

**Written Submission for the Pre-Budget Consultations
in Advance of 2026 Federal Budget**

Submitted: May 22, 2026

METCALF
FOUNDATION

RECOMMENDATION

Recommendation 1: That the Government of Canada provide a \$50 million investment in Budget 2026 to establish an Arts & Social Finance initiative for Canada's cultural sector.

Introduction

The Metcalf Foundation is a longstanding Canadian philanthropic institution with a deep commitment to strengthening the arts and cultural sector. For decades, the Foundation has supported cultural organizations, artists, and sector development initiatives, while also helping advance new policy ideas and practical tools to improve long-term sustainability across the field.

In recent years, this work has focused on how social finance could increase the resilience of Canada's cultural sector. Through research, workshops, cross-country engagement, and discussions with governments, investors, and sector leaders, Metcalf has developed Arts & Social Finance as a practical response to growing structural pressures in the cultural ecosystem.

This initiative is being advanced in collaboration with Rally Assets, a Canadian impact investment management firm. Its wholly owned subsidiary, Realize Capital Partners, is one of three fund-of-fund managers selected by the Government of Canada for the Social Finance Fund (SFF). Rally brings deep expertise in building Canada's social finance infrastructure, from fund development to the delivery of market-building initiatives that support social finance intermediaries and social purpose organizations. Its experience mobilizing public and private capital through the SFF provides a strong model for how social finance can be effectively applied to the arts and cultural sector.

Supporting a \$50 Million Arts and Social Finance Fund for Canada's Cultural Sector

Canada's cultural sector is a vital economic, social, and strategic national asset. It has a significant impact across the country, creating jobs, strengthening communities, attracting and retaining talent, animating main streets, supporting tourism, and helping project Canada's distinct identity at home and abroad. It also plays an important role in protecting Canada's cultural sovereignty by ensuring that Canadian stories, voices, and institutions remain strong. This aligns directly with many of the federal government's current priorities, including building a stronger economy, catalyzing private investment, supporting resilient communities, protecting Canadian sovereignty, and ensuring that public dollars work harder and more effectively for Canadians.

Metcalf recommends that Budget 2026 provide a federal investment of \$50 million to establish an Arts & Social Finance initiative for Canada's cultural sector. This contribution would anchor a new financing vehicle designed specifically for the needs of cultural organizations and help leverage a further \$50 million from philanthropic and private-sector partners. Together, this would create a unique pool of capital dedicated to supporting the growth, resilience, and long-term sustainability of the sector.

The initiative would pair low-interest loans with investment readiness for cultural organizations seeking to strengthen their operations and diversify their revenue. Put simply, it would add a new tool to the sector's financing landscape, working alongside grants, to help organizations become more stable, more self-sustaining, and better positioned for long-term success. The

federal government's investment will catalyze additional private and philanthropic capital in support of a clear public purpose.

Designed to Work Alongside Grants, Not Replace Them

This is not a proposal to replace grants, and it is not an argument that cultural organizations should be treated as if they were commercial borrowers. Arts & Social Finance is intended to work in tandem with a healthy grant-based support system, not as a substitute for it. Canada's existing cultural funding framework remains essential. But grants alone cannot solve every structural challenge facing the sector. Many organizations also need additional support to help them strengthen operations, diversify revenues, improve planning, test new business models, and retain value over time. Arts & Social Finance would provide that complementary layer of support, helping organizations build greater resilience while making the overall funding system work better.

Why a New Tool is Needed

Canada's cultural sector increasingly resembles a system trying to fill "a bucket with a hole in it." Organizations and funders know the system is under strain, but the response too often remains the same: more money is poured into structures that do not allow organizations to build and retain value. Broken business models at the organizational level and inefficient funding dynamics at the system level create **renewable fragility**. In this environment, grant funding is too often asked to do work it cannot do on its own. Rather than creating durable pathways to sustainability, it is frequently used as a temporary stop-gap to delay further decline.

The experience of the COVID-19 pandemic underscored the limits of relying on short-term stabilization measures alone. While emergency supports were essential in helping many cultural organizations survive an immediate crisis, they did not address the deeper structural pressures that continue to affect the sector. Across the sector, there remains a need for tools that help organizations build fiscal capacity, diversify revenue, and strengthen their long-term sustainability. As a result, demand on grant programs continues to intensify, even where governments have stepped up support. The challenge, then, is not simply one of funding more. It is also one of building greater resilience. For a government focused on achieving better outcomes from finite public resources, that distinction matters. Arts & Social Finance is designed to help fill that gap.

How the Initiative Would Work

The initiative would provide low-interest loans to qualifying cultural organizations together with strong wraparound supports to help ensure those investments are effective. It would also include a meaningful investment readiness stream for organizations that are not yet in a position to take on repayable financing, but want to strengthen their operations, test new revenue models, and build that capacity over time.

A Federal Investment with Multiplier Impact

This proposal aligns with several of the federal government’s stated priorities and desired outcomes. It would help catalyze additional private and philanthropic investment in support of a social good. It would help build stronger and more resilient cultural organizations and communities. And it would make more effective use of public funds by creating a tool designed to support long-term sustainability, not simply short-term stabilization. A federal investment in Budget 2026 could therefore have an impact well beyond its initial value — unlocking new capital, broadening the sector’s funding toolkit, and helping reduce pressure on existing grant programs over time.

Evidence From the UK and Canada

Arts & Social Finance is grounded in a growing body of practical evidence, both internationally and in Canada. One of the clearest examples is the United Kingdom’s Arts & Culture Finance initiative, which showed that social finance can be adapted successfully to the cultural sector when paired with the right structures, expectations, and supports. That experience, together with additional case studies from Australia, Africa, the United States, and Canada, points to an important conclusion: repayable capital can strengthen cultural organizations when it is introduced as part of a broader support model and in tandem with a healthy grant system, rather than as a replacement for one.

In Canada, an illustrative example comes from Camber Arts in Newfoundland, where loan financing helped support the development of a social enterprise model that contributed to a shift in grant dependence from 65% down to 35% while doubling the size of the organization. The result was not simply lower dependence on grants. It was a larger, more stable organization with greater community impact.

Arts & Social Finance has been designed with those lessons in mind. Its purpose is not to diminish the importance of grants, but to complement them. Grants remain essential to the health of the cultural sector. With the right financing tools and readiness supports in place, cultural organizations can move beyond short-term survival and strengthen their long-term resilience. A Canadian model that successfully brings these elements together would not only respond to a pressing domestic need, but it would also position Canada as a global leader in the use of blended finance for culture.

This federal contribution would serve as first-loss, zero-interest capital and **help attract an additional \$50 million from philanthropic and private-sector partners**. The vehicle would be established with appropriate governance, oversight, and sector participation to ensure that it remains accountable, operates in the public interest, and responds to the realities of cultural organizations across Canada.

Because the capital would be used primarily for lending, with repayment expected over time, the same funding could be deployed more than once rather than spent down in a single cycle. That creates a multiplier effect from a one-time federal investment. It also means **this**

proposal is not a grant program, but a catalytic public investment that can unlock additional capital and create a longer-term financing tool for the cultural sector.

This structure also speaks to other federal priorities: resilience and productivity. The government has repeatedly framed its agenda around building a more self-sufficient, shock-resistant, and opportunity-generating Canada. That language is often applied to housing, infrastructure, trade, and major projects, but the same principle applies in culture. Cultural sovereignty depends not only on content and talent, but on resilient institutions capable of developing Canadian stories, employing Canadian workers, anchoring local economies, and adding significant value to communities over time. Rather than peripheral to national resilience, a more financially resilient cultural sector is a vital component.

Why Investment Readiness Support is Essential

The readiness component is especially important, and it reflects one of the central lessons drawn from the UK model and other case studies reviewed by the Arts & Social Finance team. Many cultural organizations are not yet positioned to take on loans, even where they have promising ideas for revenue generation, expanded programming, social enterprise, or facility use. They may need support to test a market, strengthen internal systems, build business plans, improve governance, or understand how repayable capital can fit within a nonprofit model. Arts & Social Finance addresses this directly by pairing lending with investment readiness. This is central to the proposal's success. Without readiness support, the benefits of financing would risk flowing mainly to the organizations that are already equipped to access other financing tools and alternatives, leaving much of the broader arts and culture sector behind, and failing to address the central pain point of cultural policy: nationwide-organizational transformation. With readiness support in place, the initiative can broaden access, reduce risk, and help build a broader pipeline of organizations able to use financing successfully over time.

Building Knowledge, Support, and a Pipeline of Participants

Metcalf has also undertaken significant work to build knowledge, awareness, and support for this initiative across the sector and within government. Over the past year, **it has delivered 12 workshops across the country**, including in Victoria, Vancouver, Calgary, Winnipeg, Toronto, Ottawa, Montreal, Halifax, and St. John's. The initiative has also been presented internationally and discussed in federal-provincial-territorial contexts. Provincial engagement is underway, federal outreach has begun, and feedback has been actively sought from cultural organizations, governments, and other potential partners to help refine the model.

This matters because one of the clearest lessons from comparable efforts is that success depends not only on capital, but also on building understanding, generating interest, and identifying organizations that can make effective use of the tool.

Conclusion

Canada's cultural sector is facing growing structural pressure. Organizations across the country are contending with rising costs, increasing demand on existing grant programs, and limited tools to build the long-term resilience needed to thrive. Many in the sector now

recognize that nothing presents a greater risk than continuing with the status quo. More of the same will not solve the underlying structural challenges.

Arts & Social Finance offers a practical and forward-looking alternative. By combining public purpose, private and philanthropic investment, organizational capacity-building, and long-term sustainability, it would give the sector a new tool to build resilience over time. Canada has an opportunity to lead globally in the use of blended finance for culture. **This initiative would bring public, philanthropic, and private capital together to strengthen cultural organizations, build long-term resilience, and demonstrate a smarter approach to public investment.**

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