998:507).

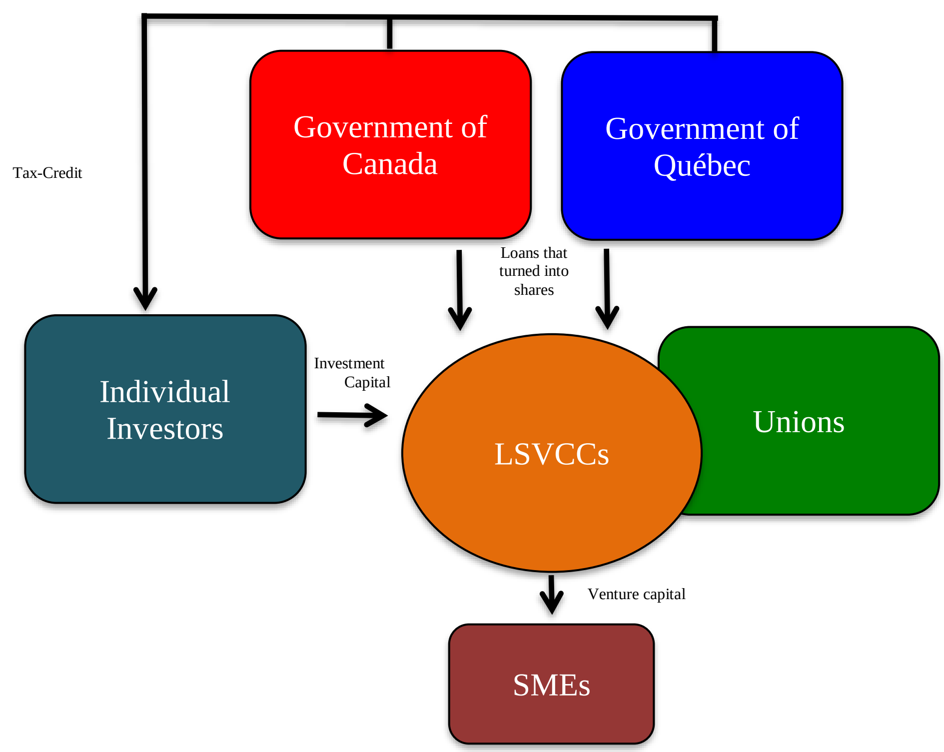
Québec residents were provided an incentive to invest in LSVCCs. The policy instrument was designed to increase and maintain employment for Québec workers and to improve their savings rate. As well, LSVCCs provided individual workers a voice in the provincial economy. They provide a platform for improving workers' knowledge and skills in economic and financial affairs. Québec based SMEs benefited as well by gaining access to investment capital.

Role of Actors and Their Relation to One Another

The Government of Canada partnered with the Government of Québec and Québec labour unions to capitalize the first LSVCC fund. The Government of Canada and the Government of Québec each provided a $10 million loan, later converted to shares and a tax-credit for individuals who invest in LSVCCs. The Government of Québec maintains a close working relationship with the two Québec based LSVCC and their union sponsors to advance public objectives. The FTQ and CSN sponsored LSVCCs and participate actively in their governance and their strategic investment decision-making. They also encourage Québec residents to investment in the FSTQ and Fondaction CSN. Finally, Québec owned and operated SMEs receive and make use of investment capital from LSVCCs.

The Québec LSVCCs made certain that their governance structures were completely separate and independent from union interference. They are governed as financial institutions that do not promote the unions that sponsored them. Members of the unions are on the board of directors, but hey do not impede the funds ability to operate like commercial agents. They do not intervene in commercial transactions; however, they impact the philosophy of the funds. In practice, the funds have become part of the communities in which they operate. The president of the board of directors is offered to someone representing the unions, but this is not always taken. The actors' relation to one another is also depicted in Figure 4.1 below.

Figure 4.1. LSVCC Actor Relation to One Another



Set of Rules

Initially, the Government of Québec offered a 35% tax-credit to individuals residing in Québec who invested up to $3,500 in LSVCCs. When the Government of Canada partnered with the province in 1985, the 35% tax-credit was changed and each government offered a 20% tax-credit for investments of up to $5000. A number of provinces passed legislation to start LSVCCs in the late 1980s and early 1990s and their success made them prohibitively expensive for governments. In 1996, the federal and provincial governments each reduced the tax-credit to 15%, the current level. The maximum investment per individual remained at $5,000. The maximum investment per individual per year was changed and is currently set at $3500. The investments have always been and remain RRSP eligible. Québec investors are required to keep their investments within the LSVCCs until retirement. This rule was unique to the province of Québec.

There are rules that apply specifically to the LSVCCs. The LSVCCs have to be registered provincially, make investments in SMEs within a given jurisdiction, are subject to securities regulation as well as mutual fund and tax legislation. There are regional differences when it comes to these rules. For example, Québec limited the registration to two LSVCCs, whereas Ontario permitted an unlimited number of LSVCCs. The articles of incorporation of the LSVCCs determine the business activities they can undertake. For example, the articles of incorporation will determine the eligible businesses for investment. In the case of the FSTQ, it must invest in SMEs with less than $50 million in total assets and not more than $20 million in net assets, while Fondaction must invest in

SMEs with less than $100 million in total assets and no more than $40 million in net assets. In both cases, the majority of the SMEs' employees must be residents in Quebec (Osborne and Sandler, 1998:523). LSVCCs have to be sponsored and controlled by a union. Ten of the FSTQ's 16 directors must be appointed by the FTQ, while four of Fondaction's 11 directors must be appointed by the CNS and two must be appointed by another specified union (Osborne and Sandler, 1998:523)

4.3.2 CEDIF Tax-Credit Design Features

The Government of Nova Scotia created the Nova Scotia CEDIF tax-credit in 1999 to allow rural based SMEs to access equity financing and reduce their dependence on debt financing and government grants. The government was also interested in generating rural economic development and promoting knowledge of business to individuals in rural communities.[18] It was determined at the time that the main problem for rural-based businesses was that the traditional financial institutions would not consider investment opportunities beyond urban centers. Moreover, most of the investment firms were located in Toronto and had little interest in investing in rural Nova Scotia.

The CEDIF tax-credit provides an incentive to investors who place their money in CEDIFs. CEDIFs invest in rural based businesses or cooperatives. The businesses or cooperatives must be located in a defined community within the province of Nova Scotia;

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[18] Government opinion was shaped by the findings of the Volunteer Planning of Nova Scotia, a body set up in the 1980s to undertake public consultations on possible solutions for the issues faced by rural communities in Nova Scotia. The Volunteer Planning of Nova Scotia found that the unemployment rate in rural communities was approximately 20 per cent compared to that of Halifax, which was around 6 per cent. The Volunteer Planning of Nova Scotia recommended the adoption of the CEDIF program.

they must be distinguishable by common geographic, economic and cultural characteristics (Nova Scotia Finance and Treasury Board, 2018:1). The CEDIF tax-credit was meant to enhance the province's Equity Tax-Credit, created six years earlier. The Equity Tax-Credit proved to be very successful in generating equity financing for Nova Scotia's urban-based small businesses, co-operatives and community economic development initiatives.

A CEDIF is a community based investment fund created through the sale of shares to individual investors. The money generated from the sale of shares is then invested in new or existing community based businesses or cooperatives. Many Nova Scotia rural based small businesses were unable to access investment from traditional financial institutions either because of the shallowness of their business track record, lack of collateral, or simply their inability to connect with the financial services professional working for the financial institution. If they did access investment capital it was at a much higher than market interest rate. The CEDIF tax-credit was a public policy response to this market failure. The Government of Canada partnered with the Government of Nova Scotia and offered an RRSP eligible tax-credit in response to lobbying efforts by the Canadian Worker Cooperative Federation (CWCF). Table 4.1 on page 91 and page 92 provides a summary of the CEDIF Tax-Credit design features.

Table 4.2. CEDIF Tax-Credit Design Features

Instrument	
Policy Objective	• To help small and local businesses in rural communities access investment capital; • To enhance the Nova Scotia Equity Tax-Credit; • Create jobs and support economic growth; • Reduce capital flight and encourage Nova Scotians to invest in local businesses.
Actors Involved	• Government of Canada • Government of Nova Scotia • Canadian Worker Cooperative Federation (CWCF) • Nova Scotia residents • Nova Scotia rural based local businesses
Role of Actors	• Government of Canada offers RRSP eligibility and further tax-deduction for investors in CEDIFs. • Government of Nova Scotia offers a tax-credit of 35% to individual investors in CEDIFs and regulates the funds. It also offers assistance and capacity building for CEDIF board of directors and managers. • CWEF lobbied federal government to secure changes to RRSP regulations to make CEDIF investments RRSP eligible. They also have a program, which help individuals with the paperwork to make their investments RRSP eligible. • Nova Scotia residents over the age of 19 make investments in CEDIFs and receive a tax-credit. • Nova Scotia based local businesses receive investment from CEDIFs.
Actor Relation to One Another	*see figure 4.2 below
Product/Activity	• Investment capital for local businesses
Delivery Vehicle	• Investment funds registered as a corporation or a co-operative (2 chosen as exemplars for the case study) ⬩ New Dawn Enterprises ⬩ Farmworks
Delivery System	• Tax expenditure
Set of Rules	CEDIF Organization • CEDIFs can be incorporated as either a corporation or as a co-operative, but they cannot be a charity or nonprofit organization; • CEDIFs must be initiated and developed within the community in which they will operate; • Must have a minimum of six directors elected from its defined community; • The board of directors must register CEDIFs by preparing a simplified Offering Document, an Equity Tax-Credit application form and a Community Economic Development Plan; • The Nova Scotia Department of Finance approves the tax-credit by issuing an equity tax-credit certificate, while the Nova Scotia Securities Commission decides upon the proposed public offering and registers the CEDIF; • Board of directors manage the fund; • CEDIF investments must be made in locally owned businesses that have less than $25 million in assets and revenues; • 40% of the funds raised must be invested in eligible businesses in the

	first year, 60% in the second, and 80% in the third year; • Measurable financial return must be demonstrated; • CEDIFs are exempt from Continuous Disclosure requirements • Annual auditor's report must be distributed to shareholders and an annual general meeting must be held. Investor rules • Individual investors must be over the age of 19 and investing in a CEDIF; • 35% provincial personal income tax-credit for investing for 5 years, if investors keep their money in the CEDIF for an additional 5-year period they receive an additional 20% tax-credit and another 10% if renewed for a third 5-year period; • Investments in CEDIFs are pre-approved holdings for inclusion in a self-directed RRSP and investors receive a federal tax-credit based on the RRSP contribution; • The maximum tax-credit an individual can receive is $17,500 on a maximum investment of $50,000; • No single investor can hold more than 20% ownership in a CEDIF; • Funds set the minimum number of shares that can be purchased, often between $1000 and $5000.

As of 2015, over 70 CEDIFs were active with over 11,000 investments made and $88 million in investment capital raised since the CEDIF tax-credit's inception (Government of Nova Scotia, 2018). New Dawn Holdings Ltd and Farmworks Investment Co-operative Limited are two of the more successful organizations that have made use of this public policy instrument, and for this reason, they were chosen as the CEDIFs included in this case study. As of 2015, New Dawn had made 929 investments and raised over $7 million in investment capital. Farmworks had made 441 investments and raised over $1.3 million. Both organizations have made use of the 35% Provincial Income Tax-Credit offered by the province and the self-directed RRSP incentive provided by the federal government to attract investors.

Policy Objectives

The Government of Nova Scotia's main policy objective for the CEDIF tax-credit was to address the needs of rural-based businesses. This policy instrument was seen as critically important to ensure the viability and long-term sustainability of rural communities. Many Nova Scotia rural-based small businesses had been denied capital by the urban based traditional financial institutions because they lacked the necessary assets to act as collateral, or simply because the representative they were dealing with lacked interest in their business proposal or plan. Increasing investment capital to rural businesses was seen as necessary for poverty alleviation, community and cooperative development as well as, in the case of Nova Scotia, environmental preservations. For the latter point, many of the CEDIF investments have been directed toward alternative energy projects.

The Nova Scotia government aimed to enhance their Equity Tax-Credit. The CEDIF tax-credit was seen as a public policy instrument that would support community economic development and create jobs in rural areas, which is what the Equity Tax-Credit had accomplished within urban centers. Another policy objective was to prevent investment dollars earmarked for retirement from leaving the province. In 2008, Nova Scotians invested over $600 million in their self-directed RRSPs and Statistics Canada estimated that less than 2% of this money was re-invested in the province of Nova Scotia (Moulton, 2012:10). Making investments in rural based businesses RRSP eligible was seen as an effective way to reverse this trend. By adding a federal tax credit to the provincial tax credit incentive this would not only give individuals and incentive for direct their new investments towards CEDIFs, but also redirect existing RRSP investment dollars towards Nova Scotia based rural businesses.

Actors involved

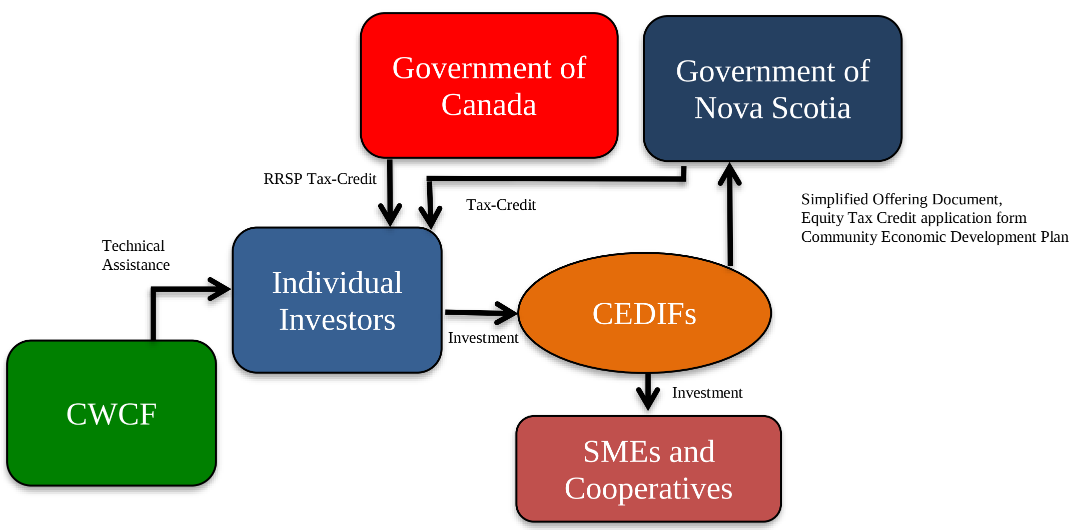
The success of the Nova Scotia Equity Tax-Credit led the Government of Nova Scotia to develop the CEDIF tax-credit. This public policy instrument was the first of its kind in Canada. The Government of Canada got involved when it made pre-approved CEDIF investments eligible for self-directed RRSPs. The Government of Canada was convinced by the lobbing efforts of the CWCF in the early 1990s. The CWCF developed a program to enable worker co-operatives to take advantage of the changes to the RRSP regulation. CEDIFs must become an associate member of the CWCF to take advantage of the federal tax-credit. Nova Scotia residents are incentivized by the provincial and federal tax-credits. Nova Scotia rural-based SMEs are the recipients of the CEDIF investments. Nova Scotia Securities Commission civil servants, responsible for the CEDIF file, provide board of directors' assistance in filing the required paperwork.

Role of Actors and Their Relation to One Another

When the CEDIF tax-credit was first implemented, the Government of Nova Scotia committed to a number of communication activities to ensure communities were aware of the tax-credit. The government also provided support to community members who were interested starting a CEDIF. Over time these services were scaled back and what remains are services offered by the Nova Scotia Securities Commission and the Nova Scotia Department of Finance. The NSSC registers the CEDIF and proposes the public offering of the fund. The Nova Scotia Department of Finance approves the tax-credit by issuing and equity tax credit certificate.

The CWCF has taken on some of the communication promotional responsibilities to fill the void left by the government of Nova Scotia. The CWCF makes an effort to ensure Nova Scotians are aware of the CEDIF tax-credit and the associated provincial and federal tax incentives. They also administer the technical aspects of the federal RRSP tax-credit on behalf of investors. The CWCF will work with individual investors and fill out all the required federal paperwork to make their investments RRSP eligible. Nova Scotia residents are the one who make the investments into CEDIFs and Nova Scotia rural based SMEs or cooperatives receive the investments. The actors' relation to one another is also depicted in Figure 4.2 on page 96.

Figure 4.2. CEDIF Actor Relation to One Another



Set of Rules

Two sets of rules that apply to CEDIFs, one set is for the individuals forming the CEDIF board of directors and the other set is for the individual investors. The individuals forming the board of directors of a CEDIF must start by incorporating the CEDIF as either a corporation or a co-operative. They cannot incorporate as a charity or nonprofit organization. The board of directors must comprise a minimum of six directors elected from its defined community. Once the CEDIF has been incorporated, the board of directors must register and manage the CEDIF by preparing a simplified Offering Document, and Equity Tax-Credit form and a Community Economic Development Plan. These documents must be submitted to the Nova Scotia Securities Commission.

The Nova Scotia Securities Commission (NSCC) will register the CEDIF once they have decided upon the proposed public offering. The NSSC will also help CEDIF board of directors with some questions and terminology. The Nova Scotia Department of finance approves the tax-credit by issuing an equity tax-credit certificate. CEDIFs must invest in locally owned businesses that have less than $25 million in assets and revenues. CEDIFs must invest 40% of the funds raised in the first year of operation, 60% of the funds in the second year of operation and 80% of the funds in the third year. The board of directors must also demonstrate a measurable financial return. Finally, CEDIFs are exempt from the Nova Scotia Securities Commission’s Continuous Disclosure Requirements; however, they must still provide an annual auditor’s report to shareholders and hold an annual general meeting.

The individual investors must be over the age of 19 and a resident of Nova Scotia. The individual investors receive a provincial personal income tax-credit if their investments remain in the CEDIF for five years. If the investors decide to remain invested in the fund for an additional five years, they receive an additional 20% tax-credit, and they receive an additional 10% tax-credit if they keep their money in the CEDIF for a third five-year period. The maximum tax-credit an individual can receive is $17,500 on a maximum investment of $50,000. The CEDIFs are pre-approved holdings for inclusion in a self-directed RRSP, which merits a federal tax-credit based on the RRSP contribution. No single investor in a CEDIF can hold more than 20% ownership. Finally, the CEDIF board of directors sets the minimum number of shares that can be purchased, which is often set at a value of $1000 and $5000.

4.3.3 WEI Design Features

The Government of Canada created the regional Western Economic Diversification Canada (WD), one of six federal regional economic development agencies, over thirty years ago to diversify the economy of Canada's western provinces while improving the quality of life of western Canadians. The WD's Women's Enterprise Initiative (WEI) was designed and implemented in 1994 through WD to address inequalities between women and men owning or controlling businesses. Unlike the LSVCC and the CEDIF tax-credits, the WEI was initiated and is exclusively managed by a federal government agency. To launch the WEI, the Government of Canada signed a contribution agreement with four nonprofit organizations. The Government of Canada then transferred funds for the creation of these organizations and four loan funds. Provincial governments have only provided ad hoc funding to the four nonprofit organizations for specific initiatives, which does not affect the WEI in any way. This is a unique characteristic for this public policy instrument compared to the other two cases.

The four nonprofit organizations are the Alberta Women Entrepreneurs located in the Province of Alberta, the Women Enterprise Centre located in the Province of British Columbia, the Women Enterprise Centre located in the Province of Manitoba and the Women Entrepreneurs of Saskatchewan Inc. located in the Province of Saskatchewan. These organizations have a mission of providing investment and support for women starting or growing a business. Women business owners face a number of barriers when trying to start or grow a business including having less business experience than men, facing barriers to accessing investment capital as well as having fewer business relationships than men (Henry, Orser, Coleman and Foss, 2017:208). The federal government designed and implemented a gender-based public policy instrument to address the barriers faced by women entrepreneurs after conducting research in this area in the early 1990s. The research was undertaken to understand the complexities of their issue and produced an extensive literature review and report that compared Canada to other international jurisdictions. The report identified the barriers for women entrepreneurs and compared different gender-based programs worldwide. It recommended the creation of the WEI. Table 4.3 on page 99 provides a summary of the WEI design features.

Table 4.3. WEI Design Features

Policy Objective	• To encourage the establishment and growth of women-owned and women controlled businesses; • To encourage self-employment and business development; • To promote economic equality between men and women.
Actors Involved	• Government of Canada through its Western Economic Diversification Canada Women's Enterprise Initiative • Four non-profit organizations • Evaluation firms • Women owned or controlled enterprises located in the provinces of Alberta, British Columbia, Manitoba or Saskatchewan
Role of Actors	• Government of Canada created the WEI through the Western Economic Diversification Canada by providing cash transfers to establish four loan funds and four not-for-profit organizations and operational funding. • Four not-for-profit organizations provide loans and technical support to women owned or women controlled enterprises located in the provinces of Alberta, British Columbia, Manitoba or Saskatchewan. • Women located in the provinces of Alberta, British Columbia, Manitoba or Saskatchewan who own businesses receive investment and technical support.
Actor Relation to One Another	*see figure 4.3 below
Product/Activity	• Investment in women owned or women controlled enterprises
Delivery Vehicle	• Four Non-profit organizations with investment funds ⬩ Alberta Women Entrepreneurs (Alberta) ⬩ Women Enterprise Centre (British Columbia) ⬩ Women Enterprise Centre (Manitoba) ⬩ Women Entrepreneurs of Saskatchewan Inc. (Saskatchewan)
Delivery System	• Investment funds created with cash transfers through contribution agreements
Set of Rules	Rules for the not-for-profit organizations • $5 million in loan funds to be infused over a ten-year period between 1995 and 2005; • Annual operational funding of $975,000; • Project funding for special events, seminars, programs and other initiatives; • Organizations are required to conduct financial audits every years; • The Women's Enterprise Initiative must be evaluated every five years. Loan fund rules • Loans up to $150,000; • Interest rate is Prime plus 3 per cent; • Flexible repayment options and terms up to five years; • Loan administrative fee of 1% of the amount of the loan to a maximum of $500;

Policy Objectives

Research has shown that the primary reason women face challenges when starting and growing businesses is their lower level of business experience compared to men. The WEI directly addressed this experience gap through the provision of targeted finical and intellectual resources. The WEI's policy objectives as clearly outlined in a number of program evaluation reports and publications are: (1) to encourage the establishment and growth of women-owned and women-controlled businesses; (2) to encourage self-employment and business development; and, (3) to promote economic equality between men and women.

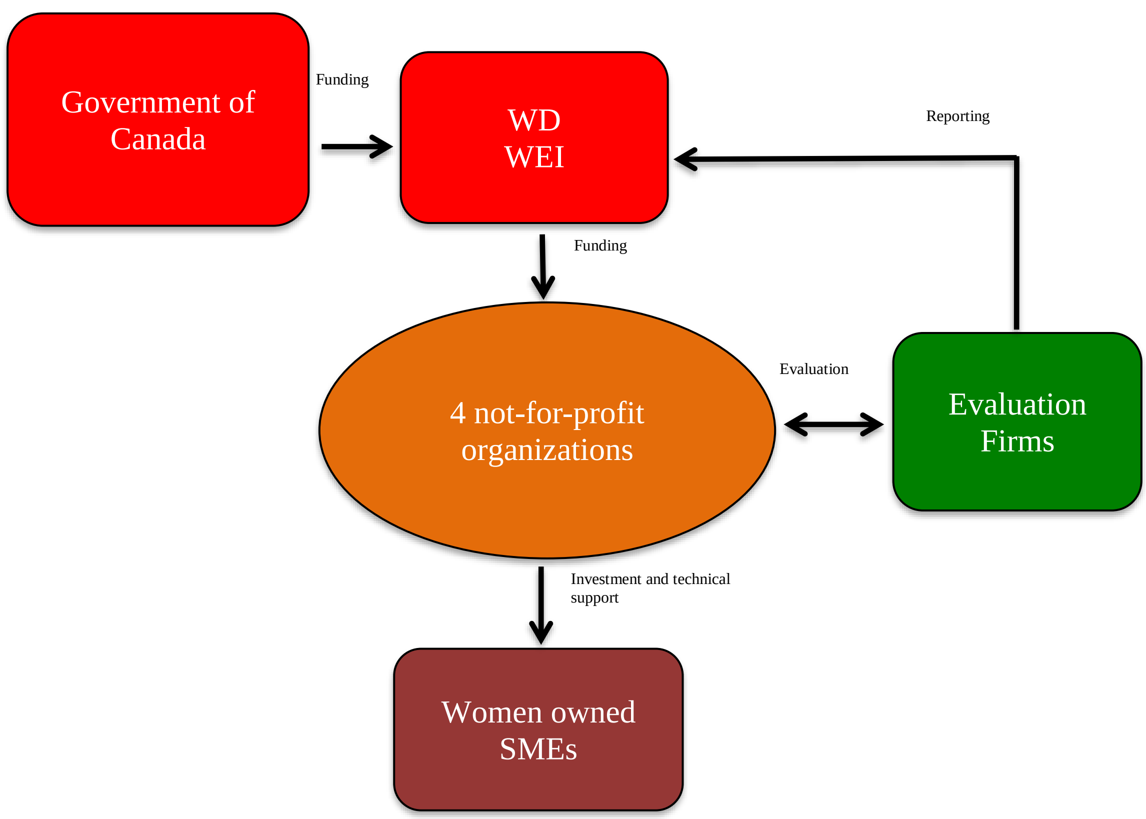
Actors involved

The Government of Canada is the key actor in this policy instrument in that it designed and implemented the WEI through the WD. Four nonprofit organizations were created including the Alberta Women Entrepreneurs located in the Province of Alberta, the Women Enterprise Centre located in the Province of British Columbia, the Women Enterprise Centre located in the Province of Manitoba and the Women Entrepreneurs of Saskatchewan Inc. located in the Province of Saskatchewan. The Government of Canada maintains an active role in holding the organizations accountable through operational funding delivered through the WD. External third parties have been contracted to perform program evaluations of the WEI. Finally, women owned or controlled enterprises benefit from targeted investment and technical assistance.

Role of Actors and Their Relation to One Another

The Government of Canada created the WEI through the WD by providing a one time cash transfer to establish four investment funds to be managed by four not-for-profit organizations. The Government of Canada committed $5 million dollars for each of the four investment funds. It also provided operational funding to create the four not-for-profit organizations. Each of the organizations receives $975,000 annually from WD. Each of the organizations provide loans of up to $150,000 to women who are starting or growing a business in the provinces of Alberta, British Columbia, Manitoba or Saskatchewan. The actors' relation to one another is also depicted in Figure 4.3 below.

Figure 4.3. WEI Actor Relation to One Another



Set of Rules

The WEI, like many of government initiatives, has government terms and conditions approved by the Treasury Board Secretariat of Canada. One set of rules was written for the creation and governance of the four not-for-profit organizations. The second set of rules was written to structure the loan fund. The four not-for-profit organizations were promised $5 million each in loan funds to be infused over a ten-year period between 1995 and 2005. The four not-for-profit organizations also received annual operational funding of $975,000. Like all non-for-profit organizations, these organizations are required to perform a financial audit every year. The financial audits are usually performed by on of the big four auditing firms. Finally, an intensive evaluation of the Women's Enterprise Initiative is conducted every five years by a third party.

The loan funds have been structured by the same set of rules since their creation in 1994. The four organizations can provide loans of up to $150,000 with an interest rate of prime plus 3 per cent. They all offer flexible repayment options with terms of up to five years. Finally, they charge an administration fee of 1% of the amount of the loan to a maximum of $500.

4.4 Conclusion

This Chapter provides as definition of each of the public policy instruments under investigation for this dissertation. Defining public policy instruments is a critical step in analyzing public policy instruments (Salamon, 2000:1642). This chapter defines the instruments in terms of *common and design features*. *Common features* are features that belong to a certain groups of public policy instruments. *Design features* are unique to the individual instruments that were designed for reaching specific public objectives.

All three of the public policy instruments can be categorized as conditional subsidies. Two of the policy instruments fit into the category of tax-credits and the other into the category of cash-subsidies. Both of these have their own common features. For example, tax-credits provide an incentive through the tax system and cash transfers are administered through a government department or agency. As was demonstrated through the analysis of the design features, even instruments with common features can look quite different once they are defined.

The public policy instruments chosen for this dissertation, the federal LSVCC Tax-Credit, CEDIF tax-credit and the WEI, have their own unique design features. As will be seen in Chapter 5, they also have their own strengths and weaknesses. The definition of these public policy instruments will serve as a foundation for the analysis presented in the next chapter and will be relied upon for making comparisons between the three cases.

CHAPTER 5: RESEARCH FINDINGS

5.1 Introduction

The previous chapter defined the *common features* and the *design features* of each public policy instruments under investigation for this dissertation. This chapter presents the findings from a dimensional analysis, a Social Impact Investing analysis and a discourse analysis of data collected on each of the public policy instruments. The analyses produced information that proved useful in answering the primary and secondary research questions. The dimensional and SII analyses were planned and were part of the research design. The researcher made a decision to conduct a discourse analysis because preliminary evidence revealed it would be useful in building knowledge of public policy instruments and contribute to the public policy instrument literature.

The purpose of the dimensional analysis was to analyze the public policy instruments to identify patterned meaning across the dimensions of equity and effectiveness. The analysis was focused on determining of the policy instruments were meeting their policy objectives. The purpose of the SII analysis was to determine if the public policy instruments could be defined as public policies that enable SII funds according to the OECD (2015) framework for assessing SII. The discourse analysis uncovered a tension between individuals who value economic outcomes and individuals who value social outcomes. The findings help inform the debate on government involvement in structuring and growing the SII market. The analysis of 19 in-depth semistructured interviews and 130 documents produce the key findings listed on page 105.

Dimensional Analysis Key Findings

1. All 19 research participants expressed that the public policy instruments were needed for addressing systemic inequalities in the beneficiaries accessing investment capital;
2. The majority of research participants felt equity was a central consideration for the federal government when it designed and implemented each of the public policy instruments;
3. A common view held by the research participants was that each of the public policy instruments are complex and that capacity building for the community members, entrepreneurs and investors, is critical for the success of the policy instruments;
4. The overwhelming majority of the research participants indicated that more resources where needed in all three cases, however, the type of resources differed for each case;
5. Each public policy instrument were seen as being effective in reducing barriers to accessing investment capital for the intended beneficiaries, however, the data suggests that a tax-credit is a more flexible and effective policy instrument;
6. Politics impacting the success and sustainability of two of the cases, the LSVCC tax-credit and the CEDIF tax-credit, was a recurring theme.

SII Analysis Key Findings

1. The Women's Enterprise Initiative addresses barriers women face in accessing investment capital, however, the policy instrument could be improved to achieve better equity outcomes;
2. The investment funds included in the three case studies can be considered Social Impact Investment Funds according to most of the characteristics included in the OECD framework, but only the Québec LSVCCs met all the characteristics;

3. Only the Québec LSVCCs met a critical characteristic included in the OECD framework, systematic measurement of social impact, for being labeled a SII fund.

Discourse Analysis Key Findings

1. Two divergent discourses cut across the interview and document review data with one discourse indicating that individuals value economic outcomes. This discourse stood in contrast to individuals valuing social outcomes;
2. The divergent discourses listed above were present in the key informant interview data for all three cases. It was also present in the political discourse of the LSVCC tax-credit, but not in the political discourse of the CEDIF tax-credit and the WEI;

The findings listed above are detailed in the following paragraphs. Support for each finding is also provided. This includes illustrative quotations taken from the interview transcripts. The chapter emphasizes evidence as reflected by the key informants' perspective and that of the authors of the documents reviewed. The quotations illustrate some of the richness and complexity of the three cases that were under investigation. Finally, where appropriate, data from the document review were woven in with interview data to augment and solidify the findings. Transcripts from federal parliamentary proceedings, *Hansard*, were also used for this purpose. These were particularly useful for analyzing the political discourses within each case.

The chapter is structured as follows. Section 5.2 summarizes the method of analysis. Section 5.3 presents the results from the dimensional analysis. Section 5.4 presents the results from the SII analysis. Section 5.5 presents the results from the discourse analysis. Finally, Section 5.6 brings a conclusion to the chapter.

5.2 Method of Analysis

The theoretical framework constructed from the public policy instrument literature and the nascent SII literature guided the data analysis, which produced the findings outlined in the chapter. A discourse analysis was also undertaken. The intention was to illuminate the characteristics of the three public policy instruments under investigation to gain a better understanding of their performance in terms of equity and effectiveness. It was also to determine what, if any, lessons could be drawn from the case studies to inform scholars researching SII and policy makers considering policy options for structuring and growing the SII market.

The analyses were interpretive processes where content was categorized after systematic examination. Merriam and Tisdell (2015:195) explained that qualitative research involves, "the classification and interpretation of linguistic (or visual) material to make statements about implicit and explicit dimensions and structures of meaning-making in the material and what is represented in it". Data were classified and interpreted along the pre-determined dimensions of equity and effectiveness for the dimensional analysis. The data was also interpreted along the characteristics included in the OECD framework for assessing SII models. Inferences were made by systematically and objectively identifying specified characteristics, or patterns, within the interview transcripts and document review texts.

In addition to organizing the data according to set dimensions drawn from the theoretical framework, emergent themes that cut across the data were recorded. As Berg (2016:246) explained, qualitative researchers immerse themselves in analyzing documents to identify dimensions or themes that seem meaningful to the producers of the content. As Merriam and Tisdell (2015:201) argued, "Qualitative data analysis is primarily inductive and comparative." A cross-case analysis was also performed to identify meaningful information and explain how features of each public policy instrument contribute to or limit the success of the investment funds they enabled.

A discourse analysis was undertaken because two discourses we found to cut across the interview data and documents reviewed. These discourses were deemed important for answering the primary and secondary research questions. It is common to pursue new lines of enquiry in qualitative research as the research process is emergent (Merriam and Tisdell, 2015:159). In general, a discourse analysis consists of analyzing or breaking down recorded data into parts to gain knowledge or a better understanding of a particular issue (Wood & Kroeger, 2000:2). All texts were deconstructed to collect additional evidence for the identification of the two discourses. Inferences were made based on the result of the analysis. As Berg (2016:136) explained, examining individuals' social or public discourse and the outcomes of their actions can lead to the identification of underlying principles and concepts.

5.2.1 Coding the Data

Coding was done line-by-line and in a holistic manner. It began with open coding. This process entailed reading and rereading the data to have an idea of how patterns could be clustered beyond the categories of equity and effectiveness. This was also done for the SII analysis. Open coding involves naming the identified patterns or categories of expression, breaking them down into discreet parts, closely examining them for similarities and differences, and being as expansive as possible in identifying data that might be useful (Merriam and Tisdell, 2015:204). Additional dimensions were identified and used to generate additional coding matrices.

Next, axial coding was undertaken. Axial coding involves looking for links and connections between the dimensions so that related themes can be merged into clusters. The data was examined in terms of internal convergence and external divergence. Axial coding is the process of relating categories and properties to each other and involves an interpretation and reflection on meaning of the data (Merriam and Tisdell, 2015:229). Convergent themes were clustered and divergent instances from the interview transcripts and document texts were noted and given new meaning to my understanding of the data. This process prompted the critical evaluation of the patterns and the search for alternative explanations for the data.

Selective coding was the final process whereby all dimensions were divided into a selected number that comprised the final presentation. This involved filtering the data and reducing it to a small, manageable set of dimensions to come up with hypotheses and recommendations (Merriam and Tisdell, 2015:229). As the three coding processes were undertaken, the boundaries between one type of coding and another were not clear. At times, there was movement between the three coding methods.

5.3 Dimensional Analysis

This section presents the findings from a dimensional analysis of the key informant interview and the document review data. The findings are based on recurring patterns, which emerged from the analysis of the data guided by the dimensions of equity and effectiveness. It is important to note that the data collected during the semistructured interviews reflect the research participants' perspectives as individuals having intimate knowledge of the public policy instruments. All the participants had been working in the specific policy context for a number of years. As the analysis progressed, commonalities were clustered and synthesized. Conversely, the dimensional analysis also involved noticing divergence among research participants. These observations are outlined in the following subsections.

5.3.1 Equity

The primary focus of this dissertation was to analyze equity outcomes of three public policy instruments. The primary and overriding finding emerging from this analysis was that a majority of participants felt the policy instruments were needed to lower barriers for the beneficiaries trying to access investment capital. It was revealed that traditional lending institutions are simply not interested in providing the investment to the beneficiary groups. Another important finding is that all research participants felt equity was a central consideration for the federal government when the public policy instruments were designed and implemented. These findings are highly significant in terms of the overwhelming number of participants who found that the three public policy instruments are necessary and serve the public interest in terms of improving equity outcomes.

Removing barriers to accessing investment capital

In each case, the public policy instruments were created to reduce or eliminate barriers to accessing investment capital for the intended groups. The federal government's primary public policy objective for the LSVCC tax-credit is to address the gaps in financing for SMEs. For the CEDIF tax-credit, the primary policy objective is to address the financing needs for businesses in Nova Scotian local communities. The Women's Enterprise Initiative was created to promote economic equality between men and women.

The majority of research participants argued that without the public policy instruments, individuals would continue to face unjust systemic barriers to accessing investment capital. Each of the public policy instruments had created investment funds to level out the playing field. As an executive for one of the Québec LSVCCs stressed:

> *We do this to combat some of the barriers, such as racism, or to help those from that community to fight the barriers they face or feelings of inferiority.*

As is explained in this quote, addressing issues of discrimination based on identifiable individual characteristic was important in this case. It is also important for the other two cases. The beneficiaries of the policy instruments face serious barriers to accessing investment capital. Traditional financial institutions have turned away individuals from the beneficiary groups because of inadequate security; and, if the banks do extend credit, it is often at a much higher interest rate (Osborne and Sandler, 1998:505). In addition to facing systemic discrimination, the individuals have to manage personal barriers such as feelings of discrimination and exclusion. These personal feelings are a real challenge for individuals who wish to be successful in a competitive environment like that of entrepreneurship. These barriers are being addressed by each of the public policy instrument by offering capacity building supports.

Another finding is that equity was a central consideration when the three public policy instruments were created. An executive representing a CEDIF and answering a question about equity consideration during the policy design stage of the CEDIF tax-credit stated:

> *I think it's fundamental ... It is fundamental to the CEDIF program. One of the issues that we need to balance when it comes to the CEDIF program is that we need to invest in the community, but in a manner that is financially sustainable.*

In Nova Scotia, there are serious inequities between businesses operating in rural and urban communities. The Government of Nova Scotia responded to a strong lobbying effort on the part of rural communities to address these inequities. The communities simply wanted to be treated equally to their urban-based counterparts. Nova Scotian urban residents had access to the Equity Tax-Credit. Rural communities wanted access to a similar policy instrument to promote their businesses. One interviewee who participated in this advocacy work pointed out, "the policy instrument was a result of a well-reasoned argument from rural community representatives." The argument also rested on the fact that traditional financial institutions did not invest beyond ten miles out of urban centers and that most of the investment funds were located in major cities like Toronto or Vancouver.

The Women's Enterprise Initiative was created under different circumstances, but equity concerns were just as important. As one executive representing one of the WEI nonprofit organizations explained:

> *Gender equity is an important issue for us. We are trying to change the nature of the conversation we are having within our members, our stakeholders, the community and the business community, male entrepreneurs and male politicians.*

Each of the four nonprofit organizations created through the WD's WEI provides investment capital, capacity building and access to networks for women entrepreneurs. The interviews also revealed that men's attitudes can be a significant barrier for women entrepreneurs. One executive shared that one of her clients, a president of the medium sized firm, participated in a meeting to explore a potential partnership with a male counterpart. She was ignored during the meeting and the male counterpart only negotiated with her male vice-president of operations. This is a clear example of attitudinal barriers faced by women business owners.

Compounding the issue is the fact that over the past decade, globalization, technological innovation, and increased competition from foreign suppliers have produced an environment where the financial sector is becoming increasingly dominated by large financial institutions (Government of Canada, 2003). These trends have increased systemic barriers for accessing investment capital meaning government intervention in these cases are even more necessary. The difference between the investment funds created by the three public policy instruments and traditional investment funds is that they target specific beneficiaries, finance smaller-scale projects, most of the time outside urban centers, and have a long-term investment outlook versus a short term profit motive. In other words, they have a mission to achieve equity outcomes.

Capacity building is critical for improving equity outcomes

A common view among the interviewees was that these types of public policy instruments are complex in terms of structure and technical application. The policy instruments are complex for the public servants, fund managers and the entrepreneurs. Complexity is inherent in policy instruments that create investment funds with missions to achieve socio-economic outcomes. Individuals who have little formal financial training would find working with these policy instruments particularly challenging. In each case, the complexity was managed by offering some form of capacity building programs. Capacity building predominantly took the form of programs offered by the investment funds to help the entrepreneurs acquire entrepreneurship knowledge and skills needed to succeed. In the case of the LSVCC Tax-Credit in the province of Québec, training was offered to the investors who were predominantly low-wage workers about the importance for saving for retirement and other economic principles. Unique to the CEDIFs is that the government departments offer support to fund mangers to understand the registration and reporting requirements.

Research participants suggested that capacity building is integral to the success of the policy instruments because the individuals seeking investment may lack the knowledge and skills to be successful when starting or owning a business. They may also lack the self-confidence to take the initial risk. Capacity building programs help address both of these issues. In one case, members of the community are recruited to help with the entrepreneurs to give them support after they receive investment. Talking about the issue of capacity building, one interviewee stated:

> *In the analysis of potential investments, we invite two members from the community to review the projects or business. We do this to ensure the person applying for a loan is comfortable and to make certain the fund receives guidance on the viability of the investment opportunity because they know the community much better than an outsider does.*

The interviewee conveyed that the organization makes an effort to supply investment capital and be part of the community. Community development is one of their main drivers. In another case, capacity building programs are offered at no cost and exceed the number of loans they make. The capacity building programs are seen as equally important. Another interviewee, when asked about the subject of capacity building shared that:

> *We work on education and financial literacy. We just submitted a proposal for financial literacy and mentoring because we want to offer training more one on one through our mentoring program to understand how much funding they need to get to the next step of their business. This requires much more handholding hand on one on one work.*

The capacity building programs are seen as an integral part of the organization.

There was a sense among some of the research participants that the complexity inherent in providing investment to entrepreneurs could be managed by simplifying the reporting requirements within the public policy instruments. One senior provincial government official talking about the CEDIF program argued:

> *Unless you are a lawyer, you are not going to understand the rules on how to issue shares and thinks like that. It seems so complicated for them. The CEDIF program simplified the rules for them ... the Nova Scotia Securities Commission (NSSC) will do a lot of handholding with these issuers compared to other businesses. The NSSC will help them with some of the questions and explain what kind of terminology to use by providing examples and discouraging misleading information.*

This quote shows that the Government of Nova Scotia provides capacity building to ensure community members can manage the funds created through the CEDIF tax-credit. A similar exchange exists between the Government of Quebec and the Quebec LSVCCs. In this case, the exchange is bidirectional with the Government of Quebec learning from the LSVCCs on matters that are important to the community. Representatives from the LSVCC funds meet with the Government of Quebec on a regular bases and are included in provincial budget consultations. This constant dialogue was viewed as a critical factor in the funds being able to achieve equity outcomes.

Additional resources are needed

The majority of research participants believed that equity outcomes would be improved if the organizations received additional resources. However, the type of resources differed for the each of the cases. Research participants representing both the Fond de Solidarité FTQ and Fondaction CSN explained that the two Quebec based LSVCCs were seriously lacking in political capital at the federal government level. Both funds were actively trying to build relationships with federal members of parliament because they viewed a past federal government decision to cancel the federal LSVCC tax-credit as a threat to their long-term sustainability[19]. Interviewees representing CEDIFs argued that additional resources were required to build awareness of the program. Finally, executives representing the WEI organizations argued they needed additional operational funding because they were constantly spending time and energy on fundraising to ensure the organizations' sustainability.

The Quebec LSVCCs large organizations that now have significant financial resources and a sound reputation throughout Québec society. As one interviewee stressed:

> *We are in every community in Quebec. We are in every region, locality and municipality. We are everywhere. They know us from all sides … We are across the entire fabric of society.*

The resource issue the Québec LSVCCs face is a lack of political capital with the federal government. When a previous conservative government canceled the federal LSVCC tax-credit in 2013, representatives from both Fond de Solidarité FTQ and Fondaction CSN mobilized key Québec decision makers and stakeholders to convince the federal government to reverse their decisions. Their efforts fell short as the conservative government ignored their request. The decision was only reversed when a newly elected Liberal government chose to reinstate the federal LSVCC tax-credit. Since then, the Québec LSVCCs have commissioned the consulting firms KPMG and Deloitte & Touche to demonstrate their social and economic impacts on Québec and Canada. They are also being proactive in engaging with federal members of parliament.

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[19] In 2013, a Conservative government moved to phase out the federal LSVCC Tax-Credit, arguing that the funds performed poorly and crowded out private investment. The conservative government relied solely on economic arguments for their decision to cancel the tax-credit. In 2016, a newly elected Liberal government restored the tax-credit.

Although the CEDIF program has grown since its creation, it has been limited by a lack of general awareness of the program. The issue was compounded when the Government of Nova Scotia canceled funding for active promotion of the program in rural communities. When the program was first created, a public servant was responsible for going into communities and delivering presentations on the program. This position no longer exists. As one interviewee argued:

> *The challenge since then has been that the program [meaning the CEDIF program] is available, but recently it has not been seen to be the responsibility of government to promote the program. It has been left to people who learn about to do the bulk of the promotion. This excellent program has had a much smaller uptake than I think it could have. I think more could have been done over time to promote it with good solid background information available to anybody who want to be involved with it. I think government should provide courses for people who want to use the program.*

Awareness raising for the CEDIF tax-credit now rests with members of the community. The government takes a passive approach to managing the program. One interviewee shared that this was one way for the government to control the overall cost of the program.

The four nonprofit organizations created by the Women's Enterprise Initiative have different resource problems. Their problem is that they do not have stable long-term operational funding to ensure the sustainability of the organizations. Each organization receives $975,000 annually from WD for operational expenses. They have been receiving this same amount since the program was created over 20 years ago. Each of the organizations has grown significantly since then. They offer many more programs and are responsible for employing a larger number of individuals to provide these services.

As one individual stated:

> *The challenge is that WD is the sole funder. We have to run like a business, which we need to work to become financially sustainable. Every organization is trying to multiply their revenue streams and augment their project funding. We all struggle with limited resources.*

The issue of having one funder has limited the four organizations. The contribution agreement between them and WD does not allow for an increase in operational funding. The contribution agreement also limits the amount they can lend at $150,000 per loan. This limits their ability to help women who own medium sized businesses and are asking for loans to grow their businesses. The financing needed for this purpose is much larger than $150,000. This issue is explored further in the following section.

The majority of research participants felt that that additional resources would increase the public policy instruments' equity outcomes. However, the type of resources differed for each policy instrument. The Québec LSVCCs require additional political capital at the federal government level to ensure the federal government understands their value to the economy and society. The CEDIFs would benefit from additional funding for building awareness of the program within rural communities. Finally, the WEI organizations would benefit from an increase in annual operational funds and a change in the overall amount they can lend to businesses.

5.3.2 Effectiveness

Analyzing the effectiveness of the public policy instruments was a secondary, but equally important consideration. Analysis of policy effectiveness can answer important questions such as how policy instruments function, how they can be improved and what aspects of the instruments can be applied in a different policy context. The intent was to draw lessons from the three cases to provide recommendations for policy makers considering policy options for structuring and growing the SII market. All 19 participants expressed that the three public policy instruments were effective in reducing barriers to accessing investment capital for the beneficiaries. The analysis of both interview and document review data revealed that the LSVCC tax-credit was a more effective and flexible instruments.

What functioned well?

In all three cases, the public policy instruments were effective in meeting the intended policy objectives. As can be seen in table 5.1 on page 121, each policy instruments aimed to make investment capital available for the intended beneficiaries. The beneficiaries faced barriers to accessing investment capital. The key informants were unanimous in stating that the policy instruments did lower barriers for accessing investment capital. As well, a majority of participants felt the instruments were effective in meeting other stated policy objectives such as job creation or promoting equality between men and women. It is clear, however, that when comparing the effectiveness of the three policy instruments in terms of total investment capital raised, the LSVCC tax-credit, in the Quebec context, has been the most effective instrument. It is also clear that a tax-credit is more effective and flexible than government controlled cash transfers structured through a contribution agreement.

One of the primary policy objectives for the LSVCC tax-credit program is to address gaps in financing for SMEs. The LSVCC Tax-Credit has been instrumental in increasing investment capital available for SMEs across the province of Quebec. A 2016 Deloitte study showed, for instance, that Quebec based LSVCCs provided critical start-up financing for businesses operating in regional markets. The Québec LSVCCs are important actors in the Québec economy. As a percentage of GDP, Québec ranks third in the world in venture capital investment after the United States and Israel, and the Québec LSVCCs represent the majority of venture capital investment (Duhamel, Bissonnette and Bourdeau, 2016:9).

Table 5.1. Public Policy Instruments' Policy Objectives

Instrument	**LSVCC**	**CEDIF**	**WEI**
Policy Objective	• To address gaps in financing for SMEs; • To create and maintain employment; • To increase workers' personal savings for retirement; • To strengthen venture capital pools; • To keep investment within provinces and territories • To define a new role for unions and workers in the Canadian economy.	• To help small and local businesses in rural communities access investment capital; • To enhance the Nova Scotia Equity Tax-Credit program; • Create jobs and support economic growth; • Reduce capital flight and encourage Nova Scotians to invest in local businesses.	• To encourage the establishment and growth of women-owned and women controlled businesses; • To encourage self-employment and business development; • To promote economic equality between men and women.

The Deloitte study also compared the state of venture capital in the Province of Québec and the Province of Ontario between the years of 2004, the year Ontario canceled its LSVCC tax-credit, and 2010. It found that venture capital investment had diminished significantly in Ontario compared to venture capital investment significantly increasing in

Québec. The collapse of the venture capital sector in Ontario has been attributed to the elimination of the LSVCC tax-credit (Standing Senate Committee on National Finance, 2013; Jacob, Johan, Schweizer and Zhan, 2016:36). The LSVCC tax-credit has had other positive outcomes in Québec. It has influenced the retirement savings rate of Québec residents, another policy objective of the program.

Research has demonstrated that the LSVCC tax-credit has been an incentive for Québec residents to set money aside for their retirement for the first time. As well, the LSVCC funds are the only source of retirement savings for many Québec residents. Interestingly, an analysis of the performance of investments placed in the Québec LSVCCs compared to those in other investment vehicles revealed that the average return on investment for LSVCCs was more stable than those in traditional investment vehicles; this made these investments more attractive to individuals looking for a safe place to invest their money (Duhamel, Bissonnette and Bourdeau, 2016:19). The LSVCC Tax-Credit has become an important tool for encouraging Québec residents to save for retirement.

The CEDIF Tax-Credit was initiated to address a need for increasing investment in local communities to help rural based SMEs in Nova Scotia. Another policy objective was to reverse the trend of investment dollars leaving the province. Clear evidence demonstrates the effectiveness of the CEDIF tax-credit for encouraging investment in the province. The program has grown significantly since it was first started in 1999. As stated in Chapter 4, the program now comprises over 70 active CEDIFs with an estimated $88 million raised in investment capital. A tax-credit was the policy instrument of choice because it was seen as an effective instrument for stimulating regional economic development. As a scholar formerly at the University of Cape Breton explained:

> *A tax-credit is an important instrument for government in job creation for difficult areas where you have a problem economy. We had that experience in Cape Breton in the 1970s where government had a program with incentives through tax-credits. Tax-credits are one of the more effective instruments.*

Members of rural communities have made use of the tax-credit to stimulate investment in their communities. The fact that the number of CEDIFs has been growing year over year since the tax-credit was created is a testament to its effectiveness. The Women's Enterprise Initiative organizations have also grown every year since their creation, but their loan portfolio has only grown modestly.

The WEI was established to encourage the development and growth of women-owned and controlled business. It was also created to promote economic equality between women and men. The WEI organizations were given capital to establish a loan fund for investing in women enterprises was one of the solutions advanced by federal government. Program evaluations of the WEI found the four organizations offered women entrepreneurs $25.6 million in loans and helped 17,403 clients between the years of 2008 and 2013. These numbers are only a slight increase over the $22.9 million loaned to women between the years of 2003 and 2008 (Weicker & Company, 2008). The WEI organizations have grown since their creation and have produced positive results for women. However, they have not grown at the rate of the organizations supported by the LSVCC tax-credit.

Out of the three instruments, the LSVCC tax-credit has been the most effective. Research participants representing the Fond de Solidarité FTQ and Fondaction CSN explained that their organizations managed to raise significant investment from Québec residents, which has been reinvested in the province. In 2016, the Fond de Solidarité FTQ was managing $11 billion in assets on behalf of approximately 615,000 investors. Fondaction CSN had $1.3 billion Assets Under Management (AUM) and approximately 130,000 shareholders. This is significantly more investment capital than the sum of investments made by both the CEDIFs and WEI combined.

Fond de Solidarité FTQ and Fondaction CSN have become integrated in Québec society. As one senior member of the FTQ explained, “we [Fond de Solidarité FTQ] have significant assets now. We can help the large companies like Bombardier if needed.” As well, Fond de Solidarité FTQ and Fondaction CSN are either directly or indirectly, through investing in smaller community economic investment funds, in all regions throughout the province having a positive impact on employment outcomes and salaries (KPMG, 2016). The LSVCC tax-credit was successful in Québec because of specific conditions.

The LSVCC tax-credit was not successful in all provinces. It was successful in Québec because of three reasons. The first reason is that in Québec union local representatives, as volunteers, did the raising of investment capital. These volunteers were given an exemption by the Québec securities commission to sell shares. Other provinces, like Ontario, required licensed investment brokers to raise the investment capital for

LSVCCs. In Québec, the volunteer local representatives were in close proximity to other union members, which placed them in a good position to convince them to invest in LSVCCs for their retirement. Investment brokers did not have that kind of access to or those kinds of relations with potential clients. The second reason is that the Government of Québec limited the LSVCCs to two funds. This decision by the Government of Québec gave the two funds the opportunity of the two Québec LSVCCs to scale to their present size. In contrast, there were 75 LSVCCs in the province of Ontario. The unions who sponsored these 75 funds were not involved in the governance structure of the fund and came to be known as rent-a-union. Commercial interests mostly drove the Ontario LSVCCs. Third, investors in the Québec LSVCCs where required to keep their investments locked until retirement, whereas in other provinces individual investors could sell their shares after seven years.

The CEDIF tax-credit has provided an incentive for the creation of a number of CEDIFs. Opinions among research participants were mixed as to whether this constituted a positive or a negative development. Some of the research participants believed that the program had grown too rapidly without the necessary structural changes to avoid divergence from the original policy objectives. For example, large corporations are using the CEDIF program to establish subsidiaries in rural communities without engaging members of the community. Even with these issues, all of the research participants expressed support for the program and believed that with modifications, the public policy instrument can be effective in achieving positive socio-economic outcomes. None of the research participants believed the policy instrument should be canceled. They all felt that in its current form, risks exist for investors and fund managers as fund managers as the businesses they invest in have a higher likelihood of failing because they are star-ups or smaller businesses. Research participants shared the similar concerns for the Women's Enterprise Initiative.

Research participants shared their view that the WEI was an effective policy instrument for promoting economic equality between women and men. Executives representing the four WEI organizations believed they had contributed to the success of women entrepreneurs. They also explained that their organizations have impacted people's attitudes in how they view women entrepreneurs. The WEI has had a significant economic impact in terms of job creation, job retention and training of women clients (Orser and Riding, 2005:55). However, the challenge for the WEI, as one research participant explained, is that the Government of Canada is the sole funder, which places limits on the four organizations. The context has changed since their creation over twenty years ago, but the rules governing the organizations have remained the same.

What could be improved?

In the Québec context, the LSVCC tax-credit has been more effective than the CEDIF tax-credit and the WEI in terms of raising investment dollars and for reaching its public policy objectives. The Québec LSVCCs have raised and invested more money, are more integrated in society in which they operate and have reached a scale where they are a credible alternative to the traditional financial institutions. Moreover, a KPMG (2016) cost-benefit analysis of the impact of the LSVCC tax-credit has found that for each dollar the Government of Canada spends, there is a return of one dollar and forty cents in terms of corporate tax and income tax collected. However, when comparing the LSVCC tax-credit with the CEDIF tax-credit and WEI, there are some areas where the instrument can be improved.

LSVCCs rely on a large number of investors who are incentivized to invest up to $5000 a year, the maximum amount that qualifies for the tax-credit. This is a very small amount of money relatively speaking. The LSVCCs would benefit from raising the maximum amount qualifying for the tax-credit[20]. This would provide an opportunity for individuals to save more for retirement. It would also give the funds the opportunity to raise more investment dollars. As well, the two largest unions in Québec, the FTQ and CSN, sponsor the Québec LSVCCs. They have established an infrastructure with volunteer union representatives whose responsibility is to speak with union members about the benefits of investing in LSVCCs. Mobilizing investors without large organizations like the FTQ and CSN unions proactively working towards raising investment could pose a challenge for applying the model in a different policy context. A senior level public servant at Innovation, Science and Economic Development suggested, “The LSVCCs would fail if it were not for the FTQ and the CSN.”

The Québec LSVCCs are facing a challenge. An executive representing the Fond de Solidarité FTQ expressed that they are now having internal discussions on how to stay

[20] This change to the LSVCC tax-credit would allow LSVCCs to raise more capital to invest in communities, however, it would disproportionately help those with the means to invest more than $5000 a year. Equity concerns would need to be considered for this change.

true to the organization's mission, vision and values. They have reached a certain size that they find it challenging to continue to enforce a democratic work environment, to ensure participation of workers in investment decision-making, and to only invest in businesses that are good corporate citizens. Both Québec LSVCCs are now invested in larger businesses that have grown into national and multination firms. It is difficult for them to monitor all of their clients' international activities and suppliers.

The CEDIF tax-credit, like the LSVCC tax-credit, has faced challenges due to an evolving economic, social and political context. Research participants held divergent opinions about the issues associated with this policy instrument. Some believed that the government should invest in promotional and capacity building activities to grow awareness of the program and build capacity within communities. These interviewees felt CEDIFs needed to grow to strengthen communities. Others reported that the program had become too large and was starting to deviate from its original policy objectives. A senior manager representing New Dawn Enterprises expressed concern with the amount of risk being taken on by the organization because of a 2011 government decision to only allow CEDIFs to invest in commercial enterprises[21]. It was felt that these changes could jeopardize many of the CEDIFs currently in operation.

Some of the research participants agreed with this position and thought the government needed to review the rules for the CEDIF tax-credit because of the risks associated with

[21] Prior to 2011, CEDIFs were permitted to invest in community organizations and community projects. New Dawn Enterprises had been investing in itself since the CEDIF tax-credit was created in 1999. In 2011, the government directed New Dawn Enterprises to terminate this practice and to only invest in commercial enterprises.

investing in commercial enterprises. Some of the research participants believed that CEDIFs should be permitted to invest in social enterprises. As well, it was felt by some that the rules forced organizations to invest in young companies, which are higher-risk propositions compared to more mature companies. It was suggested that the rules should be changed to balance the risk by having government provide guarantees to limit risk exposure. Such a guarantee was part of the original program, but was discontinued in 2005.

A senior public servant for the Nova Scotia Securities Commission expressed that one of the issues with the CEDIF tax-credit was lack of departmental resources to enforce accountability. This reality was impacting the policy instrument’s ability to reach its policy objectives. The CEDIF tax-credit was originally designed for community groups to create investment funds and reinvest in local communities; however, large corporations have found a way to take advantage of the policy instrument and are using the tax-credit to make large corporate investments without penalty. The participant explained that golf courses had established themselves as CEDIFs and were giving their wealthy patrons lifetime membership discounted by a CEDIF tax-credit. For instance, government could have insisted on an evaluation mechanism. He also felt that it could be due to lack of capacity and resources within the Department of Finance and the NSSC.

The lack of government resources to supporting CEDIFs is with their registering and reporting requirements for the NSSC. Even thought the NSSC simplified their offering documents for CEDIFs, it is still a complex undertaking. The department is forced to provide help in filling out the paperwork for registering and maintaining the CEDIF status. The department helps answer questions, explains terminology and discourages the use of misleading information. The misleading information is mostly due to a lack of understanding of the information required rather than an attempt to mislead the authorities. It is also difficult for the department because from November to January, a large amount of their time is dedicated to helping with CEDIFs. This is a particularly busy time because the CEDIFs are RRSP eligible and CEDIF mangers are trying to get their investments in before the RRSP deadline.

The Women's Enterprise Initiative has an evaluation mechanism and the policy instrument's economic impacts are well documented. The challenge with the WEI is that WD is the sole funder and the Government of Canada sets inflexible conditions in their contribution agreements. For example, as mentioned above, the four WEI organizations have grown in terms of budget and staff, but they still receive the same operational funding they received when created over twenty years ago. The organizations spend time and resources on finding additional sources of revenue. As a CEO of one WEI organization stated:

> *Every organization is trying to multiply their revenue streams and augment their project funding. Independence is important especially when it comes to financial sustainability, and to be more nimble as an organization. And be more responsive to stakeholders, and being more independent would help to do this. More funding would enhance the depth and the breadth of the services we offer. We all struggle with limited resources.*

This issue ultimately limits their ability to grow and to help women entrepreneurs. A related, but separate issue is that the organizations have restrictions on the maximum amount they can lend to women entrepreneurs.

When the WEI was created, each organization was provided with a loan fund to provide loans of caped at a maximum of $150,000. Over twenty years ago, women needed start-up financing, which meant that loans of up to $150,000 met their needs. The context has changed since then and many women owned businesses are now medium sized and need growth capital in much larger amounts than $150,000. A CEO for one of the WEI organizations stated:

> *We find with the high growth entrepreneurs, we have a cap of $150,000 per client business. It is a lower amount than what they need. They need between $250,000 or half a million. $150,000 is great for a start-up, but when it comes to a business with several employees and several lines of business, there is a need for more operating capital.*

The contribution agreements between the Government of Canada and the four nonprofit organizations are inflexible and do not permit changes to the legislation, which would be required for increasing the loan amount.

Even when the four WEI organizations manage to raise additional funds from sources outside the federal government, they cannot make loans that are larger than $150,000. Interestingly, the federal government announced in its 2018 budget that they have earmarked $1.4 billion over three years to invest in women entrepreneurs. The funds will be disbursed through the Business Development Bank of Canada (BDC). Some of the WEI organizations have partnered with BDC and will most likely be consulted for their expertise in gender-based lending, but it is curious that the federal government did not chose to work directly with the WEI organizations.

Politics

A recurrent theme found in the interview data was that politics could impact the success and sustainability of the investment funds. In all three cases, the respondents felt that politics played a role in the sustainability of the organizations. The Québec LSVCCs faced the cancelation of the federal LSVCC tax-credit, which would have had a seriously negative impact on their ability to raise investment capital. For the CEDIF tax-credit, a research participant shared that the government is not interested in promoting the CEDIF tax-credit and that if government expenditures reached a certain level, the government would simply cancel the program. Politics played less of a role in the WEI. Most politicians, regardless of their political affiliation, supported the WEI. The role of politics will be revisited below during the discourse analysis.

5.4 SII Analysis

The three cases studies included an analysis of the investment funds with an OECD framework for assessing SII. The results show that in all three cases the investment funds can be defined as Social Impact Investing if analyzed through a most of the characteristics present in the framework. However, only in the case of the LSVCCs did the investment funds have all of the characteristics present in the framework. One important dimension was missing for the other two policy instruments. The funds did not have a systematic method for measuring social impact. A summary table of the results of the analysis is presented on page 133.

Table 5.2. SII Analysis

SII Characteristic	Impact Funds: LSVCCs[22]	CEDIFs[23]	WEI Organizations[24]
Beneficiary context	• Low wage workers, women, new immigrants and rural communities in Québec	• Rural communities in Nova Scotia	• Women in the western provinces
Social target areas	• The Government of Canada social policies support rural development, the integration of new immigrants and promote equality for women and their full participation in the economic, social and democratic life	• The Government of Canada social policies support rural development in Canada	• The Government of Canada social policies promote equality for women and their full participation in the economic, social and democratic life
Good/service	• Equity investments • Loans • Capacity Building	• Equity investments • Loans • Capacity Building	• Loans • Access to networks • Capacity Building • Mentorship • Events
Investor intent	• Invest in rural communities, job creation and economic development	• Invest in Nova Scotia rural communities	• Promote gender equity through investing in women entrepreneurs
Return expectation	• Different types of financial products including patient capital, special terms for specialized funds and competitive risk based interest	• Loans with interest of 6% • Equity investments with different terms	• Loans with return of Prime + 3%
Delivery organization	• Invest in companies in Québec to create, maintain and protect jobs for low-skilled workers • To promote economic training for workers so they can increase their influence on the economic development in Québec • Firm commitment to socially responsible finance	• Dedicated to the common good and building a vibrant and self-reliant community • Provides responsible community investment in food production and distribution in order to increase access to a sustainable food supply	• Help create positive outcomes for women, their businesses and communities
Measurability of social impact	• Global Reporting Initiative • UN Principles for Responsible Investment • Studies measuring economic impact on rural communities • Annual Social Impact Studies	• No social impact measurement mechanism	• No social impact measurement mechanism

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[22] Fond de Solidarité FTQ and Fondaction CSN

[23] FarmWorks and New Dawn Enterprises

[24] Alberta Women Entrepreneurs (Alberta), Women Enterprise Centre (British Columbia), Women Enterprise Centre (Manitoba) and Women Entrepreneurs of Saskatchewan Inc. (Saskatchewan)

Beneficiary context

The beneficiary context is an important consideration for assessing Social Impact Investments. SII should address the needs of a clearly identified vulnerable population. As per the OECD framework, demographic variables such as age, gender, income level, family type, education level, location, ethnicity and race should be considered. The investment funds included in the case studies do in fact address the needs of a clearly defined beneficiary group. The Québec LSVCCs, Nova Scotia CEDIFs and WEI organizations invest in beneficiary groups that are economically disadvantaged.

The Québec LSVCCs were created to address the needs of low-wage workers, new immigrants, women and rural communities[25]. These groups have faced barriers and have suffered disproportionately during times of economic downturn and deep recession. The Nova Scotia CEDIFs invest in rural communities that have been at risk due to rapid urbanization and a stagnating provincial economy. The WEI organizations invest in women entrepreneurs who face a number of barriers to accessing capital compared to their male counterparts.

Social target area

Social Impact Investments in Western industrialized countries should align with the countries' social policy. The Government of Canada's social policies support rural economic development, the integration of new immigrants and promote equality for women and their full participation in the economic, social and democratic life. In all three

[25] New immigrants and women were added later when the LSVCCs were large enough to invest in other investment funds with social mandates.

cases, the investment funds make investments in target areas that align with Canada's social policies. In all three cases, the investment funds would qualify as SII funds according to this characteristic.

Good/service

SII funds provide goods and services that are a blend of purely public and purely private goods and services. All targeted beneficiaries within a designated group should have equal access to the investment opportunities and support services offered by the SII fund. The Québec LSVCCs and CEDIF funds meet this requirement. These investment funds exclude no one from their investment opportunities and support services. For the WEI organizations, they generally do not exclude anyone, however, research has shown that their clients are younger, better educated and more inclined to have business acumen (Equinox Management Consulting, 2002:3). The WEI organizations have been criticized for excluding low-income women (Women Economic Council, 2010:17). The WEI organizations would not be considered SII funds given this characteristic.

Investor intent

The characteristic of investor intent is fundamental to SII. A SII fund's primary objectives should be to value social impact over financial returns. As well, the investment funds must have an integrated mechanism to measure their social impact. For this characteristic, only the Québec LSVCCs met this criterion. They were created and operate with the intention of addressing the needs of rural communities and low-skilled workers. They have reached a point where they invest in funds to improve the lives of women and new immigrants. They also have several mechanisms in place to measure their social impact. The Nova Scotia CEDIFs were created to generate social impact, and most of the CEDIS have a mission to do just this. However, CEDIFs do not have a formal mechanism to measure their social impact. The WEI organizations aim to promote economic equality between men and women, but they too do not measure their social impact. The WEI organizations only use economic indicators to measure their impact.

Return expectation

SII funds must make a return on investment to be differentiated from philanthropy. The return can range from below market to above market rate of return, but it must be present. In all three cases, the funds have this characteristic. The Québec LSVCCs offer different types of financial products including patient capital, investments that have a longer time horizons for repayment, loans and equity investments with special terms for specialized funds, as well as competitive risk based interest loans and equity investments. The CEDIFs offer loans with returns set at 6 per cent and equity investments with different return expectations. The WEI organizations offer loans with a return expectation of Prime + 3 per cent.

Delivery organizations

The organizations making Social Impact Investments must have a clear social mission present in the organizational policies and procedures. In all three cases, the delivery organizations have a social mission codified in their policies and procedures. The Québec LSVCCs' mission is to invest in companies in Québec to create, maintain and protect jobs for low-skilled workers, and to promote economic training for these workers so they can increase their influence on the economic development in Québec. They also have a firm commitment to socially responsible finance. The Nova Scotia CEDIFs are dedicated to the common good and building a vibrant and self-reliant community as well as to providing responsible community investment in food production and distribution in order to increase access to a sustainable food supply. Finally, the WEI organizations aim to help create positive outcomes for women, their businesses and communities.

Measurability of social impact

SII requires the delivery organizations to have an integrated mechanism within its investment decision-making process to measure the social impact. Only the Québec LSVCCs had a systematic process for measuring their social impact. They actually had several different processes. Both Fond de Solidarité FTQ and Fondaction CSN have been part of the Global Reporting Initiative[26] and are signatories to the United Nations Principles for Responsible Investment[27]. The organizations also commission studies measuring their impact on rural communities. The Nova Scotia CEDIFs and WEI organizations do not measure their social impact. The respondents seemed to suggest that little to no interest exist for integrating a formal social impact measurement system. Some

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[26]The Global Reporting Initiative is an international standards organization that helps business and governments understand and communicate their impact on sustainability issues such as climate change, human rights, governance and social wellbeing. This enables real action to create social, environmental and economic benefits for everyone. Retrieved from: https://www.globalreporting.org/Information/about-gri/Pages/default.aspx

[27] The United Nations Principles for Responsible Investment is a global network of investors working together to understand the implications of environmental, social and governance factors and to incorporate the factors into investment and ownership decision-making. Retrieved from: https://www.unpri.org/about-the-pri.

respondents sharing information about the WEI did not see the logic behind measuring social impact because, for them, the only economic metrics mattered.

5.5 Discourse Analysis

During the thematic and SII analyses, clear evidence emerged to justify the undertaking of a discourse analysis. A discourse analysis consists of analyzing or breaking down concepts within discourse to gain knowledge or a better understanding of a particular issues (Wood & Kroger, 2000:3). Findings from the discourses analysis will provide a foundation to make a contribution to the public policy instrument literature since they reveal information about the public policy instruments and political positions in terms of either supporting or opposing each of the public policy instruments. The politics of public policy instrument choice is recognized as an important area in public policy instrument research (Hood, 2007:139). The discourse analysis revealed two different discourses that the researcher has labeled “economic impact” and “social impact”.

The “economic impact” discourse encompasses language that shows the preference for evaluating public policy instruments by their economic performance. For instance, individuals who value economic impacts value economic metrics such as number of investments made, number of jobs created, and so on. The “social impact” discourse emerged from individuals who spoke about community and community development. For instance, individuals who value social impact valued helping community members join the business community, beneficiaries increase their self-esteem, or promoting equality between women and men. For the latter, social impact is a primary consideration over economic performance. In all thee cases, these opposing discourses were present in the key informant interview and documents review data. Opposing discourses was found within the political debates about the LSVCC tax-credit. In contrast, federal politicians from the three main political parties spoke positively of the WEI, and seemed unaware of the CEDIF tax-credit.

Economic impact discourse

In all three cases, a dominant discourse of "economic impact" was expressed and present in the key informant interviews and documents reviewed. The discourse was present in the transcripts of Parliamentary debate, *Hansard* for the LSVCC tax-credit only. This revealed political positions either for or against LSVCCs. All three public policy instruments analyzed for this dissertation created investment funds with missions to achieve socio-economic outcomes. Unfortunately, few of the research participants reprinting the WEI organizations, the WD and the Nova Scotia government recognized that the investment funds were required to achieve both a social and economic objectives. A number of participants focused exclusively on the economic objectives. These individuals not only devalued the "social impact" of the instruments, but also in the case of the CEDIF tax-credit attacked the community members involved with the policy instruments.

Scholars, the OECD, investment professionals and politicians have criticized the LSVCC tax-credit as a policy instrument that incentivizes investment funds that perform poorly, crowd out private sector venture capital investment, have flawed governance models and have high administrative costs. The main scholars who have been most critical are the business professor Doug Cumming and legal scholar Jeffrey MacIntosh. The C.D. Howe Institute published a brief and a working paper critical of the model. The Fraser Institute published a "Fraser Alert" on the ineffectiveness and inefficiencies of LSVCCs. The 2013 federal budget cited this academic work often as justification eliminating the federal LSVCC tax-credit.

What these sources of criticism have in common is that they solely focus on the economic performance of the policy instrument. LSVCCs are viewed as financial instruments operating solely in an economic context. For example, Cumming, MacIntosh and Godin (2007:1) stated:

> *LSVCCs are an inferior way to organize a venture capital fund due to a whole host of geographic and financial regulations. These regulations impede the ability of fund managers to operate as effectively as managers of private funds that do not have the same regulations. LSVCCs perform poorly compared with other venture capital funds. Historically, LSVCCs have recorded a large gap between the amount of funds they raise and the amount they actually invest in Canadian entrepreneurial businesses. LSVCCs have also yielded poor rates of return ... have displaced more effective venture capital funds.*

MacIntosh and Cumming were quoted during a series of House of Commons, Standing Committee on Finance meetings debating the implementation of the 2013 budget bill. A number of conservative members of parliament made negative comments against LSVCCs, but this one by Mark Alder (2014) is particularly telling of their position:

> As far as the LSVCCs go, the empirical evidence is somewhat clear that these funds are underperforming … so it's wrong to say uniformly that the evidence we heard today or have heard in the past was that all the funds [meaning LSVCCs] are performing well and that they should be retained. It wasn't a scientific sampling of what we hard. The empirical evidence is clear, that they are underperforming.

In this quote, Mr. Alder is expressing a view that the LSVCC tax-credit is an ineffective and inefficient policy instruments in terms of economic outcomes. At no point does he consider the other LSVCC tax-credit policy objectives such as empowering low-waged workers or creating and maintaining employment.

The economic impact discourse was also clearly present during the key informant interviews in the case of the CEDIF tax-credit. Research participants sharing their views on the CEDIF tax-credit not only showed a preference for economic metrics, but also demonstrated a bias against members of the community or community organizations and their ability to contribute to the business community. For instance, an interviewee stated that:

> *Conducive to the success was your local board. I picked people who had business experience because when investing … business people are familiar with business matters. You will find that with teachers and social workers, they will spend too much time talking and discussing. Business people like to make decisions. … The do gooders like the FarmWorks and Black Business Initiative, those are organizations where they have their heart in it. They are not there to make money.*

In this quote, the interviewee is emphasizing the importance of business acumen over collaboration with community members not part of the business community. The participant had a preference for the CEDIF tax-credit's economic policy objectives over its social objectives. He also preferred to work with business people. Interestingly, the term 'do gooder' resurfaced during an interview with a senior public servant representing the Nova Scotia Department of Finance.

The economic discourse was also present when interviewing a member of FarmWorks' board of directors, which is interesting considering another research participant labeled the organization as "do gooders". When asked if their organization had a mechanism for measuring social impact, the interviewee stated:

> *We managed to raise $224,000 in our first offer … After five offers, we just closed the most recent one, we are $1.5 million as of June 2016, however, we need to be 10 times that … I can tell you that we have different types of clients and we are very confident in sharing that we have helped create and maintain from 100 to 150 jobs.*

Much of the language used to describe the performance of the fund revolved around economic metrics. However, the research participant did share that FarmWorks was interested in analyzing the organization's impact in terms of social determinates of health and had developed a partnership with Carleton University to establish a social return on investment (SROI) methodology.

Within the political discourse, the CEDIF tax-credit was mentioned as a policy instrument that promotes community economic development. The CEDIF tax-credit was referred to a number of times during a study undertaken by the House of Commons Standing Committee on Human Resources, Skills and Social Development and the status of Persons with Disabilities on the potential of social finance in Canada. A special parliamentary committee on the status of co-operatives in Canada also heard testimony on the CEDIF during its consultation process. Mostly the political discourse was absent for the CEDIF. Witnesses focused on convincing the federal government to consider expanding the use of this policy instrument were the ones who mentioned the CEDIF. Although, one research participant mentioned that the Government of Nova Scotia would cancel the program if it got too large.

Similar evidence was evident during the interviews with participants involved with the Women's Enterprise Initiative. Executives representing the four WEI organizations were each asked about measurement of social impact. Each felt that social impact was important, but economic indicators were more of a priority for them. Some of the respondents discounted social impact altogether and felt that economic indicators were the only consideration of importance. As one interviewee stated:

> *The metrics would include things like how many loans disbursed, what is the amount, how many jobs created, how many business advising sessions … it is really about women achieving economic success. I think it is extremely important to link this to the economic activity of the province … our main focus for the organization is on the economic side. I find that when we start talking about gender equity, we get stuck in the social conversation and it does not move into the economic conversation. We are concerned about gender equity, but not so much on the social side.*

In this quote, the interviewee expresses the view that economic impact is their primary concern for her organization. Public servants working for WD and responsible for the monitoring and evaluation of the WEI were also very focused on economic indicators.

These public servants shared that the federal government was more interested in the economic outcomes for the WEI than the social impacts. One interviewee stated:

> *Our primary focus is economic metrics. In the evaluation, we found that jobs were created, businesses were created, revenues increased by 16% the year the evaluation was done over the previous year. We found that there was increased awareness of needs and challenges of women entrepreneurs. We did find those kinds of impacts.*

The economic impact discourse was present across all interview and document data. However, the political discourse around the WEI was different. The WEI received support from members of parliament representing all three main political parties including the Liberal Party, the Conservative Party and the New Democratic Party. It is mentioned several times in a number of parliamentary committee meetings and question period. Members of parliament spoke highly of the program and commended the "great work' being done by the WEI organizations. The program continues to receive support and federal funding.

Social Impact

The economic discourse described above is dominant throughout the data. However, some of the interviewees clearly placed a value on social impact. The social impact discourse was most present in discussions on the LSVCC tax-credit, but some interviewees sharing their view on the WEI felt that the policy instrument was generating positive social change. Research participants sharing their thoughts on the CEDIF tax-credit devalued social impact. They felt that social impact was seen as unimportant maybe because the Department of Finance was responsible for the program evaluation component of the CEDIF tax-credit.

The Québec LSVCCs have had a long history of measuring their social impact. The Government of Québec required the organizations to measure their social impact since the organizations were created. The funds have had a community development missions with social and environmental goals built into their corporate strategy that were combined with their goal of positive economic performance. As one interviewee explained:

> *When we were created, we were given three objectives. One, to be present in all regions of Québec. Two, to support SMEs in the social economy. Three, to provide access to capital for those who have difficulty accessing capital. We are really focused on SMEs. We finance the social economy be it cooperatives of credit unions, but we also focus on culture. We also decided to fund women started and run businesses.*

As the funds have evolved over time, the importance of measuring social impact has grown. The Québec LSVCCs have recently implemented a national strategy to demonstrate their social and economic value to decision makers outside the province of Québec. This was a response to the cancelling of the federal LSVCC tax-credit in 2013.

The Québec LSVCCs' senior management has commissioned a number of studies. The research participants stressed that it is critical for the funds to demonstrate their social impact. They also explained that the research they have commissioned has found clear evidence contradicting the critics of the LSVCC tax-credit. As one interviewee stated:

> *The studies by the two or three economists that attacked the program are full of errors, and their methodology is not serious. It is lazy work. They have never come on the ground and do not take a look at the Québec case specifically. They do not look at the social impacts, and their methodology on the financial side of things, there are major errors. Their starting point is ideological and they are against all government intervention.*

In this quote, the interviewee expresses the view that social impact should be just as important as economic impact. The interviewees suggested that the economists critical of the LSVCC model have committed methodological errors. Members of parliament representing the Liberal and NDP parties have made comments supporting LSVCCs in terms of social impact. This evidence is present in the parliamentary proceedings.

For the CEDIF Tax-Credit, interviewees referred to social impact in negative terms. One interviewee stated:

> *Yes, that's more like a donation thing. You never know if those CEDIFs will get their money back. The problem with those is that there is not exit strategy. Success is relative. The department of finance evaluates the program and they do not measure for social impact.*

This was a view repeated by other research participants. However, there were some participants who clearly thought social impact was important even if it was not being measured. One interviewee stated:

> *Equality is fundamental to the way our organization functions. It is fundamental to all our programs. One issue to balance when it comes to the CEDIF program is that we need to invest in the community, but in a manner that is financially sustainable.*

In this quote, the interviewee is sharing information that indicates that the organization is interested in producing positive social outcomes.

For the WEI, most research participants were focused on economic impacts. However, some of the participants did place value on social impact. One interviewee shared that her organization will consider factors such single mothers or recently divorced women into lending decisions. Another organization was working with a scholar to determine the differences between men and women entrepreneurs' self-efficacy. She wanted to the results to inform her organization's programming. One interviewee representing a WEI organization stated:

> *… only economic indicators are being measured by the funder. There is a need to measure social impacts for the services beyond the loan program. We need to quantify social metrics. Gender equity is an important issue for us. We are trying to change the nature of the conversation we are having with our members, our stakeholders, the community and the business community. We've talked about gender equity issues. We've talked about eh barriers women entrepreneurs face*.

The quotation emphasizes that at least some of those interviewed for the WEI felt that social impact was important.

5.6 Conclusion

This chapter presented the findings from research undertaken for this dissertation. Findings were organized according to the different analyses undertaken. These included a dimensional analysis, an assessment using a SII framework and a discourse analysis. Data from key informant interviews and a document review revealed information about the three case studies. As is typical of qualitative research, extensive examples of quotations from participants have been included in the chapter. By using participants' own words, the aim is to build support for the evidence presented. The quotations were supplemented with data from the document review and the analysis of political documents.

The findings from the dimensional analysis are that equity was a central consideration for the federal government when designing each of the public policy instruments; each of the policy instruments were seen as needed to address systemic inequality in accessing investment capital; the three public policy instruments are complex and capacity building is important; each of the policy instruments would benefit from additional resources, but the type of resources differed for each instrument; the tax-credit was found to be more flexible and more effective in raising investment dollars than the cash transfer through a contribution agreement. Finally, the political context was important for each of the policy instruments.

The Social Impact Investment assessment revealed that each of the policy instruments created investment funds that qualify as SII when analyzed by most of the characteristics included in the OECD framework, but only the LSVCCs met all of the characteristics; the

WEI could improve equity outcomes if the WEI organizations made a conscious effort to ensure that all women made use of its loans and support services; Only one of the policy instruments created investment funds, the Québec LSVCCs, that systematically measured their social impact.

The discourse analysis revealed two opposing discourses that reflected the valuing of either an "economic impact" or a "social impact". The discourses were present among politicians either supporting or opposing one of the policy instruments, the LSVCC tax-credit. Interestingly, the CEDIF tax-credit was not well known at the federal level and had not become politicized. The WEI received bipartisan support. The opposing discourses were also present within the academic and practitioner communities.

CHAPTER 6: DISCUSSION

6.1 Introduction

The findings from the dimensional analysis, Social Impact Investing analysis and discourse analysis were reported in the previous chapter. The aim of this chapter is to provide an interpretation of the findings and their implications. This will include a discussion of the strengths and weaknesses of each the three pubic policy instruments. It will also include a discussion on how the findings can be applied in a different policy context. This will help inform the debate on government involvement in structuring and growing the SII market. Each of the public policy instruments were defined in terms of *common features* and *design features* in Chapter 4. The findings from Chapter 4 will also inform the discussion.

The chapter is structured as follows. Section 6.2 reviews the purpose of the research and the research questions. Section 6.3 discusses the significance of the findings and their implications. Section 6.4 describes this dissertation's contribution to the literature on public policy instruments and Social Impact Investing. Section 6.5 discusses the limits of the dissertations. Finally, Section 6.6 provides recommendations for future research.

6.2 Purpose of the Research and Research Questions

Over the past decade, Social Impact Investing has been increasingly used as a public policy approach. Many advocates for SII argue that government action is necessary for creating a supportive environment that will allow for the structuring and growth of the SII market. However, government action can take many forms. The purpose of this dissertation was to explore the equity and effectiveness outcomes of public policies aiming to advance socio-economic objectives by creating investment funds. It also included an investigation into the strengths and weaknesses of the different policy instruments to make a contribution to the public policy instrument literature and to the nascent literature on Social Impact Investing.

In the beginning, when the primary research question was formulated, the researcher believed that any investment fund with a mandate for achieve socio-economic outcomes would be considered Social Impact Investment funds. This was the reasoning behind the conception of the primary research as, **"*Are public policies instruments enabling social impact investment funds reaching their policy objectives?*"** The findings suggest that out of the three public policy instruments analyzed for this dissertation, only one, the LSVCC tax-credit, can be defined as SII. The analysis of the other two cases, the CEDIF tax-credit and Women's Enterprise Initiative, still produced findings that are useful for the SII debate. All three cases produced results for answering the secondary research questions.

The secondary research questions also guided the research. They are as follows: (1) How did the investment funds under investigation perform in terms of equity and effectiveness? (2) How can the public policy instruments under investigation be improved to achieve better equity outcomes? (3) Should all investment funds with the mandated to reach socio-economic objectives be considered SII as defined by the OECD?

(4) What lessons can be drawn from the public policy instruments under investigation?
(5) What factors influenced the public policy instrument choice in the three case studies?

6.3 Significance of Findings and Implications

This section discusses the significance and the implications of the findings presented in Chapter 5. The dissertation produced three sets of findings from three different analyses. The dimensional analysis was informed by public policy instrument theoretical framework drawing from Lester M. Salamon's work on public policy instruments. The dimensions of equity and effectiveness where deemed important dimensions for the purpose of the research. A Social Impact Investing analysis was also undertaken using an OECD framework for assessing SII. Finally, early evidence suggested that a discourse analysis should be undertaken to make a contribution to the public policy instrument literature and inform the debate on SII.

As mentioned in Chapter 5, the findings are based on recurring patterns emergent from the data in terms of equity and effectiveness. The dimensional analysis revealed that in all three cases, the research participants felt the public policy instruments were needed to address systemic inequality for the groups receiving investment and support services. As well, interviewees believed equity concerns were a central concern for the federal government when it designed and implemented each of the policy instruments. Each of the public policy instruments is complex. They present challenges to community members, entrepreneurs and investors who use them, which means that capacity building is integral for the success of each policy instrument. The organizations managing the investment funds would benefit from additional resources, but the type of resource differed in each of the cases. Each of the public policy instruments were effective in reaching their policy objectives, however, the tax-credits are more flexible and allow for the funds to grow to a greater size compared to government cash transfers through a contribution agreement. Finally, in all three cases, the policy instruments operate in a political context that was different for each instrument.

The SII analysis revealed that the Women's Enterprise Initiative has contributed to the lowering of barriers faced by women entrepreneurs; however, changes to the initiative would improve equity outcomes. Of the three public policy instruments, only one of the cases, the LSVCC tax-credit, created investment funds that could be labeled as SII according to the OECD framework for assessing SII. It is the only public policy instruments that incentivized the creation of investment funds that systematically measured their social impact. The CEDIFs and WEI organizations could be considered SII organizations according to many of the characteristics included in the OECD framework, but they do not systematically measure the social impact of their investments.

The discourse analysis revealed two divergent discourses that cut across the data. The researcher labeled one of the discourses "economic impact" because individuals used language that demonstrated their preference for economic outcomes over social outcomes. The other discourse was labeled "social impact" because individuals used language that showed they placed value on social outcomes. It was clear that the LSVCC tax-credit operates in a contentious political context where some oppose the instrument on the basis of economic performance and others support it in terms of social outcomes. These divergent political discourses were not present for the CEDIF tax-credit and the WEI. However, they were present in the interview data.

6.3.1 Significance of Findings

The significance of the findings were determined in relation to advancing knowledge of public policy instruments that create investment funds with missions to generate socio-economic outcomes. In terms of the first research question, which looked at the issue of the three public policy instruments meeting their policy objectives, the findings of this research indicate that this is the case. However, the findings also indicate that the reality of each instrument is impacted by the social, economic and political context. The findings of this dissertation seem to build on the work of some of the researchers reviewed in Chapter 2. Many of this scholarly work advanced a number of dimensions for analyzing public policy instruments. The notion that each of the three cases included innovative policy instruments that are complex and leverage collaboration with non-state actors echo Lester M. Salamon (2000:1612) concept of "New Governance" where "transformation' in government "form' and "action" has let to a new paradigm. Innovative policy instruments not only integrate direct or indirect collaboration with non-state actors, they also make use of competition, market orientation, and require new skills among community members and public servants. This seems to be borne out in the research findings.

Public administration scholars who have shifted the unit of analysis from public agencies and individual programs to public policy instruments have done so to make sense of the "New Governance" paradigm (Salamon, 2000:1627). Politt and Dan's (2011) finding that analysis of public policy instruments should be analyzed according to dimensions beyond the New Public Management emphasis on effectiveness an efficiency seems to ring true in the analysis for this dissertation. The analysis of the data in terms of equity in addition to effectives provided findings that answered the primary research question.

Key findings from the analysis included a belief that equity was a central consideration when the federal government designed and implemented the three public policy instruments and that all three instruments were needed to address systemic inequalities. These findings are significant since it seems to follow closely Frederickson's (1990) notion that equity is fundamental to public administration. It is an important dimension for analyzing public policy because of its direct impact on social cohesion (Salamon, 200:1648, Politt and Dan, 2011:3). Viewed in these terms, each of the public policy instruments met their policy objectives.

In the case of the Women's Enterprise Initiative, the WEI organizations did in fact produce equity outcomes by providing loans and support services to women; however, the policy instrument mainly reached women who are younger, better educated and more inclined to have business acumen. The policy instrument is reaching a subsection of the intended beneficiary group. In this case, it is failing to produce equity outcomes if analyzed according to one of the main concepts in the OECD framework for assessing

SII. The lack of consideration for marginalized women means the policy instrument needs to be reformed for fully achieving equity outcomes. The significance of this finding is that consideration for certain demographic variables in addition to simply gender is important for policy instruments creating investment funds that have a mission for achieving socio-economic objectives. This finding is also significant in that it provides some evidence for the validity of the OECD framework.

The OECD framework for assessing SII requires the researcher to look at a number of characteristics to differentiate SII from other types of activities. The framework is clear in stating the importance of the beneficiary context. In analyzing the beneficiary context, the research should identify if the population is at risk by considering a range of socio-demographic variables such as age, gender, income level, family type, etc. The framework also states that SII organizations should ensure that no one within a beneficiary group be left behind. Integrating these considerations in the policy design stage of a public policy instrument should improve equity outcomes.

Another key finding from the research was that all three of the public policy instruments were seen as highly complex for community members, entrepreneurs and investors, and that capacity building is needed for each of these groups. This aligns with Salamon's (2000:1614) argument that newer tools of public action are complex because they involved the sharing of government functions and spending of public funds with non-state actors. Simply increasing the number of actors in the policy process increases the complexity of the new instruments because not only does each new instrument have their own operating procedures, skill requirements, and delivery mechanisms, but also the actors involved have their own world-view, their own decision-making rules and their own priorities (Salamon, 2000: 1613). It is significant that in all of the cases, with the exception of the CEDIF tax-credit, capacity building programs and activities had increased and evolved over time.

It was somewhat surprising that capacity-building efforts had actually decreased in the case of the CEDIF tax-credit. This is paradoxical since the policy instrument has grown in complexity and size since its creation. Public servants at the Nova Scotia Securities Commission seem to have born the responsibility to supporting community members for governance and reporting purposes. This has placed significant strain on the team responsible for the CEDIF tax-credit because the support they are offering diverts their attention away from their other responsibilities. Government resources allocated towards capacity building would improve both equity and effectiveness outcomes for this policy instrument.

The research revealed that each of the policy instruments required additional resources, but the type of resources differed in each case. This finding is significant in that it makes the point that each instrument operates in its own social, economic and political context. There are differences between the tax-credit and a cash transfer through a contribution policy instruments. The Québec LSVCCs had significant financial resources and had large pool of social and political capital within the province of Québec. Their resource problem was in the form of insufficient political capital at the federal government level.

The WEI organizations are challenged by a shortage of operational funds and the inability to respond to market demand for growth capital in the form of much larger loans than their capped amount of $150,000 per client. As stated above, the CEDIFs would benefit from resources being allocated towards capacity building for members of the community.

The senior management of the Québec LSVCCs had become quite worried when the federal government decided to phase out the LSVCC tax-credit in 2013. An informal arrangement existed between the Federal and Provincial governments concerning the LSVCC tax-credit. Federal Government would provide a tax-credit matching provincial ones without interfering in what was considered a provincial matter. When the federal government decided to phase out the tax-credit in 2013, the Québec LSVCCs realized that they needed to dedicate significant resources towards demonstrating their value to the federal government. This finding is significant in that it demonstrates that public policies designed and implemented to structure and grow the SII market are also subject to their own social, economic and political contexts that should be considered by all stakeholders involved.

The WEI, as a policy instrument, faces significant challenges. The inability of WEI organizations to secure stable annual operational funding from their sole funder, Western Economic Diversification Canada, has forced the organizations to spend significant time and money on raising additional operations funds to meet the growing demand for their loans and support services. As well, the organizations cannot meet a serious demand for larger loans from medium sized companies. In this case, it appears to be a problem of the organizations created by a policy instrument outgrowing the rules established by the policy instrument. Perhaps a contribution agreement may not be the best policy instrument for these types of investment funds. Or, it might be that the context has changed and that future contribution agreements should reflect this new reality. It seems like a tax-credit is a more flexible and effective instrument than a contribution agreement.

The findings also revealed that politics plays a role in the choice to support or oppose public policy instruments. In all three cases, politicians, public servants, community members and professionals ascribed meaning to the public policy instruments. This finding aligns with Linder and Peters' (1989) argument that policy makers and experts placed subjective value on policy instruments, which influences their policy instrument choice. As well, politicians have professional biases toward certain instruments and are much more likely to support or choose a public policy instrument that has a political tradition or they are familiar with (Linder and Peter, 1989).

On the face of it, the federal government decision to phase out the LSVCC tax-credit seems to have been driven by ideology. Their decision was based on research from scholars who had analyzed the tax-credit strictly in terms of effectiveness and efficiency. Also, the province of Québec was not included as a jurisdiction in their research. The issue of regionalisms seems to have played a role in the decision. There are differences among provinces and regions in terms of political culture, ideology and policy preferences (Simeon and Elkins, 1974:398; Wiseman, 2007:20; Anderson, 2010:457). A number of provinces canceled their provincial LSVCC tax-credit. Ontario withdrew its tax-credit in 2010. Prince Edward Island also cancelled its LSVCC tax-credit and Alberta never had one to begin with. In Québec, LSVCCs are valued, and now their senior management are acutely aware of the federal political context in which they operate.

The CEDIF tax-credit and the Women's Enterprise Initiative both seem to have bipartisan support at the federal government level. The CEDIF program could be at risk politically on a provincial level, and may not have been targeted by federal politicians because of its relatively low cost compared to the federal LSVCC tax-credit. It is also little known in federal circles. This may change since it is being mentioned in the context of Social Impact Investing. Politicians representing all three main political parties view the Women's Enterprise Initiate in positive terms. This is an interesting finding considering that out of the three cases, it is the policy instrument facing the most challenges. The political support for the WEI could be due to the scope of the initiative. It cuts across the four Western provinces. It could be that attacking gender based policy instruments carries higher political risk than attacking unions, as is the case with the LSVCC tax-credit.

The fact that Québec LSVCCs are the only funds to qualify as SII using the OECD framework is a significant finding for the debate on SII. The Québec LSVCCs are the only funds to have all of the characteristics outlined in the OECD framework. Some of the Québec LSVCC efforts to measure social impact were implemented due to political pressure threatening their long-term sustainability. Both the Fond de solidarité FTQ and Fondaction CSN started commissioning studies on their economic and social impacts after the 2013 federal decision to phase out the tax-credit. However, both organizations had a mechanism to measure their social impact prior to 2013. They have also joined international initiatives like the Global Reporting Initiative and the United Nations Principles for Responsible Investments. They both are integrated into Québec communities and Québec society. Many of the financial products they offer beneficiaries are the kinds of financial products being advocated for in the SII market. The Québec LSVCCs can serve as a model for the design and implementation of public policies that aim to structure and grow the SII market.

Finally, the discourse analysis produced a finding of divergent discourses with a group valuing what I have labeled "economic impact" and another group valuing "social impact". This finding is significant because one can therefore look for these diverse views regardless of the policy context including within public policies enabling a SII market. As Salamon 2000:1627) explained, newer policy instruments determine the roles actors will play and these actors will have their own perspectives, ethos, standard operating procedures, skills and incentives. Policy design and implementation must consider decision that shape these actors' behaviour.

The participants who spoke about the LSVCC tax-credit used language that was very different from those who spoke about the WEI. The former spoke about collaboration with the unions and being integrated in rural communities across the province. The later were interested in the economic impact of their organizations even though their mission was clearly to promote gender equity. The language most likely reflected the priorities of the Western Economic Diversification Canada. It will be important for policy makers and experts designing policy instruments aiming to create SII funds to consider the policy objectives very carefully and to understand that actors whose behaviour will be structured by the policy instruments have different views and beliefs. A common belief among SII advocates is that all actors in the financial services industry including the traditional financial institutions will see the value of SII approaches and models, however, they may not be willing participants in a SII market beyond their corporate social responsibility initiatives.

6.3.2 Implications

The findings from this dissertation have several significant implications for theory, policy, and practice. Besides demonstrating that each of the public policy instruments reached their policy objectives, the research also showed the difference between the instruments effectiveness and ability to generating equity outcomes. The policy instruments operate within their own unique social, economic and political context that can impact their performance and long-term sustainability. The results have implications for both public policy instrument theory and the nascent academic literature on SII. They also have implications for policy makers considering policy options for structuring and growing the SII market. Finally, they have implications for improving practice within public administration and within funds with missions to generate socio-economic outcomes.

From a theoretical perspective, the dissertation's findings align with those of Linder and Peters (1989) and Lascoumes and Le Gales (2007) in revealing that institutional and political factors are important considerations when analyzing public policy instruments. The findings support the argument that politics influence the choice of policy instrument. This was particularly clear in the case of the LSVCC tax-credit. The politicization of this policy instrument seems to derive from political orientation and Canadian regionalism. Thus, the findings from this dissertation serve as a first step in understanding the politics of policy instrument choice in the context of SII.

The findings seem to provide evidence that the political context should be an important factor when analyzing public policy instruments. They also seem to support the argument that such an analysis should go beyond simple economic evaluation in terms of effectiveness and efficiency (Eliadis et al., 2007:14). On the surface, each of the instruments seemed to meet equity outcomes, however, an analysis guided by the OECD framework for assessing SII revealed that the WEI could improve its equity outcomes by expanding its activities to low-income women. This would most likely not have come to light if the policy instruments had only been analyzed in terms of effectiveness and efficiency.

The findings from this dissertation seem to be generalizable to other policy contexts such as SII. The results from this research can inform future research into policy choices and implementation of public policies enabling SII funds especially from a public administration perspective. The dissertation offers suggestive evidence for considering the different actors involved in the policy design, implementation and management. Actors' perspectives, ethos, standard operating procedures, skills and incentives play an important part in each of the stages of the policy process.

Data from this study shows that these types of public policy instruments are complex and that capacity building is a necessary component to the policy design if the instruments are to succeed. Future theorization on SII policy might benefit from accounting for this complexity and the need for capacity building. Most of the current work on public policy in the context of SII appears to be too narrow in focus and descriptive. Deeper analysis accounting for the complexity of these instruments would advance the state of knowledge in this new field of study.

From a policy perspective, the findings from this dissertation appear to support the argument that governments can reach socio-economic objectives by creating investment funds. In each of the cases, the public policy instruments would appear to have produced positive social outcomes. However, only the Québec based LSVCCs had a formal impact measurement mechanism for measuring their social impact. Given the research findings, it would be difficult to see how the WEI organizations and the CEDIFs would be able to integrate a social impact measurement mechanism. It might be prudent for policy makers to think of social impact measurement at the very beginning of the policy design process.

An additional implication relates to the type of policy instrument for the structuring and growth of the SII market. The data suggests that tax-credits are more flexible and effective than cash transfers through a contribution agreement. Both the LSVCC and CEDIF tax-credits were found to be more flexible policy instruments than WEI. However, the Québec LSVCCs had an institutionalized structured in place that assisted them in raising investment dollars. Their success might be difficult to replicate without a mechanism that could emulate the Québec unions' engagement of local volunteers to convince union members to invest. This might require negotiation with the financial regulatory bodies to provide special permissions for the investment funds, as is the case in Québec and its LSVCCs.

The findings reveal that even within beneficiary groups, there are important considerations for policy makers. Given the complexity of these types of policy instruments, policy makers would most likely benefit from paying close attention to the beneficiary groups and ensuring that no one is excluded from accessing the services offered by the organization created by the public policy instrument. As well, the beneficiary groups may need capacity building, which is as important as the investment capital.

From a practice perspective, the results from this study may inform public servants, fund managers and entrepreneurs operating within the SII market. For each of these groups, the data shows that these policy instruments are complex and that specialized knowledge and skills are required to make use of these instruments. For those interested in participating in the SII market, there may be a need for specialized training, especially if the investment funds do not offer capacity building as part of their service offering.

Public servants may want to make sure they have the internal resources to oversee and manage the investment funds.

The findings revealed that individuals have a commitment to either “economic impact” or “social impact”. As the use of SII continues to grow and more actors enter the market, it will be important for individual practitioners to reflect on their biases to reduce the potential for conflict. Finding a position between economic and social outcomes is important for the success of these innovative instruments.

6.4 Contribution to the Literature

The dissertation adds to the body of literature on public policy instruments and to the nascent literature on Social Impact Investing in at least three specific ways. First, it addresses a need for research into new public policy instruments and institutions that are part of the “New Governance” and the politics of tool selection (Salamon, 2000; Hood, 2007:139). Public administration scholars have argued that investigations into the politics of policy instrument choice are needed because they play a role in either accepting or rejecting certain policy instruments (Linder and Peters, 1989; Linder and Peters, 1989:36; Lascoumes and Le Gales, 2007:9). Results from the dissertation showed politics played a role in the decision to phase out the Federal LSVCC tax-credit, and in the reversal of the decision. The political implications for the other two cases were minor in comparison. Both the CEDIF tax-credit and WEI seem to have federal political support for now.

Second, the dissertation allows for a more complete understanding of three public policy instruments and how they perform relative to one another in terms of equity and effectiveness. Public administration scholars have argued that research into relative performance of public policy instruments is essential, especially for newer policy instruments (Eliadis et al., 2007:7; Lascoumes and Le Gales, 2007:9). As well, they have argued that research into public policy instruments must account for the complexities of the public policy process, which means undertaking research that goes beyond economic analysis and includes consideration for the social, economic and political contexts of public policy instrument choice (Eliadis et al., 2007:14). A comparative case study of two tax-credits and a cash transfers in the context of investment funds that have social and economic objectives is a contribution to our knowledge.

Third, this dissertation contributes to the current literature on SII. The research in this area is relatively new and the academic literature is still limited. Scholars have called for deeper theorization on SII to better understand the complexity associated with these approaches and their effects on beneficiary groups, stakeholders and society (Saltuk and El Idrissi, 2014; Clarkin and Cangioni, 2015:137). The findings from this research can be applied to the policy context of SII. Similar public policy instruments to those analyzed for this dissertation are being considered for structuring and growing the SII market. The dissertation has advanced knowledge on the strengths and weaknesses of a tax-credit and cash transfer through a contribution agreement. It has also highlighted common characteristics of the three policy instruments and characteristics that are unique to their given context.

The more practical contribution of this dissertation is that it provides three case studies of public policy instruments for policy makers to refer to when considering policy choices. Adding knowledge to a new field such as SII will help the design and implementation process. At a minimum, it contributes to the ongoing debate on the definition of Social Impact Investing, and it provides a practical example of the usefulness of the OECD framework for assessing SII.

6.5 Limitations

This section outlines the limitations of the research undertaken for this dissertation. Although the research design was carefully considered, the dissertation has limitations and shortcomings. First and foremost, the scope of the research was limited. The dissertation focuses on three public policy instruments that were designed and implemented in a certain social, economic and political context. The empirical findings may only be generalizable in certain policy contexts. Second, problems surfaced during the data collection phase of the research. Third, there are issues with the research design.

Problems with data collection

Several problems arose during the data collection. First, the data for this dissertation were collected from a limited number of key informants. As well, a limited number of the key informants were federal public servants. As a result, primary evidence for analysis and discerning the perspective of public servants was limited. An access to information request was submitted to the federal Department of Finance to compensate for this issue.

The request was never answered despite repeated follow-up attempts by the researcher. This was a disappointment because it eliminated the possibility of gaining an understanding of the internal discussions being had by federal public servants at the Department of Finance.

A second problem was a lack of prior research studies on the topic of SII. Prior to undertaking the research, the investment funds created by these policy instruments under investigation were conceptualized as SII funds because they had a mission to achieve socio-economic outcomes. However, only one of the policy instruments was revealed to fit the definition of SII. Additional academic research on SII from a public administration perspective would have provided a stronger foundation for the dissertation's research.

Problems with research design

There were two features of the research design that may have limited the dissertation. The first was the decision to limit of the dimensional analysis to the dimensions of equity and effectiveness. There were no questions on the interview guide that related to other important dimensions such as legitimacy or accountability. The research revealed issues of accountability within one of the case studies, however, the research design would have been strengthened by the integration of dimensions of legitimacy and accountability. Legitimacy and accountability are recurring themes in public policy instruments, especially in the context of governance, and some scholars believe they are critical dimensions in public policy analysis (Eliadis et al., 2005; Pierre Issalys, 2005, Toope and Rehaag, 2005).

A second shortcoming of the research design was limiting the research to a qualitative research method especially in the case of the discourse analysis. There are already limits in reliability and validity of qualitative research as discussed in Chapter 3. Self-reported data is limited by the fact that it rarely can be independently verified and can contain sources of bias. As well, a survey instruments could have been helpful in validating the results, but the focus of this thesis was really to define the three public policy instruments under investigation and to analyze the policy instrument choice in terms of equity and effectiveness.

6.6 Potential Areas for Future Research

The research findings from the current research revealed a number of areas that would benefit from further research. The literature review in Chapter 2 also highlighted some of gaps in the public policy instrument literature and the nascent literature on Social Impact Investing. The contribution of this dissertation addressed some of the gaps and is therefore a starting point. In particular, there is a need for a deeper understanding of the social, economic and political context in which the public policy instruments are designed, implemented and overseen. Further analysis into the three public policy instruments by adding the dimensions of legitimacy, accountability and manageability would be an additional to our understanding of these policy instruments. Some of the complexity around newer policy instruments needs to be further understood especially when it comes to the Social Impact Investing context. As well, there is a need for gaining a better understanding of the beneficiaries of the public policy instruments.

Future academic research might expand the scope of this dissertation and compare the three public policy instruments to policy instruments in other jurisdictions beyond Canada or other types of public policy instruments or both. For example, the United States Congress passed the *Community Reinvestment Act* in 1977. The *Community Reinvestment Act* is a law designed to encourage commercial banks to help individuals in disadvantaged communities. The *Community Reinvestment Act* uses a regulatory policy instrument to meet its policy objectives. Research is needed in comparing Canadian public policy instruments to those of other Western countries or with middle-income and low-income countries.

Research into the effectiveness and equity of tax-credits and cash transfers need to be compared to certification and licensing systems such as the Fair-Trade Mark, or other types of policy instruments such as creating networks and convening conferences. Further analysis of similar policy instruments to the ones analyzed for this dissertation in other jurisdictions would be useful. For example, the CEDIF tax-credit was implemented in the province of Manitoba and the province of Prince Edward Island. Other provinces are considering making use of this policy instrument.

There are also several areas for further development and applications for the work undertaken in this thesis. Within the scope of the three public policy instruments included in the current research, further analysis is needed on both the economic and social impact of the policy instruments. Both quantitative and further qualitative research into the views of stakeholders and beneficiaries on the effectiveness and equity outcomes of each of the policy instruments would be useful. Also, the public policy instruments should be analyzed in terms of other important dimensions highlighted by public administration scholars who research public policy instruments such as legitimacy, accountability and manageability.

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APPENDIX A
SUBSTANTIVE AND PROCEDURAL INSTRUMENTS

Table A.1: a taxonomy of substantive policy instruments

	Principal governing resource used			
Objective	*Nodality*	*Authority*	*Treasure*	*Organization*
Alter social-actor behaviour	Advice Training	Regulation User charges Licenses	Grants Loans Tax expenditures	Bureaucratic administration Public enterprises
Monitor social-actor behaviour	Reporting Registration	Census taking Consultants	Polling Police reporting	Records keeping Surveys

Source: Michael Howlett's book chapter titled What Is a Policy Instrument? Tools, Mixes, and Implementation Styles (2005), page 36

Table A.2: a resource-based taxonomy of procedural policy instruments

	Principal governing resource used			
Objective	*Nodality*	*Authority*	*Treasure*	*Organization*
Promote social networks	Education Information provision Focus groups	Labeling Treaties and political agreements Advisory group creation	Interest-group creation Intervenor and research funding	Institutional reform Judicial review conferences
Restrict social networks	Propaganda Information suppression	Banning groups and associations Denial of access	Eliminating funding	Administrative delay and obfuscation

Source: Michael Howlett's book chapter titled What Is a Policy Instrument? Tools, Mixes, and Implementation Styles (2005), page 37

APPENDIX B
SEMISTRUCTURED INTERVIEW GUIDE

uOttawa

INTERVIEW GUIDE

This PhD research project is being undertaken for the Faculty of Social Sciences at the University of Ottawa. Dr. Caroline Andrew is my thesis supervisor. The project aims to gain a better understanding of Canadian federal public policy instruments that have the objective of addressing a social problem through enterprise development and growth. One component of this project is developing a better understanding of these federal public policies by collecting and analyzing data.

Key Informant Interview Guide

I have developed a number of broad questions to help the interview. Some questions may not be as applicable to your organization, so please focus on those areas that are most relevant.

Interview Questions

1. **I would like to start with getting some background on your organization so I have a context for some of your answers**.

    a. What is your position?
    b. What is the name of your organization and its mandate?
    c. How would you describe the main decision-making structure? (e.g., hierarchical, board, partners, committees, officers, etc.)
    d. Policy or Service Delivery history and context (e.g., date established, changes/growth/expansion)

2. **How central are equity concerns for finding investment opportunities or clients? Are they central or peripheral?**

a. To your knowledge, were target groups consulted when designing the initiative? If so, which ones
b. From what you have seen, what are the potential barriers faced by those seeking investment or training? How does your fund attempt to eliminate those barriers?
c. How do you or others in your organization find groups wanting new investment opportunities or clients?
d. Is the target group defined too broadly or too narrowly? Why? Should the initiative have been expanded at time of inception? Should it be expanded today?
e. What are the factors that impact success?
f. Are the investments targeting particular sectors? Why or why not?
g. Are investees or clients involved in analyzing and improving the support services and investment process?

3. **What kind of financial resources are necessary to ensure the real success of the investments?**

    a. Are investments or supportive services leading to the success of the entrepreneur? Is there an increase in income and/or a reduction of income support for the individual?
    b. How can the policy instrument be improved?

4. **Does the initiative build self-confidence in the client as well as recognize and build on their specific strengths and assets? (ex. the individual may struggle accessing networks or promoting their business) What evidence do you have of this?**

5. **What mechanism and metrics are used to monitor and evaluate?**

    a. Are the insights from the clients reflected in evaluation/audit reports and final products

b. Does the evaluation include those who stopped using programs or investment? Are the evaluations performed in the community? Are clients accommodated in the language or method of communication of their choice?
c. How are the results reported to clients?
d. How is the governance mechanism structured? Are there independent external members who monitor, audit and evaluate the fund/program performance? Do they analyze the social performance of the fund?
e. As evaluators we can never be neutral. Are steps taken to validate your findings with the community so as to minimize any biases?

APPENDIX C
CONSENT FORM

uOttawa

CONSENT FORM
Key Informant Interviews

Title of the study:	Public Policies Enabling Impact Investing
Principal researcher:	Brian Carriere, Ph.D. Candidate in Public Administration School of Political Studies, University of Ottawa
Thesis Supervisor:	Dr. Caroline Andrew Centre on Governance, University of Ottawa

Invitation to Participate: I am invited to participate in the above mentioned research study conducted by Brian Carriere and Dr. Caroline Andrew. It is a PhD research project for the Faculty of Social Sciences at the University of Ottawa.

Purpose of the Study: The purpose of the study is to understand if Canadian federal public policies that enable impact investment funds are reaching their policy objectives. The study will include a comparative analysis of three federal public policy instruments that will include the dimension of equity and a comparison within a historical context. The researcher is interested in gathering data on the economic, social, cultural and political context of the emergence and development of these public policy instruments.

Participation: My participation will consist of one (1) individual interview lasting approximately one hour during which I will be asked to answer questions about my organization. I will be interviewed in person or over the telephone by the researcher named above in a place or at the number of my choice. I understand that notes will be by the researcher during the interview, and the interview will be recorded so that the researchers can accurately identify the main themes discussed during the interview.

Risks: I understand that my participation may entail some risk in that there could be a small possibility of social repercussion if negative views are expressed about the public policy instruments under investigation. The researcher assures me that he will do what he can within reason to keep my identity protected. The researcher also assures me that the interview will remain within the one hour scheduled. I understand that I can stop the interview at any point and choose to not answer any question asked.

Benefits: My participation in this study will allow the researchers to better understand the main activities and components contributing to impact investing. My participation will also give me the opportunity to share my knowledge and my experience with either the public policy instrument of interest from the perspective of either the policy maker or the service delivery agent. The benefit to society will include better public policy by sharing the results of the research project decision makers in the not-for-profit, private and public sectors.

Confidentiality and anonymity: The researchers cannot ensure confidentiality for the individual or the organization in any publication because of the limited number of policy makers or service delivery agents included in the three cases under investigation. I understand that the contents of my interview will be used for this research only. Notes taken at the interview along with the recordings will be kept under lock and key and password protected in the case of electronic files by the researcher and in a filing cabinet or on the computer at the office of the research supervisor noted above for five years at the end of the study.

Voluntary Participation: I am under no obligation to participate and if I choose to participate, I can withdraw from the study at any time and/or refuse to answer any questions, without suffering any negative consequences. If I choose to withdraw, I will then decide if the information I have given until that time can be used by the researchers. I have received assurance that, in the case where I withdraw, I can do withdraw without prejudice.

The signature of the participant does not mean that he or she has given up any right, but rather that the participants has been informed of the requirements of the proposed research and that he or she agrees to take part in the research project. Researchers should obtain this signature for their own protection, especially as evidence in the event of legal action in which the participant claims that informed consent was not obtained.

Acceptance: I, ___________________________, agree to participate in the above research conducted by Brian Carriere of the University of Ottawa.

If I have any questions about the study, I may contact the researcher at the address given above, or his thesis supervisor.

There are two copies of the consent form, one of which is mine to keep

Participant's signature: ________________ Date: __________________

Researcher's signature: ________________ Date: __________________

APPENDIX D
TELEPHONE AND EMAIL RECRUITMENT SCRIPT

Telephone Call

"Good morning/afternoon/evening. My name is Brian Carriere from the University of Ottawa. I am a PhD candidate undertaking research on public policies enabling impact investing funds. I am currently recruiting research participants and would like to know if you would be interested in participating in my study. … I am looking at investments that generate economic and social transformation as well as address greater socio-economic challenges. Your organization seeks to meet these objectives. … When would you be available for a one-hour interview? … Thank you for your time."

Email

Good afternoon,

I hope this email finds you well. I am a PhD Candidate working with Dr. Caroline Andrew, Director of the Centre on Governance at the University of Ottawa. My study is investigating the ability of public policy instruments enabling impact investing funds to reach their policy objectives.

I am looking at investments that generate economic and social transformation as well as address greater socio-economic challenges. Your organization seeks to meet these objectives.

I have already undertaken research on the public policy instruments, which included information about your organization. I wish to compliment this information with interviews to better understand and complete the data gathered during my initial scan.

I would greatly appreciate your assistance and hope that you will be able to get back to me or connect me with someone interested in participating in the study.

Thanking you in advance,

Brian Carriere

APPENDIX E
NOVA SCOTIA EQUITY TAX CREDIT GUIDELINES

NOVA SCOTIA
EQUITY TAX CREDIT
GUIDELINES

COMMUNITY ECONOMIC DEVELOPMENT INVESTMENT FUND (CEDIF)

Nova Scotia Department of Finance and Treasury Board
Taxation and Federal Fiscal Relations Division

Released April 2018

Nova Scotia Equity Tax Credit Guidelines
Community Economic Development Investment Fund (CEDIF)

General Information

The Equity Tax Credit (ETC) program was designed to assist Nova Scotia small businesses, co-operatives and community economic development initiatives in obtaining equity financing by offering a non-refundable personal income tax credit to individuals that invest in eligible businesses.

Community Economic Development Investment Funds (CEDIFs) assist Nova Scotia community-run small businesses and co-operatives in obtaining local financing. In particular, CEDIFs are formed in order to provide capital to businesses within a defined community distinguishable by common geographic, economic or cultural characteristics. The funds raised under the program must be used within that community. The Province supports these community initiatives by providing an Equity Tax Credit (ETC) for eligible investments made in CEDIFs.

The ETC is administered by the Taxation and Federal Fiscal Relations Division of the Nova Scotia Department of Finance and Treasury Board (the Department).

The legislative authority for this tax credit is contained in

- Section 37 of the *Income Tax Act* (Nova Scotia),
- *Equity Tax Credit Act* (the Act), and
- *Equity Tax Credit Regulations* (the Regulations).

CEDIF specified issues (i.e. share offerings) are permitted under the *Community Economic-Development Corporations Regulations* of the *Securities Act* (Nova Scotia). If a business wishes to be registered as a CEDIF and have a specified issue, it must to apply to both the Department and the Nova Scotia Securities Commission *prior to* issuing shares to investors.

Approval of the issuance of shares under the program does not constitute an endorsement by government of the corporation or association issuing the shares. The Province does not guarantee any investment. The investor is at risk for his or her investment.

Where there is a conflict between the information contained in these Guidelines and the Legislation and Regulations, the Legislation and Regulations governing the ETC will take precedence over the Guidelines, application forms, advance rulings or any other published information.

Tax Credit

Eligible investors qualify for a non-refundable tax credit of 35% of the eligible investments made in a CEDIF. The maximum tax credit an individual can receive is $17,500 per year (35% of a $50,000 investment). CEDIFs must register under the ETC program for each specified issue.

Eligible investors can make an eligible investment within the calendar year or within 60 days of the calendar year end (as long as the CEDIF is ETC-registered at the time the investment is made). Eligible investors are required to hold their investment in the CEDIF for a minimum of 5 years to avoid being required to pay the tax credit.

Tax credit receipts are issued by the Department. After the receipt is issued, the tax credit can be claimed via the individual's personal income tax return (using form T1285) for the taxation year in which the investment was made. The ETC is a non-refundable credit but unused portions may be carried forward for 7 years or carried back 3 years.

Provided that the CEDIF meets certain requirements, subsequent/rollover tax credits of 20% and 10% are available to investors who agree to keep their investments in the CEDIF for an additional 5 and 10 years, for a total of 10 or 15 years respectively. If the investment is not held in the CEDIF for the additional time, the subsequent tax credit must be repaid to the Province.

A detailed list of historical CEDIF specified issues can be found on the Department's website.

CEDIF Eligibility & Structures

A CEDIF may be set up as a corporation or co-operative but not a sole proprietorship or partnership and must:

- be taxable, for-profit and non-charitable,
- be headquartered in Nova Scotia,
- carry on a business in Canada,
- have less than $25 million in assets (including affiliated organizations),
- have less than $25 million in revenues (including affiliated organizations),
- have fewer than 500 employees (including employees of affiliated organizations),
- pay at least 25% of its salaries and wages in Nova Scotia,
- have a minimum of 6 directors who are residents of Nova Scotia,
- have authorized capital consisting of at least 1 class of common voting shares (for corporations),
- in the case of a corporation:
    - be an active business (see below), or
    - invest all or substantially all of the funds raised in an active business, or
    - have a constitution that restricts the CEDIF to making specified investments in eligible businesses entities,
- in the case of a co-operative:
    - be a marketing, producer or employee co-operative, or
    - have a constitution that restricts the company to making eligible investments in other co-operatives.

All businesses carried on in Canada are considered active businesses except for those that are personal services businesses or specified investment businesses as defined in the federal Income Tax Act.

- Personal services businesses are those where an individual who would reasonably be regarded as an employee of an organization provides their services to that organization through a corporation (such that the individual is essentially an "incorporated employee"), where the individual or a related person owns at least 10% of the corporation.
- Specified investment businesses are those whose principal purpose is to derive their income from property, typically in the form of interest, dividends, rentals from real estate, or royalties.
  Note: The exception contained in the federal Income Tax Act for businesses having more than 5 full-time employees is not applicable by virtue of the definition of "active business" contained in the Equity Tax Credit Act.

CEDIFs are typically structured as one of the following:

- <u>A corporation set up as a holding company.</u>
  In this case, the CEDIF is limited to making specified investments (i.e. buying common voting shares and/or issuing subordinate loans) in eligible business entities that

- are taxable Canadian corporations,
  - have less than $25 million in assets (including assets of associated corporations),
  - have fewer than 500 employees,
  - pay at least 75% of salaries and wages in Nova Scotia, and
  - are active businesses or invest all or substantially all of its property in one or more corporations that follow the criteria above.

- <u>A co-operative set up as a holding company.</u>
  In this case, the CEDIF co-operative that invests funds raised under the program must use the funds to make eligible investments (i.e. buy shares in other co-operatives which allow the CEDIF to be a voting member of the co-operative).

- <u>A corporation/co-operative that runs an active business</u> itself
  In this case, the CEDIF has revenue, employees, etc. and the funds raised from shareholders are used to run the actual business.

A company will not be registered as a CEDIF if the specified issue does not comply with the provisions of the *Securities Act* (Nova Scotia).

Use of Funds Raised

If the CEDIF runs an active business (and is not a holding company), the funds raised under the program can be used for a wide variety of purposes including, but not limited to: start-up costs, working capital, research, equipment purchases, salaries, general expansion, repaying debt (other than shareholder debt).

If the CEDIF is a holding company, it can use the funds raised under the program to loan money (corporations) to or invest in corporations/co-operatives that meet the criteria stated above.

Funds raised by CEDIFs cannot be used for matters described in Section 7 of the Act such as

- acquiring securities, other than eligible investments in an eligible business;
- paying dividends or repaying a debt owed to a director, officer or shareholder of the CEDIF or an associate of a director, officer or shareholder;
- purchasing services or assets provided by the Province or its agencies or corporations, where
  - those services or assets are to be used in a business or activity that is the same or similar to the activity previously carried on by the Province or its agencies or corporations, and
  - the CEDIF has received, either directly or indirectly, any financial assistance from any government, municipality or public authority with respect to the acquisition of those services or assets;
- part of a transaction or series or transactions directly or indirectly involving
  - the redemption or purchase of previously issued shares of the CEDIF or its affiliates,
  - the retirement of a liability of a shareholder of the CEDIF or its affiliates,
  - the payment of dividends, or
  - the funding of the purchase of all or substantially all of the assets of an existing business, except a business in receivership or in bankruptcy where an eligible investor or group of investors did not own at any time more than 10% of the voting shares of the business in receivership or in bankruptcy;
- funding of the purchase by the CEDIF of any services or assets at a price that is greater than the fair market value.

Pacing Requirements

If the CEDIF is a holding company, it must use the funds raised under the program within a specified timeframe:

- At least 40% of the equity capital raised must be invested within 12 months after the closing date of a specified issue.
- At least 60% of the equity capital raised must be invested within 24 months after the closing date of a specified issue.
- At least 80% of the equity capital raised must be invested within 36 months after the closing date of a specified issue.

If the funds raised under the program are not being used as required, the CEDIF becomes non-compliant with the Act and Regulations. This means that the Minister may revoke the Certificate of Registration of the CEDIF (and all previously issued tax credits). Also, while the CEDIF is non-compliant, it is not eligible for rollover/subsequent tax credits.

Eligible Investors

For an investment in a CEDIF to be eligible for the tax credit, it must be made by an individual who is a resident of Nova Scotia who is at least 19 years of age.

There is no minimum investment amount.

No individual or group of related individuals can own, at any given time, 20% or more of the CEDIF or any organization related to the CEDIF.

Eligible Investments

In the case of a CEDIF corporation, an eligible investment comprises of fully paid, newly issued common voting shares of the corporation that are non-redeemable, non-retractable, non-convertible and are not restricted in profit sharing or participation upon dissolution.

In the case of a CEDIF co-operative, an eligible investment must allow the investor to vote in the affairs of the co-operative.

In both cases:

- Shares must be issued on or before February 28, 2022.
- Replacement shares are not eligible.
  A replacement share is one that is issued as part of a specified issue where the purchaser has disposed of a share of any class of the CEDIF.
- Shares cannot entitle the shareholder, by virtue of their acquisition, to:
  - any other tax credit or deduction allowed under the *Income Tax Act* (Nova Scotia) or federal *Income Tax Act*, except as a deduction for Registered Retirement Savings Plan (RRSP) purposes or
  - to receive any other financial assistance from any government, municipality, or public authority.
- Shares purchased before the application is approved are not eligible for the ETC.
- The main purpose of the investment cannot be to obtain the tax credit.

CEDIF investments can be held in self-directed RRSPs but cannot be held in any other type of trust (including Tax Free Savings Accounts).

Tax Credit Repayment

Investors are required to hold their investment in the CEDIF for a minimum of 5 years. If investments are not held for this 5-year period the tax credit(s) must be repaid back to the Province. Also, investors who receive a subsequent/rollover tax credit must keep their investment in the CEDIF for an additional 5-year period.

There are several exceptions to this rule. The credit is not required to be repaid if:

- the sale is due to the death of the shareholder,
- the share is transferred to the shareholder's RRSP or Registered Retirement Income Fund (RRIF),
- the CEDIF ceases to conduct business due to its financial failure (in the opinion of the Minister), or
- the shares were exchanged for a share of a different series in the same class of shares, if each series of shares within the class meets the eligibility requirements of the Act.

If the share sale is a result of the wind-up or dissolution of the CEDIF for reasons other than financial failure, a prorated credit amount must be repaid to the Province.

When the CEDIF repurchases shares in a transaction not permitted under the Act or Regulations, the CEDIF (not the shareholder) must withhold the amount of the credit and remit it, along with the details of the transaction, to the Department.

Where the CEDIF has repurchased shares in a transaction not permitted under the Act or Regulations in the event of a conversion of a RRSP to a RRIF or annuity, the CEDIF must withhold a monthly prorated amount of the credit and remit it to the Department.

In all cases, CEDIFs should notify the Department of all transactions before they occur so that the necessary actions can be taken and an accurate repayment amount can be calculated.

Application Process

The CEDIF application process normally takes 2-3 months.

CEDIF specified issues are permitted under the *Community Economic-Development Corporations Regulations* of the *Securities Act* (Nova Scotia). If a business wishes to be registered as a CEDIF and have a specified issue, it must to apply to both the Department and the Nova Scotia Securities Commission prior *to* issuing shares to investors.

1. The Department is responsible for ensuring that the CEDIF and the specified issue comply with the Act and Regulations. Generally speaking, this means assessing the types of organizations eligible for the program, how funds raised can be used, and issuing tax credit receipts to eligible investors.

   Application packages consisting of the following must be sent via email to the ETC administrator (paper copies are not accepted):

   - An application form (found on the Department's website).
     The application form must be signed by an authorized officer of the CEDIF. Electronic signatures like Adobe's EchoSign are acceptable as well as forms that have been signed by hand and then scanned.

   - Financial statements for the CEDIF's previous tax year.
     Note: interim financials may also be requested by the administrator.
     The financial statements do not have to be audited or reviewed. Also, if the CEDIF was recently incorporated, financials are not required.

- T2 Corporate Tax Return (including all forms and schedules) for the preceding tax year.
  This is not required if the CEDIF is in its first tax year.

- Up-to-date and notarized shareholder's register.
  The shareholder register must contain information on all share transactions (from the time when the CEDIF was incorporated) including, but not limited to, the name of the investor and the date, type and number of shares that have been bought, sold and transferred.

- Offering Document Draft
  The purpose of the CEDIF Offering Document is to provide a basic level of knowledge of all material facts to potential investors concerning the business they are considering investing in. Subsequent drafts and the final version of the Offering Document must also be submitted to the Department when available.

- Constitution/Articles of incorporation and memorandum of association.
  These are not required if they have been previously provided to the ETC administrator during a past application (unless subsequent changes have been made).

2. The Nova Scotia Securities Commission is responsible for ensuring that the CEDIF and the specified issue are in compliance with the *Securities Act* (Nova Scotia) and *Community Economic-Development Corporations Regulations*. Generally speaking, this means protecting investors through ensuring proper disclosure. More information on applying with the Nova Scotia Securities Commission can be found on their website.

Once an application is approved by the Department and the specified issue receives a non-objection letter from the Nova Scotia Securities Commission, the applicant will receive a Certificate of Registration. This Certificate registers the organization as a CEDIF and specifies the period of time during which the CEDIF is permitted to issue shares under the program. During this timeframe, the CEDIF is permitted to sell shares to the public and use advertising as approved by the Nova Scotia Securities Commission. Only eligible shares that that are fully paid and issued within this timeframe are eligible for the tax credit.

Extensions may be granted if the CEDIF needs more time to raise funds than the timeframe allotted on the Certificate of Registration. Extension requests must be made via email to the ETC administrator and the Nova Scotia Securities Commission preferably 3-4 weeks before the existing certificate lapses to allow enough time for the request to be processed. Extensions must be approved by both the Department and the Nova Scotia Securities Commission.

Issuance of Tax Credit Receipts

In order for tax credit receipts to be issued to eligible investors after the specified issue is complete, CEDIFs must submit the following to the Department:

- an up-to-date notarized shareholder register, and
- the Investor Data Report (in Excel).

The Investor Data Report can be found on the Department's website. It must list all eligible investors that made eligible investments during the timeframe the organization was registered under the program.

Both documents must be submitted via email to the ETC administrator as soon as possible after the lapse date on the Certificate of Registration. By submitting this, the submitter is certifying to the Department that the information contained in the email and files provided is true and correct. The Nova Scotia Securities Commission has additional reporting requirements – contact them for more information.

Tax credit receipts are then issued by the Department directly to the investors and can then be claimed via the individual's personal income tax return (using form T1285) for the tax year stated on the receipt.

If duplicate or replacement tax credit receipts are needed, please contact the ETC administrator.

Rollover Tax Credits (Subsequent Tax Credits)

Rollover tax credits were introduced in the program as a way of encouraging investors to keep their money invested in the CEDIF. CEDIF investors that receive the initial 35% tax credit at the time of the investment may qualify for 2 rollover (subsequent) tax credits.

- A 20% rollover tax credit is available after the initial 5-year holding period to CEDIF investors that agree to keep their investments for an additional 5 years (for a total of 10 years).
- A 10% rollover tax credit is available after the 10-year holding period to CEDIF investors that agree to keep their investments for an additional 5 years (for a total of 15 years).

In order to qualify for each of the rollover tax credits, the CEDIF must apply to the Department and meet certain criteria. Applications for rollover credits take approximately 5-6 weeks.

Application for the 20% rollover tax credit may be made on the 5th anniversary of the original specified issue. At this time,

- the market value of the CEDIF must be greater than 65% of the original book value of invested capital raised,
- the CEDIF must be up-to-date with pacing requirements, and
- the CEDIF must have raised additional funds through at least 1 other specified issue (i.e. the CEDIF must have had at least 1 other successful specified issue above and beyond the offering that has become eligible for the subsequent tax credit).

Application for the 10% rollover tax credit may be made on the 10th anniversary of the original specified issue. At this time,

- the market value of the CEDIF must be greater than 50% of the original book value of invested capital raised,
- the CEDIF must be up-to-date with pacing requirements, and
- the CEDIF must have raised additional funds through at least 1 other specified issue (i.e. the CEDIF must have had at least 1 other successful specified issue above and beyond the offering that has become eligible for the subsequent tax credit).

In both cases, investors must agree to keep their investments in the CEDIF for the additional 5 years.
Only the investors listed on the Rollover Investor Data Report will receive the rollover tax credits. Before applying for rollover credits, CEDIFs should confirm with each individual investor whether they would like the rollover tax credit and will keep their investment for an additional 5 years. CEDIFs should also confirm with investors who are turning 65 during the 5-year holding period and holding their investments in an RRSP, if they are able to continue holding their investment for the required time.

Rollover applications consisting of the following must be submitted to the ETC administrator via email (paper copies are not accepted):

- An application form (found on the Department's website).

The application form must be signed by an authorized officer of the applicant business. Electronic signatures like Adobe's EchoSign are acceptable as well as forms that have been signed by hand and then scanned.

- Up-to-date and notarized shareholder's register.
  The shareholder register must contain information on all share transactions (from the time when the organization was incorporated) including, but not limited to, the name of the investor and the date, type and number of shares that have been bought and sold.

- Most recent financial statements

- 20% or 10% Investor Data Report (in Excel), depending on which rollover credit is being applied for.
  These can be found on the Department's website. The report must list all eligible investors that want the rollover credit and have agreed to keep their investment in the CEDIF for an additional 5 years.

Annual Filings

CEDIFs are required to make annual filings (to the Department and the Nova Scotia Securities Commission) after their first successful specified issue. The annual filings to the Department are to be made within 180 days of their corporation tax year end and must include the following documents:

- Full corporate tax return for the preceding year (including all forms and schedules).
- Financial statements for the preceding year.
- Details of any investments made by the CEDIF and any potential investments being considered for the following year.
- A notarized shareholder register showing details of all share transactions.

CEDIFs must continue to file annual reports with the Department for five years from the last issuance of tax credit receipts (including rollover tax credits). Failure to submit filings could result in future applications being turned down and/or the CEDIF's registration being revoked and issued tax credits clawed back.

Revocation of Certificate of Registration

An ETC Certificate of Registration can be revoked at any time after being issued if the CEDIF:

- does not meet the pacing requirements,
- has not complied with any provision of the Act and Regulations, or the spirit and intent of the Act and Regulations,
- has issued shares of the same or substantially the same class as the shares issued as part of the specified issue to an individual for an unreasonably low cost per right to vote, such that the eligible Investor is unable to exercise any real influence in the management of the corporation,
- has misrepresented any information to the Minister either knowingly or through circumstances amounting to gross negligence,
- has used the proceeds raised by the specified issue for any prohibited use,
- relocates out of the Province unless it would otherwise continue to qualify for registration,
- sells assets whose original book value when deducted from the total book value of the assets of the CEDIF impinges on the capital raised under the Act, or
- has purchased, redeemed or acquired shares issued by it if, without the prior written approval of the Minister, the cost of the purchase, redemption or acquisition exceeds 20% of the CEDIF's retained earnings, or the purchase, redemption or acquisition results in the CEDIF being unable to pay its liabilities as they become due.

If the registration is revoked after the specified issue, the CEDIF (not the shareholders) must repay the aggregate value of all the tax credits issued. If the registration is revoked before the specified issue, tax credit receipts will not be issued.

Where a director or officer of the CEDIF or a member of a group/shareholder that controls the CEDIF permits or agrees to a transaction/event or a series of transactions/events that the person knew or ought to have known at that time would cause the Certificate of Registration to be revoked, that person is jointly and severally liable for the repayment of tax credits.

Penalties and Inspection of Records

The Act and Regulations list various offences and resulting penalties. Offences include, but are not limited to, making false or misleading information and impeding an investigation. The legislation also gives the Department the right to inspect records and conduct an investigation on the company and its shareholders.