

Breakthrough Capitalism Canada – November 7 2013

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Breakthrough Capitalism and Systems Change

I want to talk about what breakthrough capitalism looks like, but I also want to talk about systems change.

Over the course of McConnell's 75-year history, the Foundation has come to understand that complex problems like poverty, environmental degradation or social exclusion can only really be addressed if the private, public and community or civil society sector are all activity engaged, *and engaged with each other*, in a search for solutions.

So while traditionally the Foundation, like many others, saw itself as a grantor at the service of the charitable sector, this grantmaking activity is now only one of a number of activities we undertake as we work to change systems. Increasingly, we see ourselves not as grantors but as partners, catalysts and field builders.

In some ways the Foundation is itself going through Breakthrough Capitalism as we rethink our approach to how the Foundation's endowment is invested – a core activity since after all, smart investing is what has allowed grants to be made on an on-going basis (with a few slowdowns such as in the late 80s). Up until a few years ago, the Foundation's work to carry out its mission happened entirely through its programming side, which itself was primarily focused on granting.

What this meant was that essentially, 3.5 % of the Foundation's resources (our required yearly disbursement quota) were being mobilized to carry out our entire mission and furthermore, that the Foundation's investments may contradict the efforts of the programming work being done.

We are now working not only to grow our own impact investment portfolio, but to help develop the landscape of funds, intermediaries and tools for assessing impact which are so needed to develop a landscape in which more private dollars can be put to social good.

To illustrate some thoughts on Breakthrough Capitalism and systems change, I want to tell you a story about the Canadian Boreal Forest Agreement. The Boreal forest is a critical source of fibre for forestry companies, the world's largest area of intact forest and wetlands, and is the habitat for endangered woodland caribou herds. Following years of campaigns against a number of forestry companies, a landmark agreement was signed in 2010 between nine environmental organizations and funders, and 21 forestry companies.

The agreement aimed to reduce immediate ecological threats from logging in the 72 million hectares Boreal forest, and represented a commitment to work together to implement goals including habitat protection, sustainable forestry practices and improved prosperity for the forestry sector.

There is no way that I can do justice to this complex story in a few minutes, not least because of my limited involvement in it – the McConnell Foundation itself came in as a late funder to the Agreement. It is probably also too early to judge the outcome of the agreement, which has seen some successes and some serious setbacks. What I can do is share some elements of a soon-to-be-published case study, written by Darcy Dobell of the Waterloo Institute on Social Innovation, about the conditions which led to the signing of this agreement. Based on interviews with 20 people closely involved with the CBFA agreement, Darcy identified three key drivers stand out as having catalyzed the negotiations:

First, the threat of market campaigns against Canadian Boreal wood from international market campaigns led by environmental organizations. These campaigns threatened to damage Canada's brand and create market risks compounding a period of crisis related to the housing market crash 2008-9 and the ongoing contraction of the North American paper sector.

Second, land-use planning policies and Caribou recovery planning requirements under the Federal Species at Risk legislation which at the time were signaling to the forestry sector that new policies were coming up, and they wanted to get ahead of the game.

Third, the Forest Products Association of Canada's leadership in instigating talks with environmental organizations and in the initiating internal change processes within the forestry sector.

The study concludes that a personal transformation was required to unlock a system that was gridlocked. Initially the two sides engaged in adversarial approaches, mistrusted their counterparts and held negative stereotypes about each other. Over time, through negotiations and meetings but also informal and social time, personal relationships and the ability understand and empathize with the other's interests developed.

Gradually members of both caucuses gained skill to articulate their deeper interests and empathize with the other party's perspective. One industry representative spoke of a breakthrough point when the group realized that when proposals would be put on the table, the first person to recognize the environmental shortcoming would be the industry person and vice versa. Another noted that a stranger observing a certain problem-solving meeting wouldn't have been able to tell who was representing which side of the negotiation.

After the agreement was signed, the signatories began working with local and provincial governments as well as First Nations communities to implement it.

One of the most difficult issues the parties faced was coming to agreement on forest certification – the standard to ensure that sustainable forestry practices were used. In the end, the environmental groups moved away from their position that the 'gold standard' Forest Stewardship Council be the only acceptable Boreal certification. A specific set of Boreal standards were developed which members were to be audited against in addition to their own certifications – although these standards do not include socio-cultural aspects.

Throughout the agreement negotiations and implementation work, a range of funders including foundations and governments have supported the work – notably the work of the NGO caucus which doesn't have the collective infrastructure or funding that the forest product association does.

It's important to reflect on work which has engaged in breakthrough change in complex messy systems, like the CBFA or the Great Bear Rainforest agreement, which preceded the CBFA and – although on a smaller scale - succeeded in protecting both land and livelihoods in a deep and wholistic way. Can this kind of breakthrough happen in other systems... like seafood ? What about oil and gas? Food?

I had the good fortune of arriving at McConnell not only just at the time that the Foundation was digging into social finance, but also just after the Trustees had approved the creation of an initiative focussing on Sustainable Food Systems. Three years in, the initiative supports the work of charities and non-profits across the food value chain and across Canada, from seed-saving to farm incubators to food hubs to school and hospital cafeterias.

We have partnered with Food Secure Canada and launched a 'food business bootcamp' for sustainable and local food entrepreneurs, whether they be charities, non-profits, cooperatives or private enterprises. We have joined the investors group of the Conference Board of Canada's Centre for Food in Canada, and we have made impact investments in three food-related funds. We have commissioned a study on the social, environmental and economic impacts of local food.

Our systems map of just our work, never mind anyone else's', looks like this:

And yet in many ways we have only dipped our toes into this work. We are just beginning to develop the partnerships in the public and private sector that we know are needed to shift the ocean liner that is the food system.

My hope is that today will take us one step further – that we'll at least get our ankles wet. On a finite planet which is heating up and losing biodiversity at an alarming rate, where too many children go to bed hungry and where diet-related chronic disease is rampant, we must go far, together, as quickly as we can.