

Social Finance

An Essential Enabler of Social
Innovation

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Entrepreneurship/ SiG@MaRS



**A Presentation to the Social Economy
Centre - May 1, 2008**

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

Slide 1

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.



Slide 2

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



Causeway

Collaborating to accelerate Canada's social
finance marketplace

**For further information on
Causeway, contact Tim Draimin,
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ASHOKA CANADA

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...for the future slide 4

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



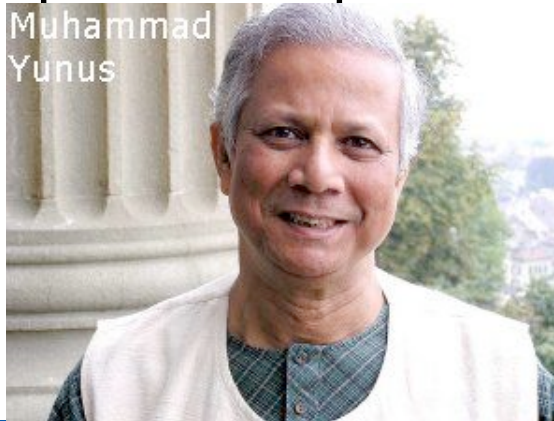
enterprising non-profits

Working with CSI and several other players to bring ENP to Ontario

Slide 6

How do Social Entrepreneurs Finance Their Great Ideas?

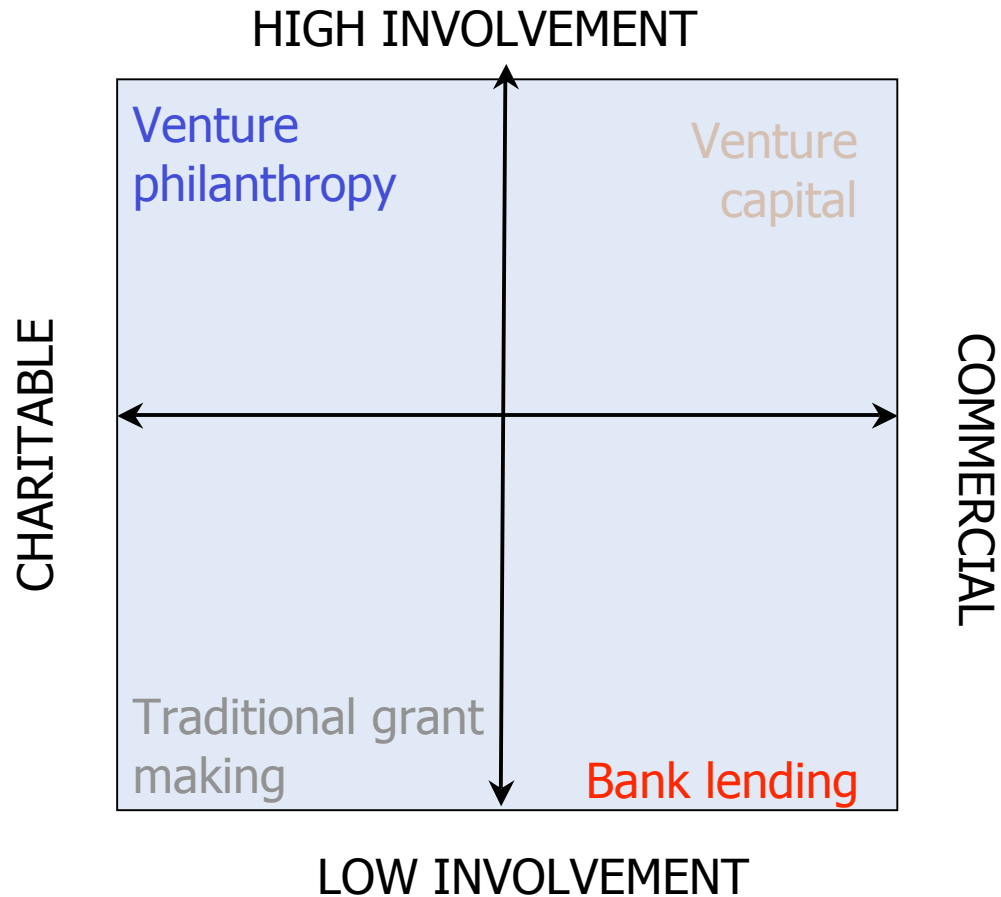
- Social entrepreneurs traditionally rely on charitable donations and government grants and contributions
- How do we attract new sources of capital to enable social enterprise to flourish?
- One option is a hybrid business model - part non-profit, part enterprise



Muhammad
Yunus

Slide 7

Social Finance Exists Across a Broad Continuum



Adapted from Margaret Bolton, 2003

Slide 8

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



Conjuguer avoirs et êtres
➤ Bienvenue!

Money working for people
➤ Welcome!

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

■ 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.

Slide 10

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

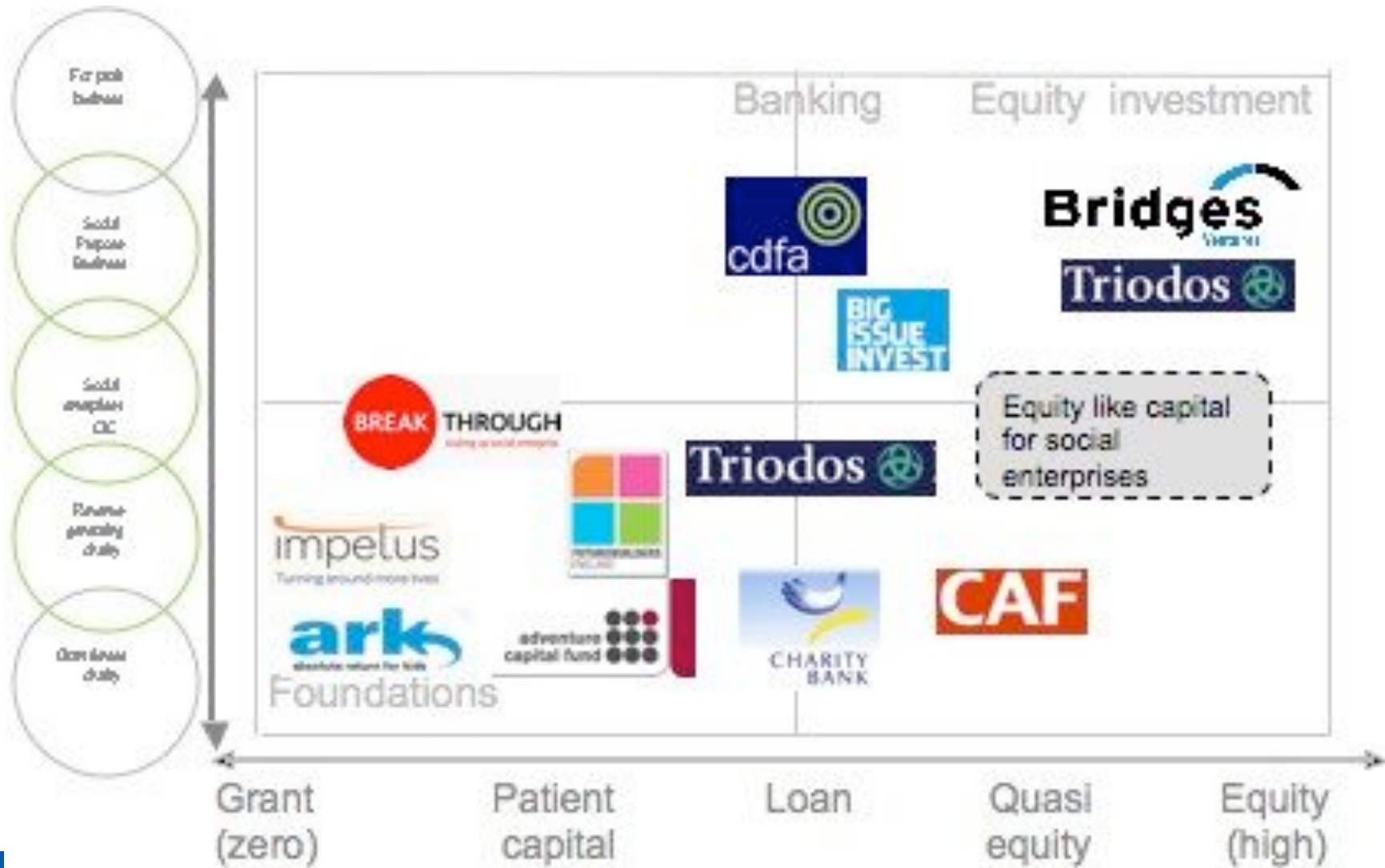


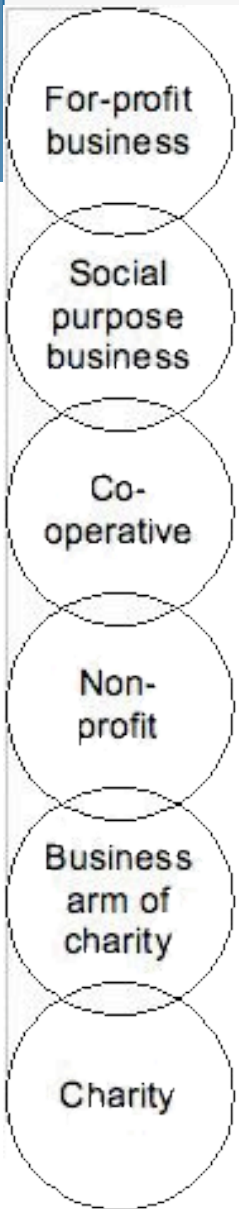
Canada: Coming from Behind

- 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)





Ontario's Social Venture Funder Marketplace

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 Alterna



OSVCF


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The Maytree Foundation


METCALF
FOUNDATION


VARTANA
(proposed)

Toronto Enterprise Fund **tef**
Enterprising Non Profits **Enp**

Grant

Patient Capital

Loan

Quasi-equity

Equity

Slide 14

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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