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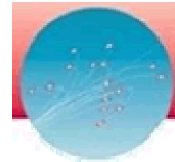

The Quest for Blended Value Returns:

Investor Perspectives on Social Finance in Canada

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Introduction

Jed Emerson has stated that “that all organizations, whether for-profit or not, create value that consists of economic, social and environmental value components—and that investors (whether market-rate, charitable or some mix of the two) simultaneously generate all three forms of value through providing capital to organizations (Emerson 2003).” Jed Emerson calls this phenomenon the Blended Value Proposition. We argue that when investors seek intentional blended value returns they engage in social finance.

We define social finance as the application of tools, instruments and strategies where capital deliberately and intentionally seeks a blended value (economic, social and/or environmental) return. Organizations that receive such investment can be found in the non-profit and for-profit sectors or in the hybrid space between them, are mission-driven and seek to maximize blended value. Increasingly mainstream investors are seeking opportunities to invest in these organizations. To be successful such investments require a suite of financial tools, a cadre of new financial intermediaries, and a set of measurement metrics that capture the impact of the blended value return.

Social finance requires a deeper theorization in academic literature. The few published works on this theme approach social finance through differing frameworks (Emerson and Bonini 2006, Mendell and Nogales 2008, Nicholls and Pharoah 2007). Gaining a deeper understanding of social finance has not been helped by the myriad of terms applied to the concept of intentional investing for positive social impact. These terms include socially responsible investing, social investing , responsible investing, ethical investing, double and even triple bottom line investing, impact investing, and targeted investing to name a few[1]. Each of these terms has differing origins and approaches in their investment beliefs.

Social finance in Canada is a nascent stage of development, and can be characterized as “uncoordinated innovation” where disparate entrepreneurial activities and business model innovations occur in response to market needs or policy incentives (Monitor Institute 2008). For many, social finance is defined as the provision of capital for social enterprises. [2] For others, social finance describes an intent on the part of the investor to actively seek both financial returns, whether at market-rates or below-market rates, together with social and/or environmental impacts that are the direct result of their investment (Monitor Institute 2008). In essence the first definition sees social finance as primarily demand driven, growing out of the capital needs of social enterprises. While the latter sees social finance as supply driven, with a focus on the investor as the primary actor. We argue in favour of the latter definition. However, the differences and similarities between each of these approaches need to be more clearly understood.

Mendell and Nogales develop a framework for socially responsible financing that identifies two major classifications, “responsible indirect investing” and “responsible direct or proactive investing” (2008 p16). The first category includes screened SRI funds (both exclusionary screening and positive ESG screening) together with shareholder engagement or activism, while the second classification includes targeted community investing. Within the responsible direct investing Mendell and Nogales distinguish between development capital with a focus on “risk capital with socioeconomic goals (i.e. job creation, local and regional development, and environmental)” and social finance (or solidarity-based finance) that provides “financing of community economic development and social enterprises.” It is with this dichotomy that we take issue with Mendell et al. Rather than a narrow definition that relegates social finance exclusively to the capital needs of the non-profit sector, we argue that all direct or proactive investment that actively seeks a blended return is in

[1] Other terms for this investment activity include community based investment (Strandberg 2004), economically targeted investment (Fung, Hebb and Rogers 2001), ethical investment, impact investing (Monitor 2008), mission investing (Cooch and Kramer 2006, Trillium 2007), program related investment, socially responsible investment, solidarity finance (Mendell 2008), venture philanthropy, venture capital for sustainability (Christiansen and Edme 2007), social venture capital, Double Bottom Line investing (Clarke and Gaillard, 2003), and Triple Bottom Line investing (Robins, 2006).

[2] Social enterprises themselves have both a narrow and wide definition. Some see these as enterprises as limited to the not-for-profit sector (Mendell and Nogales 2008, Surman 2009) others see them as mission-driven enterprises that can be in the for-profit or not-for-profit sectors (Brouard et al. 2008).

fact social finance. Our understanding of this concept is drawn from the needs and motivations of investors rather than restricting social finance to simply providing capital to the not-for-profit sector.

This paper explores social finance with the understanding that investors who seek both financial and social returns are the primary actors and the object of investment can range from social enterprises to for-profit businesses as long as those enterprises offer both financial and deliberate positive social and/or environmental outcomes. The paper is laid out in the following manner. The next section provides a review of the literature on social finance detailing the structure of the social capital marketplace in Canada. It offers an overview of its actors on both the supply of capital and the demand for capital. It looks at investment products and intermediaries. The third section of the paper explores the motivation of social finance investors and examines some of the barriers to this type of investment in Canada. The fourth section is drawn from a series of interviews with both main stream and social finance investors on their understanding of social finance and its potential. The fifth section of the paper describes a number of social finance opportunities going forward. We conclude with some final thoughts and implications for social finance in Canada going forward.

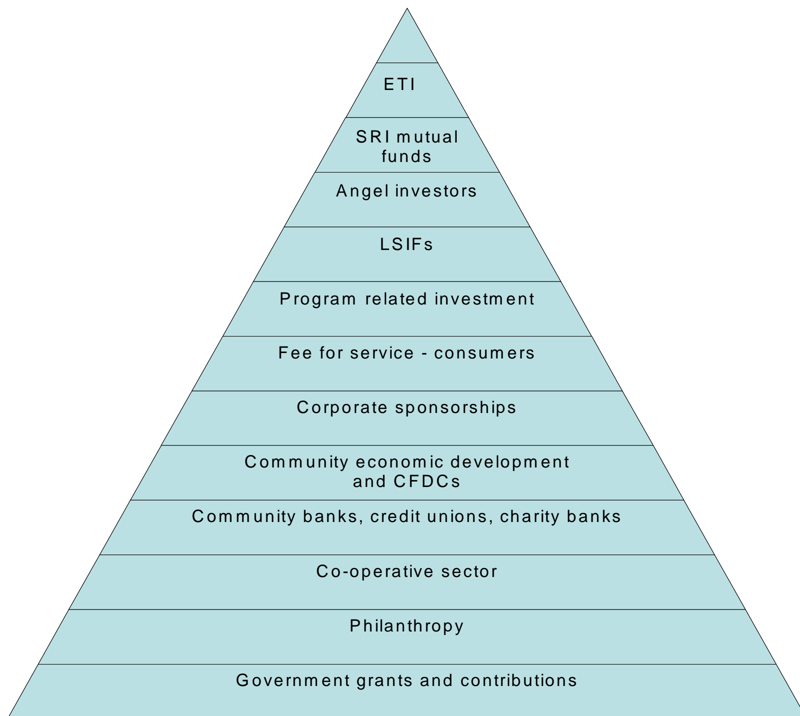
The Canadian Social Capital Marketplace

Essentially, social finance is composed of three separate but interconnected parts – the supply of social finance, the demand for social finance and the social finance intermediaries that link them– each with their own role to play and barriers to overcome in the advancement of social finance. In this section, we examine the current state of the social capital marketplace in Canada with an emphasis on the supply side – the structure of the marketplace, the existing actors, and the extent to which the market is calibrating supply and demand.

Structure of the supply side

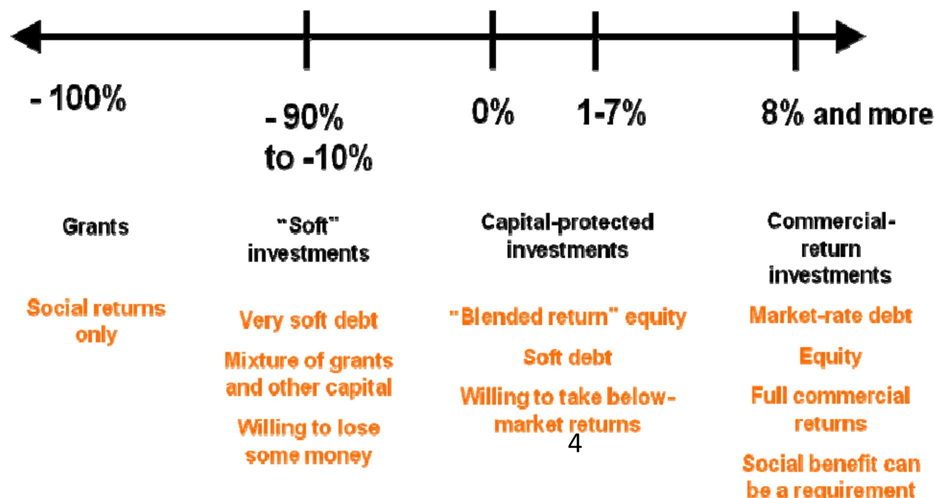
The supply of social finance can come in the form of grants, donations, tax credits, fee for service, loans, and equity investments (adapted from Hebb et al 2006). When identifying the various sources of social finance, a review of existing models of market-based instruments Hebb et al. suggest a typology of eleven types of financing activity. This typology begins with debt instruments and community-based financial organizations financed through government and philanthropic grants (see Figure 1). At the other end of the spectrum we find large institutional investors making community investments using private equity financing that generates market rates of return. The motivation for providing a supply of social finance is at the core mission of the first four to six suppliers identified in the typology and constitute the traditional sources of social finance and till now have dominated this space. It is those investors located in the top half of the typology that are just now entering the social finance marketplace.

Figure 1: A Typology of Social Finance Capital Suppliers in Canada
Source: adapted from Hebb et al. 2006



The actors identified above seek a range of blended value returns that include financial, social and environmental returns. Financial returns can range from 0 in the case of grants where the return is 100% social and/or environmental through below-market returns as in the case of philanthropic program related investments, to full market rates of return. Increasingly market rates of return are referred to as "reasonable rates of return" and generally fall in the 8 to 10% range (see Figure 2).

Figure 2: Social Finance Returns
Source: Shortall, 2009



Social Finance Actors

Building on the social finance supply of capital typology identified above, we review a variety of actors in this sector and their motivation in seeking social finance investment opportunities in Canada.

Government

Government, at both the federal and provincial levels, has been the primary source of social finance in Canada – particularly through grants and contributions, as well as operating and program subsidies. Federal government departments that provide access to capital for community investment and the social economy include Industry Canada and the Department of Finance, as well as the numerous regional development agencies: Federal Government Initiative for Northern Ontario and Rural Communities (FedNOR), Atlantic Canada Opportunities Agency (ACOA), Canada Economic Development for Quebec (DEC), and Western Diversification (WD) (Hebb 2006 and Cameron 2003).

At the provincial level, Quebec has been a leader in social finance through targeted programs, dedicated financing vehicles and capital pools, and an enabling regulatory environment (Mendell and Nogales 2008, Strandberg 2006). The Chantier de l'économie sociale is the "node" for an integrated approach to the development of the social economy through the development of numerous enabling tools, including labour market training, enterprise services, partnership research with university researchers and finance (Mendell and Nogales2008).

As well as funding programs and projects directly, government has often funded social initiatives indirectly through intermediaries. Community Futures Development Corporations (CFDCs) are local organizations funded by the Federal government through regional, provincial and territorial entities to stimulate regional economic development (Hebb 2006). At the end of 2004, the 267 CFDCs and CBDCs invested more than $212 million, leveraged an additional $518 million, and created more than 27,700 jobs across Canada (Pan-Canadian Community Futures Group, 2005).

Foundations

Foundations continue to play an active role in social investment through grant-making for program delivery and technical assistance for capacity building. According to the Philanthropic Foundations Canada, at the end of 2005 there were over 8800 foundations, of which almost 2400 were active grant-makers with assets totalling $13.9 billion and granting pegged at $1.2 billion in 2004 (Pearson 2008:6). Collectively, community foundations in Canada hold more than $2.4 billion in shared assets across a network of over 160 urban and rural community foundations (CFC 2009). Unlike their counterparts in the United States most Canadian foundations do not engage in Program Related Investments as below-market rates of return. This type of investment has been discouraged in Canada though an ambiguity in Canada Revenue Agency regulations.

Community Development Finance

Community development finance is used to broadly encompass initiatives that relate to financing community economic development (CED) and social economy initiatives.[3] According to the Social Investment Organization, there is a total of $1.397 billion in community investment and social finance assets in Canada, an increase from $800 million in 2006 (SIO, 2009). Credit unions have historically played a vital role in providing access to finance to the co-operative sector and nonprofit organizations. Canadian co-operatives, credit unions and caisses populaires have combined assets totalling $275 billion, and extensive reach across the country (CCA, 2009). VanCity, Canada's largest credit union, has over 400,000 members and $14.5 billion in assets.

Social Enterprise Funds

According to data collected through the Canadian Community Investment Network Co-op, there has been a significant increase in the assets of community loan funds, which grew from $58.7 million in 2006 to $103.3 million in 2008 (SIO

[3] These terms are used in a different context in Quebec – see Mendell and Nogales 2008 – "solidarity finance refers to all investment activities in the social economy (from micro-credit to patient capital)"

2009). A number of social enterprise-specific funds have been established in some of Canada's major urban centres, with a combination of grant and patient debt capital structures. The Enterprising Nonprofits program in BC and Ontario provides matching grants of up to $10,000 for technical assistance for establishing or scaling up social enterprise. The Toronto Enterprise Fund, funded by United Way and three levels of government, supports the establishment of social purpose enterprises that provide transitional or permanent employment for people who are homeless or at risk of homelessness in Toronto. The Edmonton-based Social Enterprise Fund provides flexible financing to support the development of social enterprise and social/affordable housing projects.

Environmental and Cleantech Funds

Responding to greater awareness and interest in climate change from both consumers and governments, investment in environmental ventures will continue to rise for the foreseeable future. Unlike investments in social enterprise, there is more emphasis on equity and loan financing than grants. The Cleantech Venture Network reported that a total of $640.5 million in Canadian clean technology venture deals were announced between July 2006 and June 2008, an increase from $449 million reported in the two years prior (SIO 2009). A number of recent developments in the "green" venture finance space have demonstrated this potential growth trajectory more concretely. Private firms such as Investeco Capital and Ecotrust Canada Capital Corporation make investments focused exclusively on the environmental economy. Government bodies are also engaged: for example the Ontario provincial government has seeded the Community Power Fund, a $3 million fund to community organizations pursuing local renewable energy projects.

Calibrating Demand and Supply

We suggest that Canada's social sector remains undercapitalized relative to the needs and pressures placed on it, and only a small percentage of finance is "invested with intent" to fill this gap (Strandberg 2007, Mendell and Nogales 2008). The increased pressure faced by the non-profit sector to achieve financial sustainability with ever decreasing levels of government funding has spawned new innovation in the sector that includes a drive toward social enterprises to meet many social goals. Assessing the demand for social finance in Canada is challenging, though we can identify a number of groups that constitute the demand side of social finance.

Canada's nonprofit and voluntary sector (including the health and university sector) is the second largest in the world when expressed as a share of the economically active population (12%) – nearly as many full-time equivalent workers as all branches of manufacturing in the country (Hall et al. 2005).[4] The Canada Revenue Agency notes that there are over 161,000 nonprofit and voluntary organisations, of which approximately 83,000 are registered charities. (Pearson 2008:2). It accounts for 6.8 percent of the nation's gross domestic product (GDP) and, when the value of volunteer work is incorporated, contributes 8.5 percent of the GDP (Hall et al. 2005).

Excluding hospitals, universities and colleges, the dominant revenue source (48%) of nonprofit and voluntary sector revenue is fees, compared to 39% for government support and 12% from philanthropy (Hall et al. 2005:15). While this varies sectorally, this figure reflects the importance of alternative revenue streams compared to traditional government and foundation funding. This does not discount the importance of grants, particularly to address the reliance by government on nonprofit and voluntary organizations to deliver the services financed by the Canadian welfare state (ibid. 2005:15). However, as these grants continue to become even more short-term and unstable in nature (ibid. 2005:26), many nonprofits are actively considering alternatives such as social enterprise.

In the Canadian context, there is no generally accepted definition for social enterprise, as the term is influenced by the numerous institutional and cultural contexts within which it is found (Mendell 2008, Brouard et al 2008). Assessing the

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[4] The Canadian Nonprofit and Voluntary Sector in Comparative Perspective, Imagine Canada, 2005. http://nonprofitscan.imaginecanada.ca/files/en/misc/jhu_report_en.pdf

scope of social enterprise activity relies on estimates, although there are a number of efforts aimed at mapping social enterprise activity across Canada. Brouard et al. (2008) have developed a dataset of eight hundred social enterprises in Canada. According to one estimate, Québec has over 6,200 social economy enterprises employing more than 65,000 people and generating over $4 billion in revenues (Pearson 2008). What we do know is that this figure is increasing: with the increasing public awareness of the notion of social entrepreneurship and social enterprise, greater consumer demand for green products, together with the increased competition for limited grant funding (Carter and Man 2008).

Social enterprises face numerous challenges as a new form of organization in their quest for the "holy grail of financial sustainability" (Dees 1998). Well established and accepted norms exist for both charities and traditional for-profit ventures when it comes to fundraising. The social venture that lies in the hybrid space in between these extremes of social and financial return does not have these patterns and markets to which they can turn in their search for funds and investment (Schoening 2003). To date, a significant part of the discussion around the demand of social finance has been restricted to traditional nonprofits and charities (grants, some loans) and co-operatives (loans).

With the continuum of financial tools available for social enterprise, the current literature tends to focus on borrowing and debt. Among established charities who are venturing into social enterprises and even among new social enterprises, there appears to be a cultural aversion to borrowing (Bank of England 2003, Fraser 2007) and a limited risk-taking orientation when traditional funding may be withdrawn in the event of failure thus stifling new, risky, or innovative solutions to social issues (Strandberg 2007). Relatively speaking, there is still more loan capital available relative to equity or quasi-equity, resulting in disequilbria in both the loan and equity markets for social enterprise – the supply too often exceeds the demand for loan capital; the reverse is true in the case of equity (Mendell and Nogales 2008:12). There is, therefore, a need for incentives to diversify the funding and income base of social enterprises (Nicholls and Pharoah 2007).

The Importance of Intermediaries

Traditional financial intermediaries mobilize savings, evaluate projects, manage risk, and facilitate transactions. In the for-profit marketplace, finance intermediaries include banks, loan and financing companies. In the social finance marketplace, intermediaries offer the same group of services but address the specific needs of the social finance sector. These intermediaries include foundations, credit unions, and community development financial institutions (CDFIs) and play a key role in the transfer of funds from the investors to blended value enterprises.

The greatest challenge to the growth of the sector may be a lack of efficient intermediaries (Ayton and Sarver 2006, Emerson and Bonini 2004, Meehan et al. 2004). There is a sense that the social finance market remains inefficient, slow to innovate, unstructured, and poorly segmented, in which the supply-driven agenda does not always correspond with the needs of the enterprises seeking capital investment and the funding gap arises because available financial products do not always match the specific needs of social enterprises and the demand for social finance (Mendell and Nogales 2008). While there are a large number of traditional financial intermediaries covering the entire spectrum of businesses in virtually all geographic areas, those that serve the social finance market are not as abundant and their activities leave many social enterprises unfunded as there continue to be gaps between these intermediaries due to social focus, financial and legal structure or geographic reach (Ayton and Sarver2006, Edery 2006). This is viewed as a market opportunity by some intermediaries whose main reason for emergence is to address this gap in the funding of a growing number of these enterprises (Ayton and Sarver 2006, Emerson et al. 2007, Brown 2006, Chertok et al. 2008, Edery 2006).

The innovative nature of social enterprises has also called for matching financial innovation and for a customized financial sector that is different from existing financial products and instruments. However, growth on the financial innovation side for both intermediaries and financial instruments has not been as swift representing a continued challenge for the sector and the continued existence of the funding gap (Drayton 2004, Mendell and Nogales 2008, Fraser 2007, Emerson and Bonini 2004, Strandberg 2007, Nicholls and Pharoah 2007) as well as inhibiting the efforts of managers pursuing blended value to scale their ventures (Emerson 2003). In this marketplace, deals are typically smaller

in size resulting in higher overhead costs as a percentage of financial returns. As a result, for social intermediaries to succeed they cannot rely exclusively on market forces and may require financial support to get underway (Emerson and Spitzer 2007).

On the demand side, there remain questions on the absorptive capacity if and when large amounts of social investment capital become accessible – that is, whether finance will be matched to opportunities that can provide desired financial and social returns. To address the potential issue of absorptive capacity, there is a need for capacity building on the demand side. Foundations such as the Maytree Foundation, the Endswell Foundation, the Tides Foundation and the McConnell Foundation have played active roles in grant making to enhance community economic development capacity (Hebb 2006). Networks such as the Canadian CED Network (CCEDNet) and the Canadian Co-operative Association have supplemented these efforts nationally with a viewing to scaling and replicating successful initiatives.

The Trade-offs Between Risk, Return and Impact

Investor Motivations

The motivations of investors seeking blended value returns vary in line with their desired objectives and preferences. The traditional concept of "risk and return" is well-developed for commercial investing, with a number of core tenets that drive investor behaviour and resource allocation. Notably, for a given level of risk, higher returns are preferred to lower returns; risk and return move in the same direction (less risk implies less return); investors are generally risk-averse; and that there is no perfect risk/return balance – so that investors must weigh the two aspects to arrive at their optimal allocation (Shortall, 2009). Thus, the primary objective is to generate at least a market-rate risk-adjusted financial return, and investment opportunities are screened accordingly.

While traditional portfolio theory maps investments to a two-dimensional efficient frontier that balances risk and financial reward; in blended-value investing, returns are conceived along multiple dimensions that effectively seek to translate investors' preferences around social impact into an investment thesis (WEF, 2006). Given that the motivations of social investors tend to involve some additional concern for positive social and/or environmental outcomes, investors can forego some level of financial return in exchange for social return. The extent to which investors value social outcomes may vary; for instance, the Monitor Institute (2008) report distinguishes between impact-first and financial return-first investors. Accordingly the capital that these classes of investors provide also varies, and can broadly be separated into three types (Emerson 2003, Shortall 2009).

The first type of social finance capital blends social and financial return while requiring a market-rate risk adjusted return. These investors look first at the social impacts the venture is likely to generate. Once satisfied with the expected social impacts, these investors act very much as any venture investor does. They evaluate the business plan and the opportunities for growth, the expected financial returns and exit strategies before deciding on whether to invest. The second type of social finance capital also blends social and financial return, but these investors are willing to accept lower financial returns than the risk adjusted market rate, in exchange for greater social returns. "The social investor could make more money elsewhere, but is more interested filling a gap in capital for social enterprises producing high social impacts" (Emerson 2003). As a result these investors may decide to take more risk in order to achieve higher levels of social impact. The third type of social finance investor seeks 100% social return and no financial return. Here mission and social impact is the primary consideration for the investor. However they are also interested in the enterprises fundamentals as in the first case, in order to identify sustainable enterprises that will be successful in delivering on their mission.

Investor Challenges

Discussions around the supply side of social finance have disproportionately focused on large institutional investors, as they are an influential group both in terms of their size (assets under management) and their ability to influence policy and social outcomes. An increasing number of institutional investors are aligning with traditional social investors in the

understanding that a good record on social performance can be in the long term best interests of investors (Smith). They are also seeing that such investment can yield market rates of return in addition to social impacts (Hebb 2006, Hagerman et al. 2007). Prominent institutional investors have embraced Responsible Investing, notably through the UN Principles for Responsible Investing (UNPRI). Others have chosen to target investment in either underserved capital markets or areas such as clean technology (Hebb 2005, Hebb 2007, Hagerman et.al 2007). In these cases they have achieved both market rates of return and social impacts. Such examples point to social finance as not merely an optional and socially rewarding activity; but rather an essential component that public pension funds and other large institutional holders can ill afford to ignore (Sethi 2005).

With respect to institutional investors, an important challenge to the role and restriction faced by institutional investors and other market funds arises in the fiduciary responsibilities these investors face with their clients. "Because intermediary investors work on behalf of the ultimate owner of the money, they are often cautious about using any considerations beyond the direct financial interests of their investors." (Chertok et al. 2008, p.49). There are now several excellent legal opinions that stress the importance of factoring environmental, social and governance considerations into institutional investor decision-making. The Freshfields Report (2007) and recently released Fiduciary 2 (UNEP FI 2009) make clear that such considerations can be taken into account under fiduciary duty. In addition several rulings of the US Employee Retirement Income Security Act (ERISA) speak to the ability of pension funds to invest in market-based investments that also provide collateral community benefits.

The supply of social finance, much like the analysis of social finance intermediaries and the demand for social finance, is not without its barriers. Strandberg (2007) identifies six areas that act as barriers to capital: low awareness of social finance opportunities, risk and return issues, high transaction costs, standardized approaches to lending in the sector the lack of a secondary market for social enterprises, and public perception of social enterprises (i.e. that they are not bankable, high risk, etc.). In addition, Nichols and Pharoah (2007) suggest the sector requires better segmentation of investment opportunities, new financial instruments that fit with multiple social and economic objectives, as well as qualities such as innovation, inclusion, growth potential and sustainable social change.

Another challenge is that there is limited coordination or co-investment among capital suppliers, making each deal relatively resource-intensive to complete (Venturesome 2008:24). This mismatch between supply and demand is compounded by the lack of efficient intermediation, with high search and transaction costs caused by fragmented demand and supply, complex deals, and a lack of understanding of risk (Monitor Institute 2008). This includes a lack of understanding of the various components of structuring deals that include non-traditional financial instruments, as well as the assessment and incorporation of social risks and returns.

The Monitor Institute report (2008) goes on to highlight the compensation system for traditional intermediaries that can prevent smaller deals from occurring. In general this report identifies barriers to social finance include a lack of enabling infrastructure for social finance deals and "a bifurcation between philanthropy (for impact) and investment (for returns)." The report goes on to say:

> " Networks are underdeveloped, and a lack of reliable social metrics makes the suspected trade-off between financial and social benefits even harder to assess. Still an emerging industry, impact investing lacks the models, theories, policies, protocols, standards, and established language that would enable it to flourish. Many investors and intermediaries do not understand the implications of social and environmental considerations on the underlying risk of an investment opportunity—and there is a preconception that there must be a fundamental trade-off between financial returns and impact" (ibid 2008:).

The Monitor Report also speaks to the lack of scale in these investments that is necessary to facilitate deal flow. Taken together these barriers increase the information and transaction costs for social investors. Currently the cost of raising capital in the social capital marketplace takes roughly 22 to 43 percent of the

funds raised, whereas in the for-profit capital market, companies spend between 2 and 4 percent raising capital (Meehan et al 2004).

Canadian Investors' Perspective on Social Finance

Understanding Social Finance

This section of the paper draws on twenty semi-structured interviews with investors, intermediaries, rating agencies, and social finance experts in Canada.[5] With the exception of those interviewed who were selected for their expertise in this area, the term *social finance* is not well known or well understood by most investors. Many interviewees understood the term *double or triple bottom line investing*, others thought of this type of investing as *socially responsible, ethical, or responsible investing*; some even responded to the more recently-coined term *impact investing*. Even for those individuals familiar with this field, there was a wide range of meaning given to social finance. For some the concept can be both broad and narrow. In its broadest meaning social finance is understood as investing in any company that provides social good beyond simply financial returns. Its narrow definition restricted this to investment in social enterprises in the not-for-profit sector.

While those familiar with social finance spoke strongly in favour of the ability to achieve a 'blended value' return, investors who were not familiar with the concept were sceptical that one could do both well. Several interviewees felt that by definition the social return should be higher than the financial return. It was suggested that "such investments should generate a *reasonable* rate of return that could be capped at 8% for investors." One interviewee noted that the risk at start up for most social enterprises is high but financial returns do not compensate for this risk in a true market sense.

Blending of returns was seen as positive for most businesses particularly given the growing awareness of consumers who tend to reward companies who make positive social and environmental contributions and boycott those with negative social and environmental impacts. Interviewees suggested that models of blended value returns have existed over time particularly in the cooperative sector.

Most investors felt that any trade off between financial, social and environmental returns was best measured on a deal by deal basis. "Each deal is unique, and these returns can't be measured ahead of time. You have to place the money first." For many achieving social returns seems to necessitate such a trade off with financial objectives. Those who did not see a trade off in blended value returns most often cited clean technology and other environmental investments as examples of deals where returns in both areas can and often are positive.

Often it is the size of the deals in this sector that are seen as requiring a trade off with financial returns. Here specialized intermediaries are required that can "match capital for certain types of return. It's really about targeting capital to impact." Because so many social and environmental costs have been externalized in the past, many interviewees suggested that it may require government intervention through "subsidy, tax incentives/disincentives and tax structures to ensure that investors do not bear the full costs of incorporating blended value enterprises in their portfolios. It may also require a "mindset change" on the part of investors. This may mean that a stronger business case must be developed for social finance. It was also suggested that a "bibliography of best practice in the field" be created in order to make investors aware or social finance options.

Social Finance Deal Making

Many, though not all, respondents had invested in some form of social finance. They detailed a range of investments that included integrating ESG (environmental, social and governance) factors in investments decision-making, taking

[5] See Appendix 2 for the list of interviewees.

environmental considerations into account in real estate and infrastructure investment, investment in medical technologies, SRI mutual fund investments, micro-loan programs and community investment deposit certificates. Few raised equity investments as examples of investment in social finance. The Quebec-based La Fiducie du Chantier de l'économie sociale Trust (Fiducie) was one exception where hybrid structures have enabled them to make equity investments in social enterprises. Another example of equity investment was the Social Venture Network and Angels Circle, both US-based organizations.

While most individual investors interviewed had not made below market investments, a few specialized intermediaries have undertaken these investments particularly in the area of community development finance. Vancity, Alterna Credit Union, and Meritas all provided details of both domestic and international investments that had been made at below market rates in order to gain the desired social impact. One benefit to such organizations is the positive branding that comes from providing much needed capital to build stronger communities and assist individuals who lack access to traditional sources of capital (i.e. micro-loan funds). Most investors indicated that a 'reasonable' or moderate rate of return is needed to gain interest in social finance opportunities. "There are not enough people who will go negative in their returns" said one interviewee. But if reasonable returns can be generated, and another interviewee notes that "there is huge leverage on access to private capital as opposed to grant funding that can be deployed."

For many investors interviewed their fiduciary duty would prevent them from making intentionally below market investments. Others said that there would be a greater incentive through the current tax structure to make donations rather than below-market investments: "The charity route is simpler and provides a tax deduction not currently available for a below-market investment."

Although interviewees had been provided with detailed information on a number of new and innovative social finance investment opportunities (detailed in the third section of this paper) most did not reference these investments when asked. Social finance experts talked about the slowness to take up these ideas, reluctance of foundations and other investors to engage. An interviewee summarizes some of these challenges, describing the problem of "raising capital for hybrid structures that are not well understood. Most investors think you have to pick one of two boxes. Either the money is for financial investment or it is for charity. They can't understand an investment that is a hybrid structure and there is no incentive from government to incentivize this new sector."

Responses to questions about the types of financial instruments required, barriers faced and incentives needed for social finance to grow in Canada often began with the need to generate more awareness of the potential benefits of such investments. Successful models that demonstrate these types of investment would help. Many felt that these types of investments would be of more interest to individual retail investors than to institutional investors. Here they suggested that structures similar to mutual funds targeted toward individuals would be required. Such mutual funds would be required to have transparency on what types of social enterprises were invested in and where. One suggestion was to look at an ETF (exchange traded fund) that would have similar returns to other ETFs but have a "green" focus. New intermediaries that specialize in these types of investments were clearly identified as a requirement for future growth.

While some felt government could play an important role, others wanted minimal or no government involvement. "I don't know if it is the role of government to subsidize the inefficient deployment of capital." Some suggested that incentives for investors such as flow-through shares similar to those available for mining sector and film industry would be helpful. Others raised the idea of lower capital gains tax rates on investment in social enterprises. For others government guarantees on investment would provide an incentive for investors in areas such as micro-loan programs. City governments can also be helpful providing land, re-zoning, and reducing costs for developers who provide social return for the city. Most interviewees wanted government to incentivize investors rather than take an active role in investment selection. Engaging governments at all levels was seen as critically important for many interviewees. Government has to understand its own strategic advantage when social and environmental issues are addressed through social finance.

Many focused on deal making as key to this sector. There is a need for imaginative deals that deploy private capital with social impacts and returns. R&D can stimulate good business ideas that have social impacts. For example "battery powered lanterns made so inexpensively that when one is purchased in North America another is sent to Africa. This social impact also helps brand the item for North American consumers." Several interviewees suggested that investment should begin with debt instruments, then move to quasi-equity, and finally to equity structures. It was expressed that legal structures such as the UK's Community Interest Companies can be complicated and may not be required in Canada.

Almost all respondents discussed the need for simplicity to encourage investors in this sector. This included new intermediaries and a secondary market with brokers and advisors to sell these opportunities to their clients. "Simplicity is best" was a refrain throughout all the interviews. In addition to simplification, issues of scale were also raised by a number of respondents. "How can we make these deals large enough with streamlined due diligence to make them attractive to investors?"

Given that "this field is still nascent" several interviewees suggested there is a need for champions to promote social finance options. Such champions would require high profile and credibility to be effective spokespeople for the benefits of social finance.

Interviewees expressed a need for social return metrics, but did not uniformly identify any particular set of metrics that should be used in these deals. While some felt that rating agencies can play an important role, most thought that the deals and complexity ruled out traditional rating agencies in this sector. Some interviews mentioned LEED, ISO or GRI standards as good examples of complex metrics that are easily understood and used by investors. Others pointed to their own metrics such as the Demonstrating Value initiative, designed to drill deeper into specific investments and provide information for both investor and enterprise. Many felt that social impacts can be quantified, for example numbers of jobs created, people assisted, or environmental impacts, but the push for standard metrics must be "driven by the need for accountability from investors and intermediaries." There is a need to "align on goals, then it's not that hard to figure out how to measure the impacts. Organizations need to test this out and refine the metrics as needed – but not to focus on methods before goal alignment. Such standards must be simple and factual rather than bureaucratic and subjective."

These twenty interviews provide us with a detailed picture of social finance in Canada. Clearly this field is still in its infancy. The interviews highlight the need to develop well understood definitions and back those definitions with a sound business case for social finance investment. They speak to the need for financial instruments and the necessary cadre of skilled intermediaries to facilitate social financing in Canada. For the investor seeking blended value returns, social finance investment needs to be made as simple as possible to be successful. Government incentives such as tax credits, reduced tax rates, and guarantees will help facilitate the flow of capital into this sector. However, government intervention must be targeted to investor driven decision-making to be successful. Finally, metrics that take into account financial and social impacts are critical. Such metrics must be easily understood by investors in order to be useful. Standards such as LEED are often cited as templates for conveying highly complex metrics in a manner easily understood by investors.

Emerging Opportunities

Engaging institutional investors

Engaging institutional investors has emerged as a prime opportunity to stimulate the flow of social finance in Canada. According to the Social Investment Organization, socially responsible investment accounts for nearly 20 per cent of assets under management in Canada – a figure of more than $600 billion in Core and Broad SRI strategies (SIO 2009). Community investment is a core pillar of SRI, yet it has been underemphasized relative to the other pillars of screening and shareholder advocacy. One notable exception is Meritas Mutual Funds, which has committed to allocating up to 2%

of their assets to community development investing for microfinance and microenterprise development in developing countries (Harji 2008a).

Among institutional investors, pension funds represent an emerging source of social investment. Through economically targeted investments (ETIs), pension funds can structure deals that generate a market rate of return as well as fill a capital gap in order to satisfy the fiduciary requirements institutional investors face (Hebb et al 2006). Twenty pension funds invested in BC-based Concert Properties that provided returns that exceeded real estate benchmarks, while creating a significant number of unionized construction jobs and affordable housing options (Hebb et al. 2006, Hebb, LaPointe and Jackson 2006). More recently, the Public Service Alliance of Canada – the pension fund of Canada's largest federal public service workers' union – partnered with Alterna Savings to invest in affordable housing. The $2 million investment was structured as a Guaranteed Income Certificate (GIC) backed by Alterna, which effectively satisfied the fiduciary requirements of the fund (Harji 2008b). Alterna, in turn, has partnered with the Ottawa Community Loan Fund to develop housing loan products for the retail market.

Utilizing foundation assets

There is increasing interest among Canadian foundations to utilize the full range of their assets to achieve their social objectives, not just the 3.5% of assets that they are legally required to disburse annually. One way to implement this is through program related investments (PRIs), which leverage philanthropic dollars to support social ventures that involve the potential return of capital within an established time frame. PRIs recognize that the importance of aligning the range of investment vehicles available in a manner that it consistent with grantmaking strategies. PRIs share characteristics with both traditional grants and investments since they offer both financial and social returns, and can include loans, loan guarantees, real estate mortgages and equity investments in social enterprises or social businesses.

A number of progressive Canadian foundations have already used PRIs to invest in social enterprise (Edmonton Community Foundation, Bealight Foundation and Tides Canada Foundation) and nonprofit property investments (Endswell Foundation and Muttart Foundation)(Strandberg 2008). BC-based Renewal Partners provides debt and equity investments for social enterprises, and has partnered with the Endswell Foundation to funnel investment capital and foundation assets towards social purpose real estate and nonprofit capacity building initiatives. Toronto-based Social Capital Partners, funded through the Bealight Foundation, was founded as a venture philanthropy organization to incubate and invest in social enterprises that employ populations outside the economic mainstream in Canada. Social Capital Partners' strategy has since evolved to provide growth financing and advisory services to franchisees that integrate a social mission into their human resources model, with loan conditions tied directly to the number of individuals hired through community employment agencies.

In Canada and elsewhere, notably in the US, there are a number of emerging initiatives that are seeking to clarify the legal and practical questions around PRIs. It is important to note that no other form of organization would allocate only 3.5% of its resources towards the achievement of its primary objectives, with the other 96.5% being at best neutral – and at worst, in direct contradiction to the foundation's social objectives (Emerson 2003). The Community Foundations of Canada have engaged their top 7 foundations in a Responsible Investing Pilot Project, and the McConnell Foundation recently announced that 5% of its corpus would be allocated towards MRI.

Creating new financial vehicles

A number of deals have been innovative in devising structures to leverage private, public and foundation money. The Great Bear Rainforest Fund, is a $120 million funding package for conservation management and ecologically sustainable business ventures in First Nation territories in the Great Bear Rainforest. This public-private-philanthropic partnership was structured to allow private funds ($60 million) to flow to a conservation endowment fund, while using public funds ($60 million) for investments in ecologically-sustainable business ventures within First Nations' territories or communities. In March 2009, the $50 million CAPE Fund was launched by former Canadian Prime Minister Paul Martin to provide equity and quasi-equity investment in the range of $1 million and $7.5 million to Aboriginal businesses. The Fund

included investors from private and philanthropic sectors, including strong representation from Canada's largest financial and mining companies.

Provincial governments have also been able to creatively leverage policy tools towards stimulating social investment capital. La Fiducie du Chantier de l'économie sociale Trust (Fiducie) is an innovative structured finance product to meet the needs for long-term capital investment in social economy enterprises in Quebec (Mendell 2008).[6] It is a $52.8 million patient capital (quasi-equity) fund that offers loans with a 15-year capital repayment moratorium to support social enterprise and real estate investments (Chernoff 2008:15). Finance in the range of $50,000 and $1.5 million is offered for working capital requirements of social enterprises (including asset purchase), or to finance real estate acquisition or renovation. The three institutional investors – Fonds de solidarité (a labour-sponsored venture capital corporation), Fondaction (a labour-sponsored development fund) and the Government of Québec – received a debenture in exchange for their investment, in addition to a non-repayable government grant from Canada Economic Development (ibid).

Building on these examples, there is a need for more prominent and creative deal structures. Tiered capital structures can allow commercial and social investors to co-invest in ways that meet their individual investment preferences and segment returns based on risk tolerance; for example, foundations can provide "first loss capital" that can leverage more senior debt. This will require an increased sophistication in the capability of intermediaries to be able to identify potential partners and structure creative deals, as well as greater collaborative intent from social investors.

Enabling Government Legislation

Regulation and legislation have presented significant barriers to the development of social finance in Canada. The existing legal infrastructure can be described as a "patchwork", with inconsistent and inadequate relevant legislative and regulatory systems (Bridge 2009:3). The Canada Revenue Agency takes a very conservative view of charitable activity, which discourages innovation in financial instruments and tools to leverage the full range of foundation assets towards achieving their mission (Standberg 2008). Social enterprises, despite their increasing popularity, still face significant barriers in accessing finance due to the lack of enabling infrastructure – especially the limitations imposed through their legal status (Mendell 2008, Carter and Man 2008, Bridge and Corriveau 2009). For instance, the incentives are greatly skewed for most social enterprises to remain legally incorporated as nonprofits, even if there are significant advantages to establishing as a for-profit or hybrid structure.[7]

Within the existing structure, however, there are a number opportunities to incentivize social finance. The PLAN (Planned Lifetime Advocacy Network) has been instrumental in the formulation of the Registered Disability Savings Plan (RDSP), a unique tax-deferred savings vehicle that allows parents to save for disabled children who will survive them. At the provincial level, other instruments have proved effective: the provinces of Nova Scotia and Manitoba have both established CED tax credit programs to encourage investment in local community-based enterprises (Chernoff 2008:53).Tax credits for investing in cooperatives have also been successful in Quebec: a 50% tax credit on investments of up to $2,500 per taxpayer attracted $572 million in the first five years of the program (Pearson, 2008:16). In its most recent poverty reduction plan, the Ontario government has committed to a $20 million social venture fund to find innovative solutions to address social issues. (Government of Ontario, 2008)

There are currently several proposals that aim to create a more enabling policy environment, particularly around social enterprise (Bridge and Corriveau 2009, Carter and Man 2009, Causeway 2009). Around social finance, Causeway Social Finance – a national collaborative seeking to build the Canadian social finance marketplace – is actively advocating for policy changes at the federal and provincial levels. For social enterprise specifically, Carter and Man (2008: 49) suggest some of the features of a more appropriate regulatory regime: "implementing a suitable corporate vehicle; providing attractive tax incentives for investors; ensuring the assets and resources of a social enterprise are used primary for social return rather than a profit return; addressing securities legislation issues if the new vehicle is permitted to raise capital

[6] http://www.open.ac.uk/oubs/socialinvestmentseminars/pics/d97691.pdf
[7] In the US, the L3C allows… In the UK, Community Interest Companies (CICs)…

by issuing shares; allowing charities to "invest" in social enterprise entities with their "investments" being counted towards meeting their disbursement quota; addressing the application of provincial investment legislation; the possibility of providing full or partial tax-exemption status for social enterprises; as well as providing statutory authority to pay remuneration for directors."

Developing Social Metrics

The blended value proposition requires a quantification of both the financial and social impacts of investment. Yet it is not an easy process to quantify and monetize the creation of blended value. Valuation of risk and return in social finance is still an emerging industry, as it is in many other parts of the world. Along with this follows the inconsistent use of language and the "challenge to build a lexicon of valuation" (Emerson 2003). In business and finance, investor and investee can turn to regulatory agencies like the SEC or to the Generally Accepted Accounting Principles (GAAP) for direction on how to report and understand financial value creation. No such homogeneity or oversight exists when it comes to reporting and measuring social value creation. That said; the importance of having established and accepted metrics to measure social value creation is not diminished.

The value of a commonly-understood set of social metrics would prove useful to all stakeholders involved in social finance, despite the fact that each group may have different motivations for, and use of, these measures. For the social entrepreneur or the management team, the internal use of social metrics can aid with strategic decision making, budgeting, planning, and evaluation. For the social investor, metrics will help provide the required proof around desired blended value outcomes, as well as inform the allocation of funds by providing a tool for the comparison between investment opportunities. For governments, social metrics can help with compliance, regulation, and tax policy. Finally, for communities, an accepted set of social metrics will help provide the accountability required for social programs. Consistency of methods across all these stakeholders would allow improved decision making, tracking, and comparison among differing investment alternatives.

Even a brief examination of a subset of the available methods indicates that there is no accepted singular appropriate approach, let alone a single metric, to social impact measurement or the blended value that is created by all investments (Olsen and Galimidi 2008, Tuan 2008). Current methods do not demonstrate a shared understanding of the important questions around social impact analysis: who is using the measure, what are they measuring, why are they measuring it, and how are they measuring it? (Tuan 2008, Kramer et al. 2009). Many investors and intermediaries do not understand the implications of social and environmental considerations on the underlying risk of an investment opportunity – and there is a preconception that there must be a fundamental trade-off between financial returns and impact (Monitor 2008:21).

In Canada, the growth of socially-responsible investment has created the demand for more sophisticated metrics to account for economic, social and governance (ESG) factors. Janzti Research has been a pioneer in this area, with their Canadian Social Investment Database providing ESG performance ratings of approximately 300 Canadian companies and income trusts, including all constituents of the S&P/TSX Composite Index. For social enterprise specifically, there are two notable initiatives worth mentioning. The Demonstrating Value project is a funder-driven collaborative research project that has engaged social enterprise investors *and* operators to develop a framework for understanding, communicating and assessing the impact and performance of social enterprises in Canada (Sadownik 2009). The Réseau d'investissement Social du Quebec (RISQ) has developed a comprehensive process to screen and select potential investment opportunities, which assesses both social mission alignment with RISQ's objectives as well as the financial viability of the social economy enterprise. Finally, at the international level, the Impact Reporting and Investment Standards (IRIS) framework proposed by a group of influential social investors may facilitate some convergence around defining, tracking and reporting the performance of capital seeking blended value returns.

Conclusion

The Canadian social finance marketplace is nascent and evolving, though it is evident that many traditional actors – particularly government and foundations – engaged in social investment will remain influential. Margie Mendell, an influential commentator in the social finance space in Canada, reminds that "we must emphasize the legacy contributed by an already existing and established social finance or social investment sector not previously referred to as such but that has, until now, provided finance for cooperatives, community based initiatives and not-for-profit enterprises and organizations. Many of these have a long history." (Mendell, 2008:12).

There is no clear answer to what aspect of development of the social finance marketplace will be the "tipping point" for the emergence of a more mature industry, or even a dedicated asset class. This discussion, which also finds parallels in the UK and US, describes two scenarios: increased supply of capital seeking blended value returns will encourage the development of investment-ready opportunities on the demand side; or alternatively, significant investment-ready opportunities will be created and subsequently encourage investors seeking a combinations of returns across grants to below-market to market rates of return. Presently, there is some evidence that capital supply may not currently be the limiting factor, with reference to growth of socially responsible investing and community investment referred to earlier in the paper. This raises a number of implications.

One is that existing finance intended for social purposes is not being packaged into appropriate products to satisfy the demand that already exists. For some social ventures, there will always exist the case for some form of subsidy, and grants as the vehicle of choice. However, there is a misalignment with too many organizations providing grants and relatively few providing other forms of capital. This has contributed to both an underdevelopment of the instruments along the supply continuum, as well as a bias for (demand) organizations to prefer access to grants rather than loans. This is even more pronounced for social enterprises, which by their nature may require access to a broader range of finance similar to what is available in the private sector (Carter and Man 2008).

Governments at the federal and provincial levels have a range of policy instruments which can stimulate the flow of investments towards social finance, and a number of lessons that can be drawn from recent experience in other jurisdictions. The establishment of Community Interest Companies (CICs) in the UK has stimulated the flow of private investment capital to activities that benefit community, and a similar application to Canada could overcome an important barrier for Canadian charities and non-profit organizations: the ability to raise equity capital (Bridge and Corriveau 2009).With some modifications, Low-Profit Limited Liability Companies (L3Cs) (US legislation that provides incentives for private and foundation capital to invest in social initiatives) could be another avenue to facilitate greater supply of capital to the sector (ibid 2009). While these legal structures pose their own unique challenges, they signal that there is no need to "recreate the wheel" to construct legal structures to accommodate hybrid organizational activities.

At the present time, the Canadian social finance market is not yet calibrating risk and opportunity adequately – a trend which is not unique to this country, though amplified compared to the US and the UK (Venturesome 2008). Many traditional funders to social sector organizations are not using the full array of financial tools at their disposal – such as foundations and Program Related Investments – to achieve their social objectives. Governments must recognize that grants will remain an important part of the social finance landscape, but that there is flexibility to develop a range of mechanisms to deliver finance to address social issues. Mainstream financial institutions are still relatively insulated from the potential opportunities that exist around investing in social enterprises or social businesses, even though these may prove to be prudent investments over the long-term. All these observations underline the importance of intermediaries to be able to catalyze the development of the social finance marketplace in Canada.

Social finance cannot yet be considered a defined asset class in Canada, though this paper has indicated that there are a number of emerging opportunities that could catalyze the emergence of an industry dedicated to generating blended value returns. There is evidence to suggest that a significant amount of capital is seeking to generate social returns, and that prominent investor groups are willing and increasingly able to incorporate an (social) impact dimension into the

traditional risk/reward equation. Ultimately, what is required is the development of appropriate incentives for intermediaries in the social finance marketplace, such that they align the expectations of investors with the capital needs on the demand side.

Appendix 1

Adapted from Shortall, 2009

Supply

	Investment vehicle	Purpose of finance	Type of finance	Social investor types	Examples of funders/investors
No	Grant	Mission fulfilment, capacity building, specific projects	PRI MRI	Foundation, venture philanthropy, government	•
Below-market returns	Sub-market debt	Economic and social development, capacity building, growth capital, working capital	Microfinance, SME loans, patient loans	Foundation, venture philanthropy, government, social VC fund, development bank	•
	Sub-market (also called “blended return”) equity	Capacity building, growth capital	Share of ownership with lower financial expectations	Foundation, venture philanthropy, social VC fund	•
Market-rate returns	Commercial debt	Growth capital, working capital	Loans	Venture philanthropy, bank	•
	Commercial equity	Growth capital	Ownership	Venture philanthropy, bank, commercial venture capital, commercial “angel”	•

Demand

Organization type	Activities	Profits	Potential investment vehicles	What social investors look for
Non-profit or NGO, with no enterprise activity	No income-generating activity; engaged in innovative and market-based social impact	No profits; income through grants only	• Investment-style grants	• Innovation • Plans for growth • Sustainable impact
Non-profit or NGO, with some enterprise activity	Range of activities, including some enterprise activity and market interventions	Profit possible at enterprise level, but usually not enough to cover NGO budget	• Investment-style grants • Sub-market debt	• As above • Clear business thinking • Good financial models for enterprise activity
Social enterprise offering below-market returns*	Operates as a business or enterprise, but primary motivation is social impact	If profits are made, they are low and/or most or all go back into the enterprise and	• Investment-style grants • Sub-market debt	• Proof of concept • Strong planning • Good financials

		social mission	• Commercial debt • Sub-market equity	• Social impact • Experienced management • Risk analysis
Social enterprise taking fully commercial approach**	Operates as commercial business that has significant social impact embedded in business model	Able to provide investors with commercial returns	• Grants & Sub-market debt (in early stages) • Commercial debt • Commercial equity	• Proof of concept • Business thinking • Good financials • Experienced team • Social impact embedded in the business • Risk analysis

* Some social enterprises require subsidization through grants, sometimes indefinitely and sometimes for a finite period, in order to achieve breakeven. Other social enterprises operate at or near breakeven without subsidization. Still others make some profits. All of these might be able to support some form of debt. Those that make some profits might be able to take on sub-market equity.
** Many commercial social enterprises can access grant and sub-market debt and equity in their early days, from organizations interested in building sustainable businesses with social impact. Once they achieve some momentum, these businesses usually “graduate” to commercial debt and equity.

Appendix 2: List of Interviews

Mr. Allan Broadbent, President, MayTree Foundation. Toronto.

Mr. Tim Draimin, Executive Director, Social Innovation Generation, Chair Causeway Social Finance. Toronto.

Mr. Ian Dale, Vice President, Canada Pension Plan Investment Board. Toronto.

Ms. Susan Enefer, Director, BCIMC. Vancouver

Mr. Gary Hawton, Chief Executive Officer, Meritas Mutual Funds. Toronto.

Mr. Michael Ho, Dominion Bond Rating Agency. Toronto.

Mr. Derek Gent, Executive Director, VanCity Community Foundation. Vancouver.

Mr. David Levy, President, Growthworks. Vancouver.

Rt. Hon. Paul Martin, President, Cape Fund. Montreal.

Ms. Marcia Moffat, Head of Investor Relations, Royal Bank of Canada. Toronto.

Ms. Nancy Neamtan, President/Executive Director, Chantier de l'économie sociale. Montreal.

Ms. Kimberley Ney, Vice President, Alterna Credit Union. Toronto.

Mr. Doug Pierce, Chief Executive Officer, BCIMC. Vancouver

Mr. Joel Solomon, President and CEO, Renewal Partners. Vancouver

Ms. Barbara Turley-McIntyre, Director, The Co-Operators. Guelph.

Mr. Sean Wise, Investor, CBC Dragon's Den member, Professor, Ryerson University . Toronto.

Mr. Scott Woodrow, Director, Lions Peak Capital. Toronto

Ms. Kathryn Wortsman, Partner, Social Venture Partners. Toronto.

Mr. Bill Young, President, Social Capital Partners.

Anonymous interview with venture capital firm.

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The Carleton Centre for Community Innovation delivers research, education and program management, to investigate, strengthen and disseminate innovation in social finance, responsible investment, community-based economic development, and local governance and administration, on the part of geographic communities and communities of interest, in Canada and around the world. We invite community leaders, policymakers, business executives, trade unionists, non-profit managers and engaged scholars to join us in producing action-oriented knowledge that will empower communities to build better lives for their citizens. As one of Canada's leading sources of expertise in social finance, 3ci has also played a leadership role in grant-making, evaluation and policy analysis in the fields of community economic development and social enterprise.

Acknowledgements

We would like to thank Robert Mittelman for his contribution to this paper. We would also like to thank all those who so generously provided us with interviews for this paper. Any errors or omissions are the sole responsibility those of the authors.