CAUSEWAY

A national collaborative working on effective pathways for financial investment and public benefit.

Social Capital Partners

Tides Canada Foundation

Ashoka Canada

The J.W. McConnell Family Foundation
La fondation de la famille J.W. McConnell

Plan Institute for caring citizenship

CCA

SIG@MaRS
Social Innovation Generation: the incubator and launch pad for important social ideas based at MaRS Discovery Centre.

Carleton University

Social Finance Forum

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Executive Summary

Canada's first national conversation on social finance with the mainstream financial industry was held in Toronto on October 15, 2007, building upon a number of successful forums held from 2004 – 2006 in Vancouver on innovations in social finance. Over 80 participants from the traditional finance and social finance sectors, academia, federal and provincial governments, funders, credit unions and co-operatives attended the Forum hosted by "Causeway", a national collaborative working on effective pathways for financial investment in public benefit. They came to learn about Canadian and global best practices and success stores in social finance and the challenges and opportunities for scaling up social finance nationally. Participants were asked to consider how the flow of capital to address growing social and environmental challenges could be increased and what role they could play in the effort.

The Forum was sponsored by SiG @ MaRS, Social Capital Partners, The J. W. McConnell Family Foundation and Tides Canada Foundation and coordinated by the Causeway Steering Committee, comprised of Tim Draimin of Tides Canada, Tim Brodhead of the J. W. McConnell Family Foundation, Carol Hunter of the Canadian Co-operative Association, Ted Jackson of Carleton University, and Al Etmanski of PLAN and Ashoka Canada. The Committee also greatly benefited with advice from Laird Hunter.

Canadian social finance practitioner panelists commented that there is a need for a creative non-profit investment bank, a need to build social entrepreneurship, a role for federal and provincial policy to support social finance, and a need for recognition that high risk capital investments in underserved markets can be profitable.

The Canadian Disability Savings Plan was profiled as a public policy and financing innovation that could both generate social financing for enterprise development and inspire the opportunity of market-based approaches to social inclusion.

A number of international case studies were reviewed for replicability to the Canadian context, including the UK experience with fostering the development of a social finance sector particularly the role of tax incentives, community development venture funds, foundation investment, bank disclosure, sector association and structures and models for local social venture financing.

The Deutsche Bank's Eye Fund, the US Low Profit Limited Liability Corporation and the US Financial Innovations Roundtable were considered as examples of how the traditional financial sector can generate blended social and financial investment returns; how new legislated corporate models can foster social innovation; and how sectoral collaboration can help advance market sophistication in the social finance sector.

Participants were asked to identify highlights of the day and suggestions for next steps to be included in planning future phases of the Causeway initiative. Groups reported that there is a need for more collaborative structures, there is an opportunity to build a social capital marketplace based on the experience of others, the perception of risk is higher than actual risk, there is a role for government to advance the sector, Canadian institutional investments should be mobilized and the opportunity exists to leverage up good Canadian practice.

The Causeway Steering Committee committed to incorporating input from Forum participants in developing an action plan for furthering the dialogue and collaboration towards the creation of a social capital marketplace in Canada.

Report on Canada's First National Social Finance Forum

Background

Canada's first national conversation on social finance with the mainstream financial industry was convened by Causeway, a national collaboration working on effective pathways for financial investment in public benefit, and held in Toronto October 15, 2007, for the purposes of learning about Canadian and global best practices and success stories and discussing challenges and opportunities for scaling up social finance in Canada.

Over 80 participants attended this event, sponsored by SiG @ MaRS, Social Capital Partners, The J. W. McConnell Family Foundation and Tides Canada Foundation. Participants included representatives from the traditional finance sector, the social finance sector, academia, federal and provincial governments, funders, credit unions and co-operatives. Background material communicated the "issue" and the "solution" which created the framework for the presentations and discussions:

The Issue: The social sector in Canada needs adequate resources to effectively address entrenched social problems. The two traditional sources of revenue, government grants and private donations, will not by themselves meet the need.

The Solution: New sources of capital, often called "social finance", are being created by international financial institutions. This emerging field of investment blends economic and social returns and is located on the continuum between high financial and no social return (traditional investment vehicles) and no financial but high social returns (grants or donations). Examples range from affordable housing and micro-finance to social enterprises and clean technology.

The genesis of the Forum was a series of discussions on social finance in 2004 and 2006 held in BC for the purposes of starting a dialogue on new sources of investment for social transformation. In October 2006, over twenty national social finance participants attended a strategy session in Vancouver to map an accelerated growth plan for the financial infrastructure to support Canada's competitive, innovative and entrepreneurial social sector. The idea to host a national dialogue with a broadened group of participants to include the traditional finance sector was born at this event as was the idea to develop a steering committee to further the effort.

The Steering Committee, comprised of Tim Draimin of Tides Canada, Tim Brodhead of the J. W. McConnell Family Foundation, Carol Hunter of the Canadian Co-operative Association, Ted Jackson of Carleton University, and Al Etmanski of PLAN and Ashoka Canada, founded Causeway with support of the J.W. McConnell Family Foundation, Social Innovation Generation, Tides Canada Foundation, Canadian Cooperative Association, Carleton University, PLAN, and Ashoka Canada to work on effective pathways for financial investment in public benefit. The Toronto 2007 Social Finance Forum delivered on the input from the Vancouver October 2006 session on how to scale up social finance in Canada.

The following is a summary of the day's presentations and discussions.

Forum Opening

Forum Welcome

John Evans, Chair, MaRS and board member, Vartana, welcomed participants to the Forum and to the MaRS Centre and spoke to the Centre's commitment to unlocking the potential of social finance. He commented upon the enormous opportunity to bring together capital with ingenious ideas to produce worthwhile change. The Centre contributes to this agenda through hosting and convening events and through their many educational programs. He posed the question: "How do we finance the rapidly growing world of social entrepreneurs and social innovators who are looking for new ways to finance social change beyond charitable and government grants?"

Forum Overview

Tim Brodhead, CEO, J.W. McConnell Family Foundation, provided an overview of the day's expectations, which was to begin a new conversation between the financial community and non-profit enterprise sector leading to the development of a marketplace for social finance in Canada. A report and follow-up plan will be generated from the Forum.

As the Federal Government is engaged on this issue and currently exploring research opportunities to build the knowledge foundation on social finance in Canada it is hoped that Forum results will be useful to government representatives.

Social Finance in Canada Panel

Social Finance Overview

Tim Draimin, CEO, Tides Canada Foundation, provided an overview of social finance, as follows:

Social finance is finance with a social or environmental mission. It is a sustainable approach to managing money that delivers social, environmental and economic benefits.

Social finance's most visible example is micro-finance, a global movement of 3,000 micro-finance institutions lending to millions of people. This is a great illustration of social finance, bringing the capacity of social innovators and entrepreneurs to tackle a deep poverty issue, showing how finance can be used as a transformative tool.

While Canada's non-profit sector is low profile it is economically significant and growing. It has $120 B in annual expenditures and is economically bigger than the retail, mining, or oil and gas sectors. A large proportion of non-profit funding is earned income. Only 13% is derived from donations yet it is referred to as the "charitable" sector. Earned income significantly funds the voluntary sector.

If the sector is to take on the growing challenges of society, it is clear that donations or government funding would need to double, but we know this won't happen. Thus, non-profits are innovating to tackle this gap, increasingly adopting business models to execute their mission. These businesses are referred to as social enterprises, which are businesses with a primarily social objective. They require capital, however, the social enterprise sector in Canada is still in its formative stages and struggling to meet Canada's social and environmental needs. The opportunity exits to learn from the US and the UK who have more evolved social enterprise sectors. From this and our own experience we can determine what we need to build an agenda going forward. We need:

- A conversation to scale up social finance
- New capital market instruments to serve the sector

- Changes to the regulatory regime for non-profits to enter into this role
- Tax incentives to create the right risk reward for capital to move into this sector
- To strengthen the capacity of non-profits.

The lines between non-profit and the business sector are breaking down. Non-profits are looking towards the creation of new hybrid businesses to meet emergent needs. This is the context within which social finance is evolving in Canada.

Social Finance Panel

A panel of social finance leaders, moderated by Tim Draimin, shared Canadian case studies and commented upon the emerging marketplace for social finance in Canada.

Bill Young, President, Social Capital Partners: Need for a creative non-profit investment bank

Bill Young opened his remarks with the observation that whenever the finance community needs a new instrument, it creates one with different risk reward structures. In contrast, the non-profit sector has one financial instrument and one financial value proposition for an investor: the charitable tax receipt. He posed the question to the audience: Why not develop more financial instruments and more than one value proposition for the non-profit sector?

Social Capital Partners (SCP) is looking for ways to develop more instruments, including Fresh Start in the Market, a new grocery store employing single moms with significant labour market barriers, particularly child care. They want to run the store on a commercial basis but as a non-profit. Their ability to raise share capital is limited and they realize that if if the business is entirely financed with debt it won't have the proper capital structure. Thus, they created three ways to invest in this business. Tier 1 is debt at 5%, as good or better as a regular charitable donation, but it gives investors their money back. Tier 2 investors can make a donation to their foundation partner and receive a tax receipt. The foundation partner then invests their assets in the business through a program-related investment. The foundation receives 6% which is only paid when the business hits its profit projections and after Tier 1 capital has been repaid. SCP are a lead Tier 3 investor at $.5M. Their investments will receive 4% interest and are in for the very long term, thus working similar to equity. SCP approached 15 investors to generate $2M, with a minimum investment of $100,000. 11 were interested because they liked the new value proposition.

Mr. Young concluded his presentation with the further observation that there is no non-profit investment bank in Canada you can go to with this type of challenge.

Nancy Neamtan, CEO, Chantier de l'economie sociale: Need to build the social entrepreneur sector

According to Ms. Neamtan, as Chantier see the issue of social financing, they believe it is important to look at both the supply and the demand side. Over the last decade there has been a process in Quebec to develop a more creative approach and help get organizations out of the grant mentality. The Chantier is a vast network of social economy organizations, community based organizations, social organizations and movements that support this new form of social entrepreneurship. This organizing has allowed them over the years to create the capacity in the sector to respond to different needs.

Thus, they have been able to foster the creation of the social entrepreneur sector, developing the networks that allow them to support the sector, similar to support networks for small business development.

They have gone through an important learning curve. 10 years ago they launched a debt fund, which at that time was a bit of a revolution. Today they have developed the expertise to analyze these kinds of investments and have been able to leverage their initial investment, raising $100M for non-profits and small cooperatives. Most importantly they have influenced the creation of small investment funds and the way non-profits do business.

However, they know that expansion just based on debt financing is not possible. They needed to get into equity and long term patient capital to allow organizations to grow the potential for the social economy and social enterprises in Quebec.

Their research revealed that they needed to create a financial instrument to sell to investors so they created a fund a year ago – the chanter l'Economie social trust. This is an intermediary body between social enterprises and private investors that offers long term patient capital. It is seeking $50K – 1.5M investments with no repayment of capital for 15 years, though interest is paid.

They received important seed capital from the Federal Government and have a remaining $8M to sell. The Provincial Government and pension fund investors are in at CSB+2%. Risk is lowered through a contingency fund, protecting 35% of subscription price. Starting this year they will be investing $10M a year over five years. This is only a quarter of the need that is out there.

Ms. Neamtan closed by commenting that there has been a cultural shift in Quebec in terms of people understanding how to use these investments.

John Anderson, Government Affairs and Public Policy, Canadian Co-operative Association: The time is right for federal and provincial policy to support social finance

Mr. Anderson described the extent of the co-operative sector in Canada. It has 9,000 co-ops and 13 million members including credit unions, the caisse populaires, many large retail coops, housing co-ops, 500 child care co-ops, funeral co-ops, etc. Co-ops have a problem finding capital for investment in development because they cannot offer the shareholder dimension offered by the traditional private sector. The co-op sector considers itself to be a part of the social enterprise sector. Their efforts in social finance include:

1. Renewing the cooperative development initiative with the Federal Government. In the past this program was concerned with development services. In their renewal proposal they are looking at getting government funding of $70M over five years to seed a co-op development fund.
2. Developing a co-operative investment plan in which an investor could get a tax credit for investing in agricultural and workers co-operatives.
3. They have a cooperative development funding task force to look at how the co-op sector can use its own resources to seed co-op development.

The co-operative sector is pleased to be working on the Causeway Project and in close collaboration with others.

Mr. Anderson stated at the end of his remarks that the time is right for major breakthroughs on federal or provincial policy on these issues.

Ian Gill, President, Ecotrust Canada: High risk capital investments in underserved markets can be profitable

Mr. Gill provided an overview of the experience of Ecotrust in social finance. They have completed $10 M in development finance loans to 70 enterprises in forestry, fisheries, and tourism. Much of this portfolio is with First Nation communities and is non-bank high-risk capital serving underserved markets. There is limited government involvement, roughly $1M. They established a for-profit entity to get around CCRA constraints, called Ecotrust Capital. They have a 51% /49% joint venture with First Nations for a logging operation in Clayoquot Sound. Ecotrust financed the first year of operations and helped them get FSC certification and a Ford Foundation grant to research how to harvest sustainably. The Chiefs own 100% of the company, buying it from Weyerhaeuser. Today Ecotrust manages the forestry company which is now profitable. 65% of contractors are First Nations people.

This is just one of the 70 investments in their portfolio. According to Mr. Gill this is just an example of what can and should happen in social finance sector in Canada.

Discussion Points

The limits of CRA rules and regulations

- CRA rules and regulations limit the potential of social finance. The difficulty is that the Canadian regulatory regime for charities is common-law, focusing on the symptoms of problems, and not the root causes of problems. In the UK the common law framework evolved in a progressive fashion while in Canada it did not. In the US they created their own regime that is more flexible and not possible in Canada. US foundations have more flexibility about the use of their foundation capital than in Canada. With this blurring between the non-profit and for-profit world we need to create flexible instruments to allow new ways to tackle problems. There is some light: the Ontario government is looking at revamping the non-profit rules.
- In the UK they have created a community interest company, which is incorporated in Company House and operates as a company but the assets have to go back to the community. Efforts are underway in the US to create a L3C, a low-profit limited liability company that will be seen in the US charitable tax law as an eligible grantee for funding where all of the benefits flow to community and not to individuals (see "Social Finance Abroad", below, for further details on the L3C approach).
- In Quebec Chantier worked around the constraints, looking at what they could do through private investment with long-term return. They targeted pension fund and socially responsible investment (SRI) money. Rather than concern themselves with government regulation they opted to develop investment vehicles that work within the constraints. Long-term loans can basically be counted as equity. However, Chantier continues to advocate for a new law for the non-profit sector to create more flexibility.
- The problems that co-operatives face is not with the CRA, but the fact that co-operatives are often left out of new government programs aimed at businesses. A further challenge is that co-operative legislation varies dramatically between different provinces and between the provinces and the Federal Government.

Investor motivations and investment barriers

- Chantier: They raised investments from the private sector, matched by the investment branch of the Quebec government. Labour-sponsored pension funds, Royal Bank, BMO, Alcan, Imasco, and Desjardins contributed. They were successful in raising money from the private sector because businesses were attracted to the idea of the social sector becoming entrepreneurial and less dependent on grants. They were also attracted to the opportunity to generate both a financial and a social return; the motivation was both financial and social. Chantier offered some guarantees but asked the business investors to be patient. They mutualized the risks and offered decent protection on investments. Some investors joined the board of directors; a few were initially skeptical. After the first year when Chantier hadn't lost any loans they claimed it was because Chantier was not taking enough risks.
- SCP: They have identified two types of investor with different motivations: wealthy individuals and foundations. Wealthy individuals are interested in new models. The SCP had a number of unique elements in their model to appeal to entrepreneurs looking for new approaches, something that is innovative in philanthropy. They were also successful with foundations. Of the four that turned the opportunity down it was because they were looking exclusively at it from an investment perspective. It is difficult for some investors to consider the blended return or hybrid aspect of the enterprise. One prospective investor was not interested because they didn't believe the hypothesis that it is possible to generate results through a different value proposition.
- Ecotrust: They do not believe there are many SRI investors looking for this type of blended return investment. Investors are looking for a pure financial return and we have to close the gap for them. Ecotrust puts together socially responsible portfolios aligned with investor financial return objectives. . They do not count on investor do-goodism.
- Chantier: Investors are seeking a return on their investment, so Chantier focuses on building the capacity of the enterprises in their portfolio. Investors want a minimum of risk, so Chantier mutualizes the risk and demonstrates the track record. The biggest obstacle they face is time. It takes time to achieve their results, so they consider the exit strategy available to investors. Chantier sees a need to build a secondary market for these investments, but lack the time and resources to develop this infrastructure. Thus they focus on pilot projects to demonstrate the viability of this approach.

How to find risk-taking partners and manage the risks

- Partner with the Federal Government on a loan loss reserve.
- Experience has shown that the loss of capital can be less than .5%. The cost of putting the capital out is unconventional and this needs to be demonstrated to the investment partner.
- The FB Heron Foundation in the US is very engaged in program-related investments. They asked themselves the question: should we be more than a private investment company that gives away a portion of profits to charity? They took a "whole approach" to investment of their assets. We need to make this case to Canadian foundations and pension funds.
- Consider the progression of how investors come into the social sector. Foundation investors can seed the social finance movement. The second phase is to attract the institutional investors and the third phase is marketing to retail investors.

- Growth Works is investigating ways to deploy their passive capital. In their experience the rate of return varies on the circumstances. In one previous investment they had $10M invested at prime -.5%, which is the same rate as on a bond return. Now they are considering how they can reduce the risk in their community investments. In their Ecotrust investment, for example, they saw the value of the collateral in ways that banks couldn't.

How to assure the investor that the fund is capable:

- Have a credit committee to review the investment proposals that operates just as in the traditional financial sector.
- Expect business plans and operate just like any other investment fund.

Measuring the social return on investment:

- Use a triple bottom-line screen on loans to ensure the enterprise to be financed meets financial, social and environmental criteria. However, it is very difficult to measure social impacts and the SROI (social return) of the portfolio.

Commercial Engagement in Social Finance Keynote

Sir Ronald Cohen, Chair, Social Investment Task Force, the Commission on Unclaimed Assets and Bridges Ventures; Former Chair and CEO of Apax Partners participated in a live video conference from the UK. One of the world's most prominent venture capitalists, he provided his perspectives on the involvement of the mainstream financial community in the field of social finance:

As a private equity professional for many years Sir Cohen became increasingly concerned about what was happening in society as a result of entrepreneurship. Entrepreneurship helps grow the economy and raises the general standard of living. Employment as a result goes up – in the UK it is at 5%, nearly zero unemployment. Yet, the system that relies on market forces and financial flows is also generating social consequences, especially the rising gap between the rich and the poor. In 2000 HM Treasury invited him to head up the Social Investment Task Force with a remit to explore ways to create a system of sustainable investment in economically deprived areas in the UK. He was particularly interested in reviewing the social entrepreneurship issue from the perspective of private equity investment.

According to Sir Cohen, the challenge of social entrepreneurship today is one that can best be met if we join forces internationally and replicate models, rather than staying in silos. He has observed how the first wave of business entrepreneurship from the 60s and 70s in the US spread across the developed and now into the developing world. Social entrepreneurship is the second wave, which relies on people in the private sector bringing innovative approaches that connect different aspects of the system in new ways.

Private equity was successful in becoming established as a new asset class because a proper system evolved. Institutions with substantial assets became interested in the new asset class. Government provided tax incentives to investment and R&D. Stock exchanges like NASDAQ accepted companies in their pre-profit phase which led investors to invest in them before they achieved profitability. In the UK this system evolved to the point that annual private equity investments grew from £30 M in 1981 to £10 B in 2006.

Members of the Social Investment Task Force learned that the social enterprise sector also needs infrastructure to support its growth. Given the scale of the problem with poverty, the engine needs to be a sufficient size to have any impact at all. The Task Force defined the system required for social investments to thrive. The basic system they recommended had 5 components to it:

1. Tax Incentives: Significant incentives are necessary for capital to flow to new sectors. In the US the Clinton administration introduced the New Markets Tax Incentive. The UK government provided community investment tax relief, in which those who lend to a voluntary organization can set off against their tax bill 5% of the value of their loan, which to a tax payer means an 8% return. The government qualifies an organization to receive this investment. This tax relief program has advanced one end of the sector. However, it has not been defined broadly enough for substantial funds to flow. £40 – 50 M has flowed against an original objective of £200 M over 4 – 5 years. Now the government is broadening the program to include personal finance and property related investment.
2. Community Development Venture Funds: In order to have a significant impact on social entrepreneurship, it is necessary to harness the forces of entrepreneurship and capital markets. The Task Force advocated the creation of community development venture funds which invest in the most distressed areas, representing 25% of Britain. The government determines the areas of social deprivation and directs funds into the poorest markets. 5 years later the program is very successful. It is in the process of proving that capital is not concerned with geography.
3. Foundation Investment: The voluntary sector is heavily dependent on philanthropy, but philanthropic laws were defined in a way that you could only give money to the poor if they stayed poor. The attitudes of foundations towards program related investments (PRIs) needed to change. There is a division line between the investment side and the object of the charity which has to be run in a charitable way. The Task Force recommended amending charitable laws to permit foundations to invest for a social return.
4. Bank Disclosure: Banks publish insufficient information about the loans they are making to under-privileged areas. They did not recommend the adoption of a Community Reinvestment Act which the Clinton administration had given teeth to in the US, but opted instead for a system where the banks would voluntarily publish information about their lending activities in deprived regions. They have a long way to go before there is sufficient information to benchmark banks on their performance in this area.
5. Sector Association: The Task Force recommended the creation of an association that represented and helped build the capacity of the sector. The Community Development Finance Association was established 5 years ago with the help of the UK Treasury.

The Task Force observed that the voluntary sector is significantly undercapitalized. While in the UK there is £67 B in charitable donations, only 2% of voluntary organizations have revenues of £1 M a year. Most organizations can't look ahead more than 3 months in terms of their financial reserves. They are limited in building up the capacity of their organization, thus the sector is incapable of being as effective as it ought to be. Sir Cohen believes that people with financial expertise should be appointed to trustee boards as happened with private equity.

Finally, he commented that the sector's biggest challenge is to come up with replicable vehicles that can connect with a source of finance that can really make a difference.

Replicable models

Sir Cohen described two different models that have evolved in the UK over the past 5 years that might be replicable: Bridges Ventures (http://www.bridgesventures.com) and the Charity Bank (http://www.charitybank.org).

Bridges Ventures

When Sir Cohen visited the NY Venture Fund in the US in 2000 he was told it was possible to have a fund that achieved both a financial and social purpose. This informed their approach to the establishment of Bridges Ventures wherein they aimed to achieve a financial return that is acceptable to investors in light of the social return that could be generated.

They thought they could measure the social impact and prove the viability of the fund, so they could attract investors at a 10 – 12% return. They sought to raise £20 M from the public sector matching £20 M from the private sector, with some of the public sector financing in a secondary position.

The results were sufficiently strong that they were able to bring £75 M from the private sector. The public sector funding was crucial in the start-up phase, but it came with strings attached, creating difficulties for the fund.

However, the fund has achieved a successful return through 3 exits. The most successful exit was turning a £300,000 equity investment into a £22 M company sold to associated newspapers last year. Bridges turned £300,000 into £7 M profit. In addition, there were two buy outs. While successful, operating this type of a hybrid business is still an extremely difficult task.

The key lesson of their experience to date is that it is preferable to have some form of government incentive for a period of time because otherwise it is a super-human task to raise capital in the private markets.

Bridges now has evolved its strategy to a balanced fund approach in which 25% is in early stage, 25% is in buyouts and the balance is in businesses that have some form of asset backing, for example derelict buildings that are being refurbished.

The Bridges model is replicable as is Charity Bank, described below.

Charity Bank

Charity Bank was established 5 years ago before the community investment tax relief incentive was introduced. It was based on the premise that charities providing services to the community did not borrow, yet the cost of raising donations was so high it didn't make sense: 25% costs to raise donations versus a loan of 6 – 7% in costs.

Charity Bank approached depositors to open an account for five years with a 5% - 8% return. This enabled the Bank to lend out money at competitive rates to organizations that are looking to build their capacity. They currently have £40 M in assets.

Charitable organizations find it difficult to raise equity because of their structure. However, with creativity it is possible. The Charity Bank, for example, is raising £10 M in equity. Investors are entitled to a certain share of the project with a cap at certain years. If they manage to make these payments and show a track record of meeting their objectives, the value of their paper will double from a 5% to a 10% yield and the equity investor will receive returns by way of interest payments. This is an example of how it is possible to define new securities that connect with mainstream markets.

The way these two organizations brought together different aspects of social finance could be relevant in the Canadian context.

Stemming from his work with the Commission on Unclaimed Assets (http://www.unclaimedassets.org.uk), he was also involved in the creation of a social investment bank. The Commission proposed that if unclaimed bank deposits are not claimed in 15 years this money should be spent on behalf of the community.

When this was announced the voluntary sector reacted negatively saying that £400 M spread across voluntary organizations in the UK would be so dispersed it wouldn't create much impact. Instead, they recommended using the funds as equity for an organization to provide social finance which could use its balance sheet to raise debt and provide financing to the social sector. The investment organization could help voluntary organizations raise capital in equity or other securities and could devote some of its resources to fund experimentation and create other replicable models.

Recipients of financing could include Triodos Bank, micro-finance organizations, and the recapitalization of investments in the Prince's Trust, along with other financial intermediaries operating in this sector. The investment organization could use its balance sheet to guarantee the risk portion of their portfolios to help sell them off. In this way it could transform the face of the voluntary sector which remains undercapitalized. These ideas are under active consideration.

Sir Cohen concluded his remarks by commenting that in order to establish a system that creates sufficient capital flows and harnesses entrepreneurship, an investment finance organization that can act as a wholesaler and developer of the sector is critical.

Discussion Points

Role of a community development finance association:

- In the UK the remit of the community development finance association is to help those who are providing finance in the sector. It has a broader role, as well, which is to build out the entire social investment sector. It is the champion of developing social investment into an asset class so that any insurance company, bank, etc. should accept that a portion of its assets should go into community finance.

Applicability of the US Community Reinvestment Act (CRA):

- US banks are involved in social investment as a result of CRA legislation. With the trend to horizontal integration of banks across the US, redlining and disinvestments was becoming an issue. Thus, US banks have become involved in community finance and are discovering that these are bankable areas, that this could be considered a domestic emerging market. However, there is reticence in Britain to enact legislation to force banks to invest in community development. A number of enlightened banks in the UK were early investors in Bridges. The UK moved instead to require that banks voluntarily disclose their investments in underprivileged areas.

Bank disclosure of lending in disadvantaged areas:

- In the UK there has not been much progress in banks voluntarily reporting on underlending in certain markets so this approach is being revisited. In Canada financial institutions of a certain size are required to report on their community development goals and activities, their charitable donations and other philanthropic activities, their investments or partnerships in micro-credit programs, and small business lending portfolios, broken down by province, as well as branch and other facility openings or closures, the latter as a means of determining community access to financial services. Even with this degree of reporting, it is difficult to determine if Canadian banks are disinvesting in certain inner-city communities or rural areas.

Financial and social hurdle rates:

- Bridges are aware that unless they can effectively generate and measure social returns it will be difficult to attract capital flows. The social rate of return needs to be individually applied to mission-driven organizations. Bridges have developed a track record on social impact measurement such that they are beginning to discern trends. Bridges tracks the employment impact of their investments. Investee companies need to be based in a qualifying area of deprivation and need to generate local employment for over 50% of their staff complement. They use a multiplier that demonstrates the number of jobs created for a certain level of investment.
- Bridges are also focused on their financial return, recognizing that if they don't come up with a sufficient rate of return they won't be able to raise the financing for their next fund. Thus, they require all their portfolio companies to clear a certain financial hurdle. They do not want some investments to subsidize others. Because they wish to also invest in high risk ventures, they have created a second fund for investments that will achieve a high social return and a lowered financial return.
- Community investments of this nature are uncorrelated with other asset classes. They are isolated from the volatility of public equity markets; they don't go through floatations. This isolation can be an attractive feature for investors looking for diversification.

Future developments:

- Bridges would be keen to help replicate their model in Canada.
- There is a vision for another 6 Bridges in the UK. In order to develop a sector you need competing organizations to drive primary demand for the activity.
- Deutsche Bank is interested in considering investments in Bridges and the Charity Bank.

Canadian Innovations in Social Finance Keynote

Vancity Credit Union model

Vancity Credit Union's CEO, Tamara Vrooman, provided an overview of Vancity's social finance approach and then introduced the keynote lunch speaker. Vancity has 40% market share with non-profit organizations in their region, $25M in social finance assets under administration, and 100 trust accounts with PLAN, (a non-profit charity that supports families who have a relative with a disability) to provide financial security for family members who have a disability.

Innovative Social Finance Product: Canada's Disability Savings Plan

Al Etmanski, President and Co-Founder, Planned Lifetime Advocacy Network (PLAN), fellow, Social Innovation Generation, Plan Institute and The Belonging Initiative, provided an overview of the development of Canada's Disability Savings Plan:

PLAN is a resource for families who live with the question: what will happen to my son or daughter with a disability when I die? Society is at the leading edge of a global phenomenon: this is the first time people with disabilities are outliving their parents. An exclusive focus on their needs and abilities leads to isolation and loneliness. PLAN learned that relationships are the most effective way for people to make a contribution. It is only when they make a contribution that they are counted. It is important to see not just disabilities but capacities and contributions. Many parents want to ensure that their sons and daughters are valued and have a good life as contributing citizens. PLAN's job is to figure out how to help parents help children have a good life. What society counts is what is valued. If we don't count it we don't value it. The only things that are counted in the disability sector are needs – individual needs and family needs. Financial resources are typically allocated on the basis of people being and staying needy. This disability economy, which is predicated on the assumption of need, is worth over $4 B annually. However, this approach doesn't go far enough. It can't keep up with the demand for services to meet these projected needs, and builds the image of a victim. This economic approach breeds more dependence. The disability economy in Canada is counting the wrong things; it has to learn how to tap into the resilient, adaptive capacity of people with disabilities and their families. The assumptions are untenable financially and morally. That is where social finance comes in.

Individuals with disabilities, and their friends and families are facing three big challenges:

1. In the past funding shortfalls have happened to people deemed as "not worthy", resulting in an epidemic of isolation and loneliness. Despite widespread agreement on the importance of relationships and friendships there is no concerted effort to address this challenge.
2. Government funding primarily focuses on program delivery which isolates individuals further.
3. With the aging of the population, there will be increased health expenditures and fewer tax payers, resulting in a smaller fiscal pie. All projections suggest increased pressure on fewer resources resulting in limited government expenditures on social services.

However, a new "worthiness agenda" is emerging. We are sitting on a treasure chest of unaccounted-for resources. PLAN's research enabled them to infuse concepts of citizenship into the Federal Government's disability policies.

They began aggregating the total number of wills, life insurance policies and discretionary trusts of families of people with disabilities and stumbled onto a disability market. They learned families in Canada will be setting up $80 B in special needs trust funds, resulting in $250 M in annual returns. They used this research to successfully propose the establishment of a registered disability savings plan. Canada is the first country in the world to establish any kind of a savings plan for people with disabilities, which is matched by the Federal Government to create an incentive to establish the plans.

With the estimated size of the disabilities savings market at $80 B, matched by the Federal Government, PLAN believes the sum total is potentially $160 B in unorganized funds in Canada. PLAN has big plans for this opportunity. They want to establish a number of funds, including a "no one alone fund", a housing fund, and a fund to finance gaps for seniors and people with disabilities. They are building a team to think about how to organize this financing to achieve social objectives and are considering what financial products and hybrid financing mechanisms can be created for the public goods market for seniors and people with disabilities. Forum participants are invited to engage in the effort. PLAN seeks to leave the inertia of the disability economy behind and create social finance vehicles to ensure everyone is present and accounted for.

Mr. Estmanski closed his remarks by commenting that he hopes October 15, 2007 is looked upon as a day creative people from the citizen, government, corporate and financial sector kick-started a thorough response to exclusion in Canada.

Discussion Points

Nature of resistance to the approach:

- A myopic view exists that serving people with needs is government's responsibility. This perspective exists even within the family movement. However, that view is changing. People are beginning to think through how they might fund into the future.

Social Finance Abroad

Arthur Wood, Social Financial Services, Ashoka, introduced and moderated a panel of mainstream social finance pioneers to explore the leading international innovations in social finance. First, he provided an overview of social finance from a global perspective, as follows:

International Social Finance Context

Population aging is a worldwide phenomenon that will affect all G-7 countries, including Canada. This will put a phenomenal strain on the social system. Unfunded pension liabilities are $300 billion - $2.1 trillion. The tax base will begin to decline as health and pension requirements increase. The top down state driven donor model has not proven effective for development; it is not an effective way to target capital to the base where it is needed most.

The social service capital market is very large at $1 trillion in the US alone. However, there is a $300 billion funding gap and non-profit organizations struggle to meet their funding needs. In the US only 3.8% of civil society organizations have revenues greater than $10 M. Only 1% of organizations founded since 1973 have achieved $50 M in revenues, of which foundations and individuals account for 8% of the 0.1% in sustainable funding. This shows the inefficiency in the allocation of capital, which has created very small economies of scale in the sector. As well, it is very expense to raise capital, given the costs of donor acquisition.

According to Mr. Wood, there are grounds for optimism. The largest ever transfer of human wealth is pending, $41 trillion in US alone, with 1% transferring 60% of this wealth. This will generate a considerable growth of philanthropy. As well, with innovations in social finance, this will improve the social sectors' access to capital markets.

Currently investors in the social sector are offered primarily two options, a negative 100% internal rate of return or a plus 5% internal rate of return. However, in reality there are investors interested in options between these two points. Presently there are two players in the capital market who accept -100% rate of return: ultra-high net worth individuals and supranationals. But we need to look at the tools of 2008, not those from the 19th century, for example, products in which investments are re-engineered to reduce their risk and increase their credit rating from CCC to AAA; products that provide high contingent returns, where the subsidies are de-coupled from the investment; or products that have insurance schemes to help with risk management.

To solve problems on a systemic basis requires collaboration from the social sector. Foundations can leverage capital and increase innovation. Governments can change legislation in terms of tax treatment and legal structures. Banks can bring their skills to bear.

Mr. Wood advised delegates that Ashoka and their 40 fellows per annum who have system changing ideas are working on this agenda. He called for sectors to break down the difference between the for-profit and not-for-profit silos.

Deutsche Bank's Eye Fund

Asad Mahmood, Managing Director, Global Social Investment Funds, Deutsche Bank, provided insights into a social finance initiative sponsored by the Deutsche Bank, the Eye Fund. The Bank believes that anything that has a cash flow – agriculture, education, health care, micro-finance, etc. – can be financed as long as differently motivated money is brought together. If foundations, development agencies and people with fiduciary responsibilities collaborate it becomes possible to leverage funding from philanthropists who want to advance education and reduce poverty.

Deutsche Bank's mission is to become an investment bank for social capital. They want to create investment structures in which people with fiduciary responsibilities are able to invest; they want to help create a social investment sector. When they talk about social investments what they mean is that the very intent of the investment is to do social good; the social benefits are not indirect. They are not focused on maximizing profit, but on the combination of returns in which they maximize social and financial return simultaneously. The challenges for social investment are no different than for any new emergent industry: there is no cash flow, no liquidity, and risk perceptions are out of line. What differentiates the social sector is that there are ongoing perceptual problems.

Deutsche Bank's stated goal is to get all the banks to come into the social investment sector. They believe that it is necessary to broaden the pipeline to generate enough flow to create meaningful impact. From a commercial perspective, it is not a significant transaction, but it is a unique transaction in that it is trying to create awareness in an industry where there is not much debt financing.

The Bank's goal with the Eye Fund is to change an industry, the eye care industry, in which 15 – 20 foundations were giving money but not leveraging their investments. In 12 years the number of blind people will go from 35 million to 75 million if nothing is done. The resources of the foundations are not sufficient to meet this demand. They wanted to create a new channel of funding to come into the industry.

The Fund uses credit enhancements and subsidies. For weak cash flow situations, if a subsidy is provided, there is a business proposition, which is what they did with the Fund.

Eye Fund 1 is a $20 M fund designed to achieve financial and social objectives through a three tranche structure that maximizes shareholder capital protection and the outreach of sustainable eye hospitals. They offer investors Subordinated Debt and Equity: $5.2 M subordinated Notes and $2 M equity, 1% fixed interest rate for 7 year terms, or grants; and Senior Debt of $12.8 M Notes, USD 6 month LIBOR + 50 Bps interest rate for a 7 year term. Additional protection includes security interest, 1% loan loss reserve and 1% interest payment reserve. The expansion of eye care services in the developing world is a proven planning and business model that has enabled approximately 250 hospitals in the last five years to become financially sustainable. With this financing they hope to replicate this success at a scale that allows a growing number of hospitals to become self-financing from user fees, while serving the poor.

In order to entice people with fiduciary responsibilities they needed to create a structure which could change risk perceptions. They offered 40% subordination of a $100 M fund, with lower tranches subsidized at 1%. In addition to $2 M in equity raised from fiduciaries, Deutsche Bank put $1 M at the bottom. Investments in small hospitals in Nigeria, China, and Paraguay do not generate a commercial return, so the commercial side is lowering their expectations. They get some basis points in social returns.

The Bank created a global commercial micro-finance consortium with 13 large institutional investors, several of which have made secondary and tertiary investments in micro-finance.

Mr. Mahmood closed by commenting that these efforts go back to the belief that anything that has cash flow can be financed. According to him, the future is bright and it needs engagement of the Canadian social finance industry.

Low Profit Limited Liability Corporations

Robert Lang, CEO of the Mary Elizabeth and Gordon B. Mannweiler Foundation and CEO of Fabrique Cosmetique, with Americans for Community Development and initiator of Low Profit Limited Liability Corporations (L3C), provided an overview of American developments in the creation of a limited liability company (L3C), designed to facilitate creative financing options for social ventures.

Once this structural option becomes available, it will eliminate the need for foundations to go to the IRS for a private letter ruling on the ability to establish a program- related investment.

According to Mr. Lang, this is an expensive undertaking, limiting foundation take-up. The L3C structure builds in the opportunity for foundation investments. A foundation could be part of the management board with an L3C. With foundations involved the risk can be taken out of social enterprise finance, making the investment more attractive to pension funds. Efforts are underway in Montana, Vermont and North Carolina to pass legislation for L3Cs.

Americans for Community Development plan to brand and market this approach once it is available. When everyone knows what it is, the investment can become tradable. Tradability brings liquidity. The L3C can become a product. Anyone will be able to form an L3C; the effort won't require deep pockets. He believes that the L3C model will democratize the approach and the opportunity across the US.

Discussion Points

Political risk associated with the Eye Fund investment:

- Investors in the Eye Fund are not there for the return, but because the Fund creates a product with a business framework that has lasting social impact. For example, at one point development agency funds left Bolivia and the Fund maintained its investments there. There was a limited period in Argentina where it was not possible to convert the currency. However, fundamentally, if the underlying fund is a good credit risk and not crushed by the crisis it is possible to get the money out.

Viability of attracting fiduciaries (e.g. pension funds) to investments that unbundle the subsidies and risk management programs:

- Today's box is outside of yesterday's box. The advantages will be recognized early for some; later for others.

Accounting for the higher risk profile of social enterprises to generate scale:

- These investments are more viable on the ground than perceived. For example, financing an entrepreneur's move from harvesting to processing is a big step because the more you move to manufacturing a product, the more business there is. There are existing customers who are interested in these products; there is security in the equipment, machinery, etc. There is considerable collateral in the business to manage the risk side.
- The real issue is whether the social sector is prepared to collaborate to create the economy of scale to allow the bankers to bring their tools. Financial institutions have finance instruments that help them to capitalize ventures at a scalable level. Intuitively it requires a collaboration of players to fund the effort. The tools exist; the sector needs to collaborate to realize the benefits of this opportunity.
- The risk profiles change along the investment continuum. Although the Eye Funds uses commercial methods they need to use a different measurement gauge. The calibration for social investment needs to be different. This asset class would be appealing to investors as a double bottom-line investment. Everything is impossible until something is done.

Costs of underwriting the investment:

- Deutsche Bank is subsidizing the investment. It took them 2.5 years to finalize the deal. They expect to get 87 basis points.

Ability to attract donors who also wish to be stewards:

- Micro-finance is about more than investment. It is also about know-how and capacity. Some sit on the board of their investments. What is required is diversity and many different players in the sector coming together.

Motivation for financial institutions to engage:

- One in seven dollars is in socially responsible investment in the US. UBS has held 27 sessions on philanthropy in which high net worth individuals participate for three days. UBS does this because they are anticipating the largest transfer of wealth in human history. Financial institutions will not be in business unless they are on top of this trend.
- US foundations have $550 B in assets. This is a big opportunity for investment banks.
- Asset managers are entirely concerned with asset allocation. Social finance provides an asset allocation option. This is a compelling argument for private banks and asset managers.
- Deutsche Bank also benefits from employee loyalty.
- Banks become interested when you tell them this is an economy the size of Japan with a margin of 40%.

Need for intermediaries and sectoral collaboration:

- This market lacks intermediaries in the marketplace with a vested interest in collaboration. The real challenge is whether the social sector is prepared to collaborate to bring this opportunity to scale.

The problem of stereotypes:

- The problem is our stereotypes. If we can get rid of our perceptions, think newly and form partnerships with, and bridges between, NGOs and the banks, we can grow this sector.

Capital Market Directions and Implications

Dr. Tessa Hebb, the Director of Capital Strategies, Carleton Centre for Community Innovation, provided an update on Carleton's community economic development (CED) program, an overview of her research into social finance, and introduced the next speaker. Carleton, through CEDTAP, provided technical assistance grants to CED organizations over the past 10 years. The program is now moving from grant making to knowledge mobilization. It will become an incubator for tools and resources in social finance, providing an e-database of information gleaned from the program since its inception.

Her research of US public sector pension funds and their direct investments in urban revitalization in the US reveals how this approach is driven by market rates and the desire to intentionally use the tools and instruments of the financial market to invest in urban regeneration. Pension funds are seeking blended rates of return, or risk-adjusted market rates of return with ancillary or collateral benefits to the community.

Social finance needs to embrace the efforts of pension funds engaging in community investment which might not be targeted at social enterprise, non-profit ventures and co-operative structures. The pension funds she has studied are generating returns upwards of 35% while revitalizing inner-city communities in the US. There is $11 trillion of pension fund assets in the US, $1 trillion in Canada. Some Canadian pension funds are thinking of putting their assets to work in communities.

Dr. Michael Swack, Chair, US Financial Innovations Roundtable and Dean of the School of CED at Southern New Hampshire University, has a 30 year history in CED. He talked about efforts to grow the social finance sector in the US:

Dr. Swack described the investment continuum from below market to market rate investments. On the non-market side there is grant support, equity, subordinated and senior loans, cash, and guarantees, and on the market side there is fixed income, public equity and private equity. There are many types of investments and assets classes in social investment, which is also called mission-related investment and community finance.

The Financial Innovations Roundtable was formed 8 years ago when a group working in community finance realized they needed to collaborate with each other and investment banks, rating agencies, co-operatives, governments, and others to address issues of access to capital in communities. Roundtable participants would bring forward various problems and collectively would attempt to address those problems. He invited Causeway to join the Roundtable.

30 years ago when he started in the field there were few legal structures for investing in social ventures. Now there are many practical opportunities in these markets. The challenge is to get people to collaborate to institutionalize the system and match up the needs of the investors with the opportunities that exist. There is a range of asset classes available and investments with risk adjusted rates of return suitable to potential investors such as banks, insurance companies, pension funds, and religious institutions. It is important to determine their requirements and design investment products that meet their needs.

One of the first projects of the Roundtable was to find a way to reach scale when there were so many different community lenders. They wanted to attract mainstream investors to create a secondary market. The community loan funds had an outstanding record with few to no losses. The funds had adequate balance sheets, adequate reserves and yet the financial markets didn't know about them.

As many investments are driven by data, they wanted to document their track records so that the investors could understand what they were buying and how the portfolio performed over time. Many potential investors required the investments to be rated as they could only buy rated securities at a level A or higher. Roundtable participants wanted to pool and aggregate the funds in a systemic way so that their efforts could be replicated.

The managing partner of Standard & Poors was invited to help with the project, including document standardization, the underwriting procedures, and performance tracking. This took 18 months but during this period 20 different community development lenders including small business finance, micro-finance intermediaries, commercial development lenders, etc. came together who had been in business over 10 years and had no default rates or losses to investors. Essentially these were what any banker would consider to be marginal loans. S&AP couldn't initially determine the nature of the asset class. They analyzed the lenders in terms of how they conduct business, document their loans, track defaults, etc., looking for commonalities between the funds. They also looked for a comparison and found a federal government small business loan program that they could analyze. They found that the track record of community lenders was superior to that of the federal government loan program.

In the end 80% of the security was rated, 50% of which was AAA rated. The blended rate of return was around 7%. This effort grew into the Community Reinvestment Fund, which now aggregates these loan pools and creates secondary markets which are rated as other traditional investments. Initially the fees were high, but are now lower because the product has become standardized.

Once a way was found to standardize community investing they looked to see who could be matched up with the particular investments. For example, insurance companies had requirements for prudent, structured, programmatic and replicable investments. Community investments such as affordable housing, child care, and community facilities had similar needs which allowed a match.

They worked with Impact Community Capital consortium of insurance companies that now manages a $1.5 B community investment portfolio and with the Heron Foundation. This foundation has considerable funds invested in program-related investing: with 30% of their portfolio in mission-related investing, their returns still rank in the first or second quartile of their peers.

Currently Roundtable members are investigating the potential of a Bloomberg page to match investors and investees and the creation of a non-profit investment bank.

The biggest challenge they found is getting sectoral collaboration and then conducting the financial engineering to match the sector's needs with those of the investors. He concluded by commenting that most of the problems they confronted were around standardization. These problems all had solutions, but collaboration is key to overcoming them.

Discussion Points

Collaboration and modeling are critical:

- Alterna Savings Credit Union and Ottawa Community Loan Fund collaborated with a pension fund to broker a $2 M investment in affordable housing in Ottawa. It took 7 years for the pension fund to figure out how to do this.
- Investment intermediaries are needed to help structure these deals.

Opportunity of cross-border consultation:

- There are many opportunities for collaboration. Much of what is underway in the US is replicable in Canada.

Potential for growth of institutional community investment:

- There is great potential for institutional investment in community finance. CalPERS pension funds, for example, have community investment private equity funds. Foundations can do much more: 1 – 2% of their assets in community investment will generate tens of billions of dollars. Educational institution endowments could also be targeted at community investment.

Ideas For Moving Forward

Participants were asked to identify their top ideas that they thought had the most potential for moving forward and to share them with colleagues at their table. The following are some highlights from the brainstorm that ensued:

- We need more collaborative structures
- We have a leapfrogging opportunity in Canada where we can move to develop the most ideal system based on the models and best practice of others
- The opportunity exists to lower the perception of risk
- Regulatory changes
- Subsidies
- Comparative analysis with the work in the UK
- Engage Canadian investors, insurance companies and pension funds to allocate more assets to social finance
- Engage foundations
- Establish a social investment bank
- There is considerable good practice in Canada that can be leveraged
- Aging baby boomers can help work on some of these financial instruments
- Encourage the establishment of First Nation banks
- Build on the effort underway in Ontario to develop a social enterprise trust
- Establish a high profile task force with senior politicians to get this topic on the radar screen
- Leverage unclaimed banks deposits to initiate a financing effort
- Get one of the big five banks to make a commitment

Closing

Tim Brodhead and Tim Draimin thanked participants for attending and contributing to the discussion. Participant input will be forwarded to a planning session the next day wherein an action plan will be developed. Discussions will continue with the Federal Government on the potential for establishing a knowledge and research agenda. A copy of the day's proceedings will be made available to all participants and posted for a general audience.

Participants and panelists were thanked for their ideas and inspiration. All will be called upon in the future to further the dialogue and collaboration towards the creation of a social capital marketplace in Canada.

Appendix A: Participant Feedback

The following is a summary of participant input, including highlights of the Forum, next step ideas, and specific social finance examples.

Highlights of the Day

- Sir Ronald Cohen's presentation, the Bridges model and the link to scaling up were the most commonly mentioned highlights for participants, including:
  - The emphasis Cohen puts on the need to form a structure/framework with political clout and representation
  - Bridges as a way to channel more private equity into the poorest sectors
  - Bridges is essentially a social return fund
- Asad Mahmood's presentation on the Eye Fund and its application to social innovation was a clear second. The role of Deutsche Bank in social finance in general
- Robert Lang's L3C innovation
  - Several participants liked his example of the food banks in Minnesota
- Consensus on the value of getting a global comparative analysis
- First panel of the day regarding innovative ways to raise money in Canada
- Concept of hybrid instruments and the challenge of how to market them
- Michael Swack's stories of diversity and examples of simply 'doing it', especially the innovation of the Roundtable on problem solving
  - Swack's Bloomberg-type page to connect investor to project
  - Swack's example of mentors
- Reducing risk-perception, going for deal making and publicizing them
- An unequivocal need for metrics to support the argument for social investing
- Collaboration
- Al Etmanski's Disability Fund shows that social return and economic return need not be mutually exclusive
- Standardize the measurements
- Using donor dollars to underwrite risk of creating value as opposed to operations
- Hearing about investment quality of some community-based businesses/loans (e.g. some AAA rated, and at times of better quality than federally sponsored small business programs
- Capital innovations on the supply side
- Concept of 'patient capital'

Taking it Forward: Ideas for Next Steps

- Capitalize the Canadian Community Investment Network Co-operative (CCINC), which is a membership-driven organization, an association of social equity organizations, community loan funds, credit unions, etc.
- Establish a national task force, get government involved and committed
  - » To ensure longevity make sure it transcends partisanship
  - » Ensure task force is headed by a high-profile and respected person like Sir Cohen
- Help create standardization by developing better value measurements
- Regulatory/legislative/tax changes must be assessed and an advocacy strategy developed to push forward for change
- Beacon Fund – consortium of Canadian Foundations to create a fund to act as a beacon for potential institutional investment
- Education, awareness building
- Develop ways/systems to effectively measure social impact
- Social investment bank seems like a critical and doable concept
- Capitalize on foundations' investments, urge them to 'go the distance', 'walk the talk' on social investment and invest more of their assets in social finance
- Encourage pension funds and foundations to motivate others
- Develop products for social financing that banks can actually invest in
- Scaling up and replicating successful models
- Develop ways to encourage M&A activity in the social sector
- Build on successful models like Al Etmanski's Disability Fund
- Environment sector firms can drive instrument creation
- Work to get the investment community to sponsor a competition on developing *the best financial instrument;* winner gets the opportunity to sell it
- Figure out how to get the remaining 96.5% of foundations assets working better, e.g. pursue the concept of program-related investments for foundations
- Put in place a vehicle for matching supply and demand
- Continue to develop collaboration
- Financial training for people in the not-for-profit sector
- Create social finance vehicle of scale, either sector-specific or geographic
- Mentorship by ex-financial executives

Specific Examples

- Lending to non-profits to purchase own building to create long-term sustainability
- Private equity
- Simplified collective structures
- Climate change investments
- Ontario Social Enterprise Trust
- Eco-efficiency loans

Further resources on social finance, including an electronic version of this report, can be found at: http://www.tidescanada.org/cms/page2655.cfm

Appendix B: Participants

- Aaron Pereira, Vartana
- Al Etmanski, Planned LIfetime Advocacy Network (PLAN), Social Innovation Generation (SIG)
- Alison Loat, Rotman | School of Public Policy, University of Toronto
- Andres Dussan, Ashoka Canada
- Andrew Wharton, BC Ministry Employment and Income Assistance
- Anne Jamieson, Toronto Enterprise Fund
- Arthur Wood, Ashoka
- Asad Mahmood, Deutsche Bank
- Bill Young, Social Capital Partners
- Brett Matthews, Mathwood Consulting
- Brigid Barnett, CPP Investment Board
- Chris Payne, Nova Scotia CED Investment Fund
- Cindy Hogg
- Coro Strandberg, Strandberg Consulting
- Dale Hogg
- David Levi, GrowthWorks
- David Martin, CAPE Fund (Capital for Aboriginal Prosperity and Entrepreneurship)
- Deanna Rosenswig
- Deborah Wilson, Community Development and Partnerships Directorate - Human Resources and Social Development Canada (HRSDC)
- Denyse Guy, Ontario Co-operative Association
- Ed Waitzer, Stikeman Elliot
- Frances Westley, SiG (Social Innovation Generation)
- Gary Hawton, Meritas Mutual Funds
- Geoffrey Moore, Deutsche Asset Management

- Georgina Steinsky-Schwartz, Imagine Canada
- Graeme Harris, UBS Canada
- Gregory Tsang, CIBC
- Harold Lounds, Standard Life Investments Inc.
- Hilary Pearson, Philanthropic Foundations Canada
- Ian Gill, Ecotrust Canada
- Ilse Treurnicht, MaRS
- Jacques Charest, Fidcuie du Chantier de l'Économie sociale
- Janice Lang, Mary Elizabeth & Gordon B. Mannweiler Foundation Inc.
- Jen Heneberry, Ontario Co-operative Association
- Jennifer Singer, Mastercard Foundation
- Jens Lohmueller, Community Power Fund | Community Partners
- Jesse Moore
- John Anderson, Canadian Co-operative Association
- John Brodhead, Office of the Premier of Ontario
- John R. Evans, MaRS Discovery District
- Jordan Berger, OPSEU
- Joseph L. Rotman, Roy-L Capital Corporation
- Julie McDowell
- Karen Kun, Corporate Knights | Waterlution
- Kate Fawkes, Public Policy Forum
- Katherine Macklem, MKM Communications
- Kelly Gauthier, Mercer
- Kelly Rodgers, Rodgers Investment Consulting
- Kevin Shnier, Causeway
- Kimberley Ney, Alterna
- Marilyn Struthers, Trillium Foundation
- Marion Annau
- Marion Wrobel, Canadian Bankers Association
- Marni Lifshen, Mastercard Foundation
- Martin Garber-Conrad, Edmonton Community Foundation
- Michael Jantzi, Jantzi Research Associates
- Michael Lewkowitz, Causeway
- MIchael Manolson, SIG
- Michael Swack, Southern New Hampshire University | Financial Innovations Roundtable
- Naheed Israeli, Community Development and Partnerships Directorate - Human Resources and Social Development Canada (HRSDC)
- Nancy Neamtan, Chantier de l'Économie sociale
- Peter Nares, SEDI
- Peter Warrian, Lupina Foundation
- Rahil Khan, Community Development and Partnerships Directorate - Human Resources and Social Development Canada (HRSDC)
- Rahul Raj, Meal Exchange
- Robert Lang, CEO of the Mary Elizabeth and Gordon B. Mannweiler Foundation | CEO of Fabrique Cosmetique

- Rocco Rossi, Heart and Stroke Foundation of Ontario
- Rod Macgillivray, George Brown College Foundation | Roots of Empathy
- Ross Wallace, MaRS
- Rupert Downing, CCED Net
- Sarah Cairns, CSI Africa
- Scott Delaney, Impax Energy Services Income Trust
- Scott Hughes, Vancity
- Sean Moore, SIG (Social Innovation Generation)
- Seth Asimakos, Canadian Community Investment Newtork Cooperative
- Shira Herzog, Kahanoff Foundation
- Sir Ronald Cohen, Apax Partners | Social Investment Task Force, The Commission on Unclaimed Assets, and Bridges Ventures
- Smadar Peretz, Munk Centre
- Stephen Couchman, PRQ Ltd.
- Stephen Faul, Operation Eyesight
- Susan Henry, Alterna Savings
- Tamara Vrooman, Vancity
- Ted Jackson, Carleton University
- Tessa Hebb, Carleton University
- Tim Brodhead, JW McConnell Family Foundation
- Tim Draimin, Tides Canada Foundation

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