

Mobilizing Private Capital for Public Good

Canadian Task Force on Social Finance



**A Presentation by
Tim Brodhead and Tim Draimin**
Wednesday Dec 1, 2010
MaRS Discovery District

Task Force Members

- Ilse Treurnicht, Task Force Chair and CEO of MaRS Discovery District
- Tim Brodhead, President and CEO of The J.W. McConnell Family Foundation
- Sam Duboc, Chairman of Pathways to Education Canada and Founder of Edgestone Capital Partners
- Stanley Hartt, Chairman of Macquarie Capital Markets Canada
- Tim Jackson, CEO of the Accelerator Centre and Partner of Tech Capital
- Rt. Hon. Paul Martin, Former Prime Minister and Minister of Finance and Founder of Cape Fund
- Nancy Neamtan, President and Executive Director of The Chantier de l'économie sociale
- Reeta Roy, President and CEO of The MasterCard Foundation
- Tamara Vrooman, CEO of Vancity Credit Union
- Bill Young, President of Social Capital Partners

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“Our hope is that this report will raise awareness of social finance and stimulate a national discussion about a new partnership model between profit and public good, and the opportunity it represents for Canada’s future.”

Dr. Ilse Treurnicht

Mobilizing Private Capital for Public Good, Nov. 2010

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“Our Government will take steps to support communities in their efforts to tackle local challenges. It will look to innovative charities and forward-thinking private-sector companies to partner on new approaches to many social challenges.”

—2010 Federal Speech from the Throne

Task Force addressed 3 challenges

1. Capital Mobilization

2. Enabling tax & regulatory environment

3. Investment pipeline

Social Finance

“one of the great social innovations of the early 21st C” *

The Task Force on Social Finance was conceived by Social Innovation Generation (SiG) to identify opportunities to mobilize private capital for public good, within either non-profit or for-profit enterprises.

Canada’s ability to conceive, build and scale social innovations will require more capital than available through philanthropy and government. Canada’s emerging social finance marketplace will allow public and philanthropic capital to leverage significantly more private capital to achieve long-term benefits for Canadians.

* Katherine Fulton, November 2010

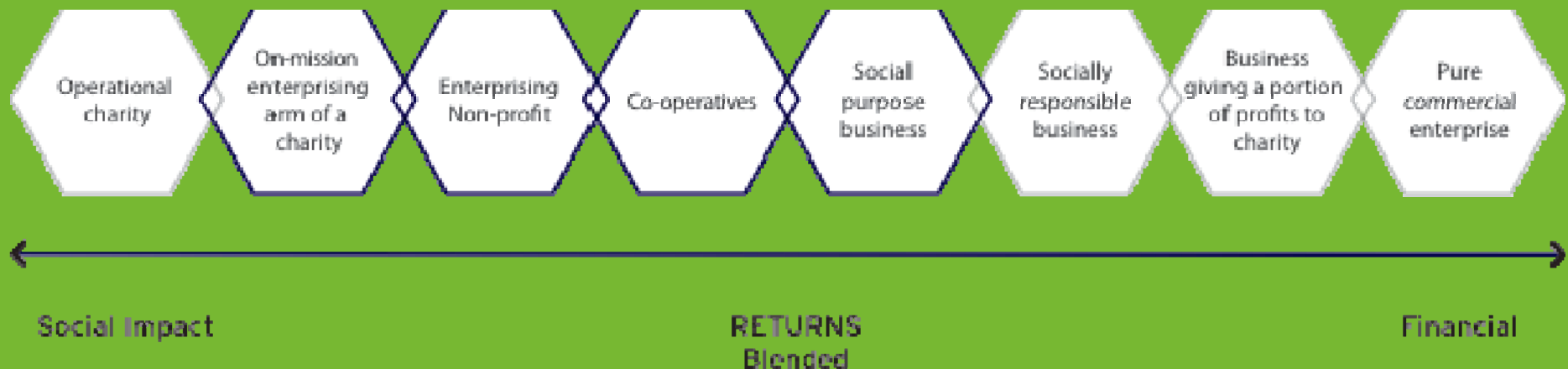
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Definition: social finance
(or impact investing)

Actively placing capital in businesses and funds that generate social and/or environmental good and (at least) a nominal principal to the investor. Impact investors seek to harness market mechanisms to create social or environmental impact.

Spectrum of Organizations: From Charities to Traditional Businesses



Source: Adapted from Charities Aid Foundation (CAF) Venturesome, "Financing Big Society: Why social investment matters" (2010).

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1

To maximize their impact in fulfilling their mission, Canada's public and private foundations should invest at least 10% of their capital in mission-related investments (MRI) by 2020 and report annually to the public on their activity.

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To mobilize new capital for impact investing in Canada, the federal government should partner with private, institutional and philanthropic investors to establish the Canada Impact Investment Fund. This fund would support existing regional funds to reach scale and catalyze the formation of new funds. Provincial governments should also create Impact Investment Funds where these do not currently exist.

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3

To channel private capital into effective social and environmental interventions, investors, intermediaries, social enterprises and policy makers should work together to develop new bond and bond-like instruments. This could require regulatory change to allow the issuing of certain new instruments and government incentives to kick-start the flow of private capital.

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4

To explore the opportunity of mobilizing the assets of pension funds in support of impact investing, Canada's federal and provincial governments are encouraged to mandate pension funds to disclose responsible investing practices, clarify fiduciary duty in this respect and provide incentives to mitigate perceived investment risk.

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5

To ensure charities and non-profits are positioned to undertake revenue generating activities in support of their missions, regulators and policy makers need to modernize their frameworks. Policy makers should also explore the need for new hybrid corporate forms for social enterprises.

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To encourage private investors to provide lower-cost and patient capital that social enterprises need to maximize their social and environmental impact, a Tax Working Group should be established. This federal-provincial, private-public Working Group should develop and adapt proven tax-incentive models, including the three identified by this Task Force. This initiative should be accomplished for inclusion in 2012 federal and provincial budgets.

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To strengthen the business capabilities of charities, non-profits and other forms of social enterprises, the eligibility criteria of government sponsored business development programs targeting small and medium enterprises should be expanded to explicitly include the range of social enterprises.

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“It is this notion of making it financially attractive to solve social issues... [that] is intriguing a growing number of institutional investors globally.”

An Overview of Impact Investing

Phillips, Hager & North

Nov. 2010

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“While there is not enough money in foundation and government coffers to meet the defining tests of our time, there is enough money. It’s just locked up in private investments.”

Judith Rodin, President of the Rockefeller Foundation

May 2010

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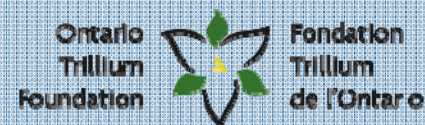
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“Impact investing provides capital for social enterprises to grow instead of just revenue to survive”

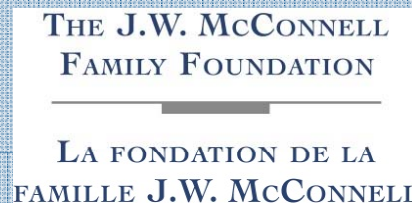
Sir Ronald Cohen
UK Social Investment Task Force

The Task Force on Social Finance secretariat and research were kindly supported by the following organizations:

Vancity



Macquarie Group
Foundaton



Endorsement Invitation

Inspired by what you've learned?

We invite you to endorse the report by visiting the Task Force website and completing the endorsement form.

Show your support for Canada's social finance future at:

<http://socialfinancetaskforce.ca>