Social Finance
An Essential Enabler of Social Innovation
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Based on material by Causeway
What is MaRS?

- MaRS is a science park and incubator located in the heart of downtown Toronto.
- MaRS is a convergence innovation centre.
- MaRS is a public-private partnership supported by leaders from the private sector and three levels of government - led by the Government of Ontario.
- MaRS is a non-profit organization dedicated to maximizing the economic and social impact of Canadian innovation.
What is Social Innovation Generation (SiG) @ MaRS?

SiG@MaRS is actively developing programs to support the launch and growth of social ventures, enhancing the skills and networks of social entrepreneurs, exploring new instruments of social finance, fostering opportunities for technology platforms to help scale social ventures and building the social enterprise community in Ontario.
Who are the SiG Members Nationally?

Leveraging the Provincial Investment

SiG@MaRS - Ontario < to/from > SiG@large - national

Innovation Lens - Build Capacity/ Tap into Innovations at the Grassroots/ Facilitate Success/ Scale Up/ Share Learnings

The J.W. McConnell Family Foundation

University of Waterloo

PLAN...for the future

MaRS

TIDES CANADA FOUNDATION

SiG social innovation generation de l’innovation sociale

www.marsdd.com
Causeway

Collaborating to accelerate Canada’s social finance marketplace

For further information on Causeway, contact Tim Draimin, CEO Tides Canada Foundation

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Social Finance is ...

finance with a social or environmental mission

Social finance is a sustainable approach to managing money that delivers social/ environmental dividends and economic return through social enterprises operating in the non-profit or public benefit universe.
What is SiG@MaRS doing in the Social Finance space?

- **Networking** - Links to Causeway
  - Public Policy
- **Convening Space** - hosted the Social Finance Forum
  - New players engaged
- **Links to Policy Makers** - Ontario Non-Profit Network
  - Review of Corporations Act
- **Social Venture Capital Fund**
  - In discussion with the Province

Working with CSI and several other players to bring ENP to Ontario
How do Social Entrepreneurs Finance Their Great Ideas?

- Social entrepreneurs traditionally rely on charitable donations and government grants and contributions.

- How do we attract new sources of capital to enable social enterprise to flourish?

- One option is a hybrid business model - part non-profit, part enterprise.
Social Finance Exists Across a Broad Continuum

HIGH INVOLVEMENT

Venture philanthropy

Venture capital

LOW INVOLVEMENT

Traditional grant making

Bank lending

Adapted from Margaret Bolton, 2003
Snapshots of Social Finance

• Citizens Bank’s **Shared World Term Deposit** that helps support microcredit financing

• "The Shared World Term Deposit is not charity, it's a competitive investment vehicle with a social objective," said Jason Farris, president and CEO of Citizens Bank of Canada.

• "We see this as an opportunity to provide investors with a sound financial return and a solid social return, ultimately making a difference in the lives of many people."
Snapshots of Social Finance

Venture capital

Capital regional et coopérative Desjardins (CRCD) is a $500 million venture capital fund created in 2001 by the Desjardins Movement with the help of provincial tax credit.

Individual investors can invest up to $3500 a year in shares with a 50% tax credit. Shares must be kept for a minimum of seven years.

Mission: to provide capital, expertise and access to networks for businesses and cooperatives in Québec.

Desjardins

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Snapshots of Social Finance

- Local community development
  - The Columbus Foundation (USA) used $2 million to seed an $18 million low-cost housing fund to build 1,600 new units of affordable housing.

- Debt mechanisms
  - Millions in loans to community finance institutions and social enterprises by Vancity, Citizens Bank and Calvert Foundation’s Community Investment Note
Canada: Coming from Behind

- Limiting Regulatory framework ready to catch-up: Income Tax Act and Charity Law significantly restrict the flow of capital
- International examples from US and UK:
  - US - IRS allowance of charitable investment in non-charities and New Markets Tax Credits
  - UK - Community Interest Company (CIC)
    - 1200 registered CIC’s in 2 years
UK Social Venture Funder Marketplace (supportive system)
Bridges Case Study

Financial Returns

• sold in August 2006 to The Daily Mail and General Trust for £22m
• £345k invested, £7.5m return
• 22x money multiple

Social Returns

• over 80 new jobs – majority are women and ethnic minorities >60% of staff came out of unemployment
• raised over £0.5m for charity partners promoted switching to renewable energy
• created an entrepreneurial role model of success
Ontario Social Venture Capital Fund

“Create a social venture capital fund @MaRS to find new solutions to difficult social problems.” Ontario Liberal Platform (2007)

$20 million is notional amount; opportunity to double with matching private investments

Inspired by Bridges Ventures in the UK
  - Equity investments in highly scalable ventures that also deliver social return

Project finance component being considered
  - Risk diversification, near-term returns, debt-based
Prototypes of Ontario Social Venture Fund Investees

- **Village Technologies**
  - Environmental upgrading of social housing

- **Brain Fitness**
  - Mental exercises for an aging populations

- **Educational Programs**
  - JUMP Math

- **Eva’s Phoenix Print Shop**
  - Social enterprise spun out of Eva’s Phoenix, a transitional housing and training facility supporting homeless and at-risk youth in life skills training and on-site employment
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