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BALTA
The BC-Alberta Social Economy Research Alliance

The Nonprofit Capital Market in Canada

by

Rebecca Pearson

April 15, 2008

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This *paper/report* has been produced as part of the research program of the B.C-Alberta Social Economy Research Alliance (BALTA). Financial support from the Social Sciences and Humanities Research Council of Canada (SSHRC) is gratefully acknowledged.

Social Sciences and Humanities Research Council of Canada | Conseil de recherches en sciences humaines du Canada

Canada

<u>**The Nonprofit Capital Market in Canada**</u>

Introduction

A Nonprofit Capital Market that invests in triple bottom line returns is emerging in Canada. Stemming from individuals, foundations, and governments providing donations and grants to nonprofit organisations to support social and environmental services, the Nonprofit Capital Market is growing and innovating, bringing the rigours of the business world to bear in maximising social impacts and leveraging available Nonprofit capital in more effective ways. Because investors are demanding a triple bottom line return instead of simply financial profit maximisation, the Nonprofit Capital Market frees up organisations to pursue a social and/or environmental return that is not constantly traded off with the need to maximise financial profits. The Nonprofit Capital Market can be viewed as a model or a least a starting place for understanding a new kind of capital market for all ventures that would flow resources to projects that create sustainable wealth.

This paper will give an overview of the Canadian Nonprofit Capital Market, focusing on the nonprofit and social enterprise sector, including the users of Nonprofit capital, the Nonprofit capital investors, and the financial products that make up the Nonprofit Capital Market. It will then discuss several promising trends in the Nonprofit Capital Market, including venture philanthropy, program-related investments, and government tax credits. These trends promise to provide more resources to expand the social and sustainable sectors, generating significant social, environmental, and economic wealth for Canadian society.

Nonprofit Capital Users – Nonprofit Organisations and Social Enterprise

The most common recipients of Nonprofit capital investments are nonprofit organisations, including charities, and—less common but a growing group— social enterprises, which are business ventures (often run by nonprofit organisations) that strive to generate a triple bottom line return.[1] These organisations are collectively referred to as social economy organisations. In contrast to conventional businesses that seek to maximise pure financial returns within the social and environmental boundaries set out by society, social economy organisations seek to maximise social and environmental returns while remaining financially viable.

You may find it surprising that Canada has the second largest voluntary sector in the world in terms of the proportion of the economically active population it employs (12%).[2] In Canada, there are over 161,000 nonprofit and voluntary organisations, of which approximately 83,000 are registered charities.[3] These organisations provide more than two million full-time equivalent positions, one-third of which are volunteers. A study notes that Canada's nonprofit and voluntary organisations employ "nearly as many full-time equivalent workers (2.073 million) as all branches

[1] There are certainly numerous examples of for-profit business ventures that strive for some level of triple bottom line returns; however, these for-profit ventures generally seek capital from conventional capital markets and must justify their social and environmental efforts through a profit maximisation lens. In time, one would expect that more for-profit social ventures will seek alternative sources of capital that better match their mission, and this will grow the social capital market further.

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

[3] Canada Revenue Agency database, accessed February 8, 2008.

of manufacturing combined (2.294 million).” The sector also generates 6.8% of Canada’s GDP, rising to 8.5% of GDP if volunteer labour is included.[4]

Speaking to the diversification of the current Nonprofit Capital market, in 2003, Canadian charities took in total revenues of $70 billion, 54.0% ($37.8 billion) of which came from government, including payments for goods and services and grants and contributions; 18% ($12.6 billion) of which was gifts and donations; 16.3% ($11.4 billion) was fees for goods or services (I assume from sources other than the government); and 1.6% ($1.1 billion) was contributions from fund-raising organisations, and private and public foundations.[5] If hospitals, colleges, and universities are excluded, fees for goods or services become the dominant revenue source at 40%, highlighting the enterprising nature of the sector.[6] Overall assets of Canadian charitable organisations are estimated to total around $100 billion.[7]

A growing number of nonprofit organisations are seeking to generate increased revenues and maximise their social impact through operating so-called social enterprises. Québec has been a national leader in social enterprise, with over 6,200 social economy enterprises employing more than 65,000 people and generating over

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

[5] Strandberg, Coro, “The Social Purpose Capital Market,” 2007.

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

[7] Strandberg, Coro, “The Social Purpose Capital Market,” 2007.

$4 billion in revenues.[8] Additionally, there are over 3,000 community economic development organisations in Canada.[9]

While the social enterprise sector is vibrant and growing, interviews with social enterprise experts David LePage (Executive Director of Enterprising Nonprofits) and Tim Draimin (Executive Director of Tides Canada Foundation) revealed some challenges. First and foremost, there is a significant cultural gap that must be bridged: nonprofit organisations are not trained to take risks, but enterprises require risk-taking in order to succeed. Once this cultural gap is bridged, nonprofits generally need a lot of technical assistance to build their capacity in entrepreneurship and enterprise management. It is only at this point that nonprofit social enterprises would be able to take on significant investment. Consequently, there is a long pipeline of social enterprise development: first, are the vast numbers of nonprofits that have not yet considered an enterprising function; then, there is a smaller group of nonprofits that are convinced in concept, but need a lot of help to prepare their business plans; finally, there are a very small number of successful, entrepreneurial social enterprises that have huge potential but are limited by lack of capital.

Some of the most innovative social enterprises are emerging right here in British Columbia, although I was unable to find any summary statistics on the size of the local market. Some local examples of successful social enterprises include: The Cleaning Solution, a janitorial service provided by the Canadian Mental Health Association employing staff with mental health challenges; Atira Property

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[8] Nancy Neamtan and Rupert Downing, Social Economy and Community Economic Development in Canada, p. 9.

[9] *Ibid*, p. 10.

Management, a for-profit property management company whose profits support Atira Women's Resource Society and employ the society's clients; and Lighthouse Sustainable Building Centre, whose profits from market-based green building consulting work support the nonprofit’s advocacy and public policy work.

enp
enterprising non-profits

Enterprising Nonprofits is a funding program that provides grants to nonprofits who are interested in starting a social enterprise. Grants fund business development, planning and feasibility, and organisational development. Technical assistance is also provided through orientation sessions. Originally a partnership of British Columbia based funders including Bell Canada, the Canadian Centre for Community Renewal, Coast Capital Savings Credit Union, Northern Trust, United Way of the Lower Mainland, Vancity Credit Union, Vancity Community Foundation, Vancouver Foundation, and Western Economic Diversification Canada, ENP has recently launched ENP-Toronto to expand their work into the Greater Toronto area.

Source: interview with David LePage, Executive Director, April 2008

Nonprofit Capital Investors

Nonprofit capital investors include a wide range of individuals and institutions who invest their capital resources in social economy organisations with the goal of achieving social and environmental returns, and sometimes a certain level of financial return as well.

Although foundations may be the most well-known source of Nonprofit capital, Canadian individuals—collectively-- are the largest source by far, donating $8.5 billion to registered charities in 2006[10], and of course financing government contributions through their income taxes. This giving is predicted to increase substantially with the intergenerational transfer of wealth from the aging Baby Boomers, a total asset transfer estimated to be between $200 billion to $1 trillion.[11] Canadians have also increasingly been investing in so-called "socially responsible" mutual funds, which often contain a "Community Investment" component (representing a portion of their fixed-income asset allocation), investing at below-market lending rates in community and co-operative development, international development, environmental conservation, and other social ventures. The Canadian Social Investment Review[12] reported that in 2006 there was $503.61 billion in socially responsible investments, of which $809 million was invested in the community investment sector.

Foundations play an increasingly active role in the Nonprofit capital market, providing engaged capital and technical assistance. As of December 2005, there were 8,852 foundations registered with CRA, of which 2,397 were active grantmaking foundations. Assets of these foundations totalled $13.9 billion,

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[10] http://www40.statcan.ca/l01/cst01/famil90.htm Note that this statistic does not include donations to other nonprofits that are not charities.

[11] Strandberg, Coro, "The Social Purpose Capital Market," 2007.

[12] Canadian Socially Responsible Investment Review 2006, http://www.socialinvestment.ca/documents/SRIReview.pdf

granting over $1.2 billion in 2004.[13] A list of the top foundations (by assets) in Canada is included in Appendix B. BC is home to the second largest foundation in Canada, the Vancouver Foundation, with over $829 million in assets.[14] Other notable local foundations include: Tides Canada Foundation, Vancity Community Foundation, Enterprising Nonprofits, BC Technology Social Venture Partners, Coast Capital Savings Foundation, Central City Foundation, Endswell Foundation, and the Minerva Foundation for Women.

While government funding for the social economy has decreased over the past few decades, as noted in the previous section the Canadian government still leads by a wide margin in financing the sector. The federal government and the provinces provide grants, loans and loan guarantees, revenues for social services such as healthcare, education, social housing, and of course, the charitable tax exemption that makes so many other contributions from the public possible.

Alternative financing organisations including some banks, credit unions, and other community development investors are also a significant and growing contributor of Nonprofit capital. In 2006, socially responsible lending (lending money according to a social and environmental policy) provided $1.939 billion of capital. Canadian sustainable venture-capital funds provided $449 million.[15] Many of these innovative financiers combine funds from depositors seeking a triple bottom line return with grants and technical assistance to provide creative financing packages to support the work of organisations in the social economy. Lending money, as opposed to granting,

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[13] Philanthropic Foundations Canada. http://www.pfc.ca/cms_en/page1087.cfm

[14] 2006 Vancouver Foundation Annual Report

[15] Canadian Socially Responsible Investment Review 2006, http://www.socialinvestment.ca/documents/SRIReview.pdf

has many advantages, including the ability to recycle the same funds many times, attracting capital from the public, and fostering self-sufficiency for the recipient. Vartana, a *charitable* bank being established in Toronto, plans to cater exclusively to nonprofits and charities. BC's own Vancity Credit Union, with over $14 billion in assets, is a national and international leader in financing the social economy. Other notable social economy financing organisations in BC include: Ecotrust Canada, Community Futures Development Association, Social Capital Partners, and Renewal Partners.

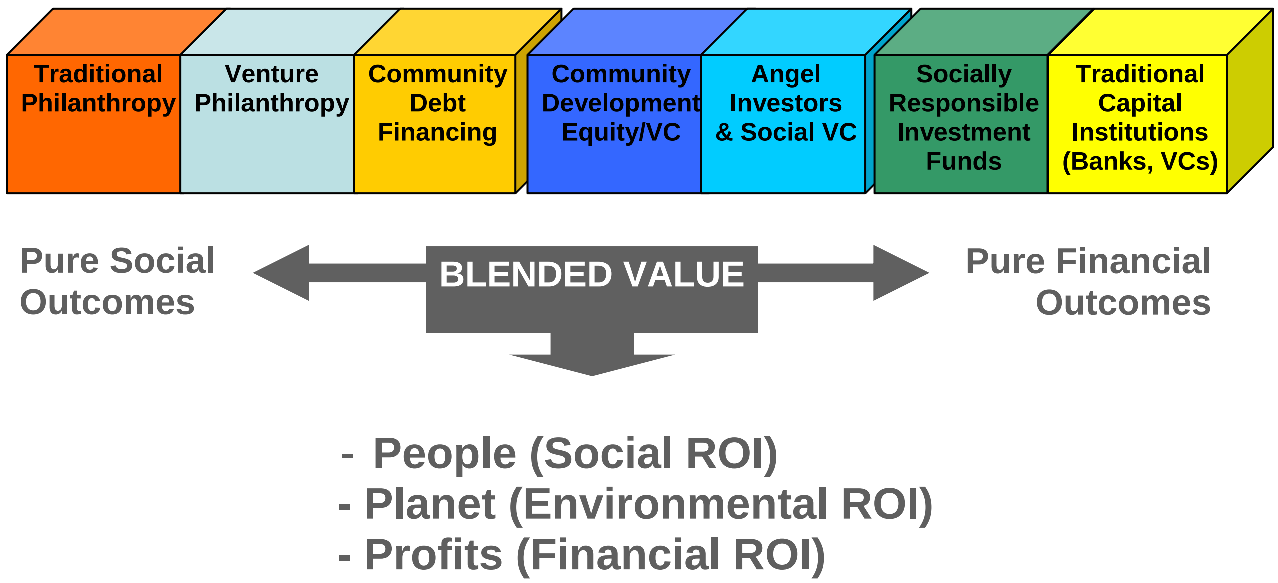
ecotrust canada

Ecotrust Canada manages a $7.5 million Natural Capital Fund, investing in social entrepreneurs whose business plans offer triple bottom line returns, focusing primarily on providing sustainable economic diversification to First Nations and rural coastal communities. Donors and investors include individuals, foundations as donors and program-related investors, and alternative investment funds. Investees are evaluated according to mission-based scoring metrics, which are shared with donors and investors. Since 1999, the Natural Capital Fund has invested over $10 million in First Nations enterprises, sustainable forestry, green energy, and sustainable fisheries.

Source: Interview with Pieter Van Gils and Emily Beam, Ecotrust Canada Capital, April 2008.

The Range of Nonprofit Capital Instruments

The Nonprofit Capital Market can be thought of as existing on a continuum, with the traditional capital market seeking pure financial returns on one extreme, and donations or grants seeking pure social returns on the other. What lies between is a zone of “blended value", as Nonprofit capital market guru Jed Emerson would put it, where capital can be invested for a blend of social, environmental, and economic returns. Financial products in this zone include various forms of secured and unsecured debt, debt/equity hybrids, and equity equivalents. Jed Emerson provides the following schematic of the range of Nonprofit capital[16]:



Just like for-profit business ventures, nonprofits and social enterprises require different types of financing at different stages of development, as well as other specialised types of support, to move from start-up to sustainability. A typical development path for a nonprofit or social enterprise could involve the following types of financing: seed capital (usually in the form of grants) to formulate an idea and conduct feasibility analyses, start up funding (usually grants, but could include equity equivalents) to begin operations, primary financing (grants or fee-for-service revenue) to roll out their first programs, secondary financing (grants, fee-for-service revenue, or specialised debt products) to expand program offerings, mezzanine

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[16] http://www.blendedvalue.org

financing (grants, fee-for-service revenue, or specialised debt products) to go to scale, and finally, the Holy Grail: reaching the "mainstream", where the organisation has sufficient cash flow, reputation, and history that it can attract normal, conservative bank financing such as senior debt, lines of credit, and more.

The following is a very brief overview of the range of financial products that are generally available to social economy organisations. It should be noted that the Nonprofit Capital Market is constantly innovating and evolving, so there is a wide variety of unique financial products available. However, most products fall into the following categories in one way or another:

Grants ≈ Equity?

One of the main differences between nonprofits and for-profit businesses is that nonprofits cannot offer traditional equity, due to legal restrictions and the fundamental fact that they do not offer a high enough financial return to attract equity investors. Donations and grants come in to partially fill this gap, but they are often tied to a specific program or goal and attracted to all things "new and innovative", making the funding of ongoing core operations extremely difficult.

Debt and Supported Debt

Traditional debt includes products such as mortgages, equipment loans, and lines of credit, but is often difficult for social economy organisations to access, as banks are traditionally quite conservative and require a history of steady cash flows and surpluses to qualify. It is the classic paradox of "you have to have money to borrow money", made all the more challenging due to the impossibility of attracting the equity investments that would normally get a business to this point. As a response, many Nonprofit capital providers have developed innovative financing tools including loan guarantees, rate buy downs, loan loss reserves, payment reserves, and more. For example, Western Economic Diversification Canada partners with Vancity to provide loan loss reserve funds to supplement Vancity's own provisioning when Vancity lends to social enterprises. This allows Vancity to lend to social enterprises that have limited or no collateral, and to keep interest rates affordable.

Fee-For-Service Revenue for Organic Growth

Businesses that have trouble accessing outside capital can always use earnings to fund organic growth. Traditionally, this has been very difficult for nonprofit organisations to do, as the tendency was to spend every dollar, every year on programming (and in fact many grants require this). While not really a financial *product*, fee-for-service programming or social enterprises— business ventures run by nonprofit organisations— can step into this role and provide unrestricted funds for core operations or organic growth. Government contract set-asides for social economy organisations and sustainable purchasing policies in corporate and institutional settings can help to support the growth of this market.

canada social purchasing portal

Canada's Social Purchasing Portal is an online exchange pairing social purpose businesses (including social enterprises) with organisations who are seeking socially responsible suppliers. Networks like this are key to building a market for social enterprises and the products and services they produce. Vancouver's Social Purchasing Portal documents that over 35 new jobs have been created and over $500,000 has been invested in the Downtown Eastside as a result of the marketing opportunity provided by the portal. There are localized versions available in Vancouver, Toronto, Winnipeg, Surrey, Fraser Valley, Calgary, Vancouver Island and Waterloo Region, with another ten communities on the way.

Source: www.sppcanada.org

New Equity Equivalents

While conventional equity is not an option for most social economy organisations, Nonprofit capital providers are beginning to develop innovative financial products to fill this gap. Subordinated debt, which is characterised by higher rates but no requirement for collateral and increased risk tolerance, can be seen as a hybrid between equity and debt. It has the repayable characteristics of debt, but since the debt is unsecured, the capital provider will only get paid back if the organisation is successful, giving the product equity-like characteristics as well. "Recoverable grants" are another emerging trend, where a foundation will make a grant with the specification that it is to be repaid by the organisation if the organisation is successful (payback is usually pegged to achieving certain financial benchmarks).

As the social economy grows and innovates, barriers are confronted and new products and services emerge to help organisations move past them. Additionally, leaders with business experience and a desire to have a positive impact are entering the field in record numbers (a chief example being Bill Gates), bringing with them expertise in business and new ideas for how to make organisations more effective. This section will profile a few of the resulting trends that promise to expand the sector and maximise social impact.

Program Related Investments

Canadian foundations manage a total of $13.9 billion in assets, yet only 3.5% currently gets invested into the social economy via grants each year.[17] The other 96.5% of their assets are generally invested in the conventional market, seeking pure financial returns, with little or no consideration of the foundation's mission. Under this scenario, it is very possible for a foundation to discover that the grant money with which they are supporting nonprofit organisations to lobby against corporations with poor social and environmental practices is in fact earned through returns from investing their endowment in those very same corporations. Program related investments, or PRIs, are a way to put more of the foundation's assets to work in the community, and ensure that the foundation's money is not working at cross purposes. In addition to the annual grants that a foundation would normally give, the foundation also becomes a community lender (instead of simply lending its money to the conventional capital market through bonds and other conventional financial investments), financing mission-aligned projects with its endowment funds on a repayable basis.

[17] Strandberg, Coro, "The Social Purpose Capital Market", 2007.

PRIs offer a number of benefits over traditional grants-only programs, including:

- the ability to invest significantly more capital into the social economy than the normal granting budget would allow;
- the ability to preserve foundation assets by "recycling" funds instead of the one-time utilization that grants allow;
- the ability to finance significant asset acquisitions for social economy organisations, helping them to build their asset base for future financing opportunities; and,
- the opportunity to foster grantee/borrower self-sufficiency.

Venture Philanthropy

Venture philanthropy is a new, more integrated approach to philanthropy that takes its name from the conventional business concept of venture capital. Venture capitalists, who are usually seasoned and successful entrepreneurs, make early equity investments in new business ventures. However, one of the most valuable contributions that a venture capitalist brings to the business is his or her business expertise, knowledge of the industry, and professional network. Venture philanthropists are seasoned business people who operate by similar principles, but invest their money and business expertise in nonprofits and social enterprises, seeking to use their skills and experience to maximise social outcomes. Venture philanthropy is characterised by:

- multi-year funding support
- organisational capacity building
- a focus on metrics to calculate social return on investment
- deeper, more engaged relations between investor and practitioner, and

- an awareness of grants as capital investments.[18]

BCT | SVP
BC TECHNOLOGY
SOCIAL VENTURE PARTNERS

BC Technology Social Venture Partners is a local example of venture philanthropy at work. Senior business leaders each contribute a minimum of $5,000 per year to a pooled fund, which is then disbursed to selected organisations. The key difference is that their contribution doesn't stop there; the philanthropists then leverage their business skills and networks to help build the success of nonprofits and social enterprises in British Columbia. A special fund at BCTSVP is the BC Social Enterprise Fund, which is a partnership among several BCTSVP Partners, the Vancouver Foundation, and Vancity. This fund provides much-needed financial and technical assistance to second-stage social enterprises in British Columbia.

"While our Partners may be used to dealing with financials stated in millions, we recognize that not-for-profits face many of the same business challenges as tech startups, and that we can offer a wealth of experience and influence."

— Don Safnuk, Board Chair of BCT SVP and President and CEO of Corporate Recruiters Ltd.

Government Social Economy Investment Tax Credits

While the Canadian Nonprofit Capital Market is already large, it will need to attract much more capital from the public if it is to become a fully viable alternative to the conventional capital market and allow nonprofits and social enterprises to achieve significant scale. The challenge, of course, is that social economy organisations do not usually generate competitive financial returns, given that they are choosing to

[18] Emerson, Jed, *The US Nonprofit Capital Market: An Introductory Overview of Developmental Stages, Investors and Funding Instruments*, page 206.

internalise social and environmental costs that conventional businesses externalise. If the financial returns are not competitive, it is nearly impossible to attract large-scale capital in our current economic paradigm.

Social economy investment tax credits seek to close this gap in financial returns to investors. The idea would be to provide a tax credit to investors who invest in the social economy. Essentially, the government would become a co-investor in the social economy, allowing the financial returns to flow fully to individual investors. Québec has had great success with their tax credit for investing in cooperatives, which offered a 50% tax credit on investments of up to $2,500 per taxpayer. The investments were considered venture capital, and had to be held for seven years. In its first five years, the program attracted $572 million of capital and invested in 178 cooperatives. The Québec provincial government renewed the tax credit in 2006 for an additional $150 million, at a 35% credit rate.[19] There are many leaders in the social economy that would like to take this idea to the federal level, and broaden the criteria to include all social economy organisations. Recently, former Prime Minister Paul Martin has taken up the cause[20], crossing the country speaking to social economy leaders, including convening a meeting with Vancity and BC social enterprises in February 2008 to discuss policy options and next steps.

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[19] L. Roquet, Canadian Cooperative Association Conference, June 10, 2006. www.**coop**scanada.**coop**/congress2006/presentations/C_Roquet.ppt

[20] Bruce Campion-Smith, "Martin touts `social enterprises': Former PM urges tax incentives to spur investment when bottom line is community's good", Nov 08, 2007 http://www.thestar.com/article/274674

Conclusion

In order to transition to a sustainable economy, we must find ways to support and reward more than pure financial returns. The Nonprofit Capital Market offers the beginnings of a model for a capital market that invests in sustainable wealth creation. However, there is much work left to do if this capital market is to represent a viable alternative and provide sufficient capital for social economy organisations to grow to significant scale.

There is a very significant learning curve facing organisations who wish to seek triple bottom line returns as opposed to simple profit maximisation. This learning curve can be shortened and risks can be mitigated through the sharing of best practices -- regionally, nationally, and internationally -- and the provision of technical assistance. Equity, or equity equivalents such as patient capital, is another major gap that must be filled. Foundations and alternative investors can meet a portion of this need now, but for any large-scale capital market, significant government incentives such as tax credits will likely be necessary to attract large amounts of capital from the public. Lastly, there must be a sufficient market for goods and services that social economy organisations produce. This can be achieved through voluntary social purchasing policies, government contract set asides, and other market development efforts.

Indeed, a comprehensive policy infrastructure -- including technical assistance, investment tax credits, and market development -- developed at the national level like that of the United Kingdom is recommended for effectiveness, risk mitigation, and relative speed of rollout. If Canada were to commission an expert panel to develop recommendations for such a policy infrastructure to address these gaps and barriers, there is considerable potential for the Canadian Nonprofit Capital Market to grow to the scale needed to support a vibrant social economy, generating significant economic, social, and environmental returns for Canadian society.

Appendix A: A Brief Literature Review on the Nonprofit Capital Market

<u>Overviews of the Nonprofit Capital Market</u>

The US Nonprofit Capital Market by Jed Emerson

Jed Emerson is the past Executive Director of the Roberts Enterprise Development Fund, or REDF, an international leader in social enterprise development and research. This article is actually a chapter from a REDF publication called "REDF Box Set — Social Purpose Enterprises and Venture Philanthropy in the New Millennium."

The article **maps the structure and functioning of the US nonprofit capital market**, drawing parallels to the for-profit capital market. Emerson highlights two key differences between the for-profit and nonprofit capital markets:

- **Lack of equity in the nonprofit capital market**: the legal structure of nonprofit organizations in North America prevents them from offering equity shares; additionally, the market for such equity shares would be limited, as they are not able to provide a financial return on equity investment.
- **Nonfinancial returns on investment**: investors in the nonprofit capital market are seeking social and/or environmental returns primarily, and sometimes a (reduced) financial return.

The article identifies actors and investors in the nonprofit capital market, and gives an overview of investment instruments available, mapped to the stages of development of a nonprofit organization. **Venture philanthropy**, a form of engaged philanthropy using management principles from the for-profit venture capital market, is discussed as an emerging trend. Lastly, Emerson gives an overview of the **challenges** that the developing nonprofit capital market faces, including: the absence of market standards, lack of proven "return on investment", market fragmentation, and going to scale.

The Social Purpose Capital Marketplace: An Opportunity for the Canadian Charitable Sector by Coro Strandberg

Coro Strandberg is an expert in sustainable business in British Columbia. This article was written for Tides Foundation Canada.

This article gives an overview of the **"social purpose capital market place" in Canada**. Strandberg defines the social capital marketplace as "the space on the financial continuum between high financial value and no social value returns (traditional financial investment vehicles) and no financial value but high social returns (grants)."

It provides good statistics on the state of the social purpose capital market in Canada, but particularly **focuses on the charitable sector**, with less attention given to unincorporated nonprofits, social enterprise, for-profit social purpose ventures, etc. The article first outlines some **drivers and trends** in this market, including: new wealth and venture philanthropy; the growth of Socially Responsible Investment and Community Investment initiatives; mission-based investing, or program related investments for foundations; the growth of social enterprise; and the growth of social finance instruments. It then describes the Canadian charitable sector and Canadian foundations, including data on their **scale and revenue makeup**. Lastly, Strandberg identifies **barriers** in this market, including: low awareness, poor information, limited incentives for investment, high transaction costs, regulatory and fiduciary issues, and lack of development of infrastructure.

In conclusion, Strandberg outlines her recommendations for advancing the social purpose capital marketplace:

• Map and build out the social purpose capital market infrastructure

• Promote human capital development for social financiers and entrepreneurs

• Develop and implement education, awareness and engagement strategies for capital providers

• Expand capacity-building for capital users

• Construct and advocate for a social finance public policy agenda

Social enterprise in OECD Member countries: What are the financial streams?
Margie Mendell, Concordia University, Montreal, Canada
Social Enterprises In An Evolving Economy.
From Non Profit Organizations To Social Enterprises
Bucharest, Romania 13 June 2007

This PowerPoint presentation gives a user friendly, but rigorous, overview of the social purpose capital market in Canada, as compared to OECD member countries. The role of government, innovative policies, current practices, and sources of financing are compared.

Overviews of Canada's voluntary sector

Caring Canadians, Involved Canadians: Highlights from the 2004 Canada Survey of Giving, Volunteering and Participating
Michael Hall, Imagine Canada
David Lasby, Imagine Canada
Glenn Gumulka, Imagine Canada
Catherine Tryon, Statistics Canada
June 2006

The title is pretty self-explanatory; this has great statistics (although from 2004) on Canadian donations, volunteering, and participation in the social economy. Key finding: "over 22 million Canadians – 85% of the population aged 15 and over – made a financial donation to a charitable or other nonprofit organization in the 12-month period covered by the CSGVP. The amounts donated totalled to $8.9 billion with donors giving an average of $400. The bulk of these donations were provided to religious organizations (which received 45% of all donated dollars), health organizations (14%) and social services organizations (10%)."

The Canadian Nonprofit and Voluntary Sector in Comparative Perspective
Michael H. Hall
Cathy W. Barr
M. Easwaramoorthy
S. Wojciech Sokolowski
Lester M. Salamon
© 2005 Imagine Canada

This article is a report on Canada's nonprofit and voluntary sector, coming from the Johns Hopkins Comparative Nonprofit Sector Project, which compared data on the social economy from 37 countries. It provides great statistics on the scale of the social economy in Canada, which is (proportionately) the second largest social economy in the world, representing 6.8% of the nation's GDP and employing 12% of the economically active population. The article also provides statistics on government and other sources of financing for the social economy, finding that Canadian nonprofits receive more government support than nonprofits in most other countries. According to the authors, Canada is a hybrid of the “welfare partnership model” of civil society development (the Netherlands, Belgium, France, Germany, and Ireland) and the “Anglo-Saxon model”, which makes sense historically.

Social Return on Investment

SROI methodology: Analyzing the Value of Social Purpose Enterprise within a Social Return on Investment Framework
Roberts Enterprise Development Fund (REDF), 2001

This article describes REDF’s method of determining the "social return on investment" produced by social enterprises within their portfolio. The idea is to develop a method of assessing social impact so that different social enterprises can be compared in terms of achievement of their mission. The SROI Framework uses a discounted cash flow analysis to monetize the economic value of social impacts achieved by the social purpose enterprises. This monetized social value is then consolidated with the economic value created by the same social purpose enterprises to come to an approximation of the enterprises’ "blended" return on investment.

Outputs to Impact: Using the SROI Framework to Inform and Advance Social Policy Decision-Making and Program Design
Outcomes and Best Practices in Creating Social Change Conference
Calgary, AB, 2007
Stephanie Roberts

This is a PowerPoint presentation on determining social return on investment, with a focus on Calgary examples including: Getting out to Work, AIDS Intervention, Gateway, Women Building Futures, and Safe Haven. Nice practical examples of the calculations.

Sources of Financing for the Social Economy

Social Enterprise Fund - Business Case
Anna Bubel (Edmonton, Calgary)
Revised Febuary 2007

This is a great background document describing the business case for the Edmonton Social Enterprise Fund, which opened for business in February 2008. Lots of data on the demand for social purpose capital in Alberta, and detail on how the fund could work.

Desjardins Capital régional et coopératif
Presented by Louis L. Roquet
President and COO, Desjardins Venture Capital
Canadian Cooperative Association Conference – June 10, 2006

This is a presentation on the partnership between the Québec government and Desjardins to provide a capital fund for Québec cooperatives, funded in part by the Québec government's tax credit for investment in cooperatives. It includes specifics on how the government tax credit works, and results from the first five years of the fund.

Investing in Change: Mission-Based Investing for Foundations, Endowments and NGOs
by Michael Jantzi Research Associates Inc.
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This article, written by one of Canada's leading socially responsible investment research groups, gives an overview of the concept of "Mission-based investing". Mission-based investing involves aligning the investment strategy of organizations with endowments (churches, universities, foundations, etc.) with those organizations' social missions. For example, an environmentally-focused organization might wish to orient its endowment's investment strategy toward investing in companies that have superior environmental practices, as well as using a portion of the endowment to provide venture capital for environmental organizations. Mission-based investing as defined here involves four pillars: investment screening, shareholder action, community economic development, and social venture capital. The article addresses the financial and legal implications of developing a mission-based investing strategy, and provides guidance to organizations on how to begin. Mission-based investing, especially the community economic development and social venture capital pillars, could be a significant source of capital for the social economy in Canada.

Equity-Like Capital for Social Ventures
Bridges Community Ventures
September 2004
Author: Laura Howard
Editor: Michele Giddens

"BCV is the UK's first community development venture capital company, established to invest in ambitious businesses in the most under-invested parts of England (www.bridgesventures.com)." Note that BCV works in the for-profit side of the spectrum of social economy organizations, so some of the views in this article may not be fully relevant to Canada's social economy, or this project. However, this article (actually a well annotated PowerPoint presentation) gives a good overview of the equity gap in the social economy, and what could be done about it, while drawing rigorous parallels with the practices of the for-profit venture capital market.

Developing a Social Equity Capital Market
2006, nef (the new economics foundation)

This is a very informative report conducted by nef in the UK to investigate the potential to develop a social equity capital market (e.g. a secondary stock market for the social economy). Nef is a leader in social economy research in the UK, and the UK is itself a global leader in supporting the social economy in general. The report is particularly interesting because it includes in the appendix transcripts of interviews with 23 social economy experts in the UK, so you can read each experts' personal opinion, as well as the story of each social economy organization. The article provides an overview of the opportunity, the many challenges, and the resulting recommendations for creating a successful social equity capital market.

Community Investment Tax Relief: A Guide for Investors
Prepared by the Community Development Finance Association (cdfa)
April 2003

This brochure explains, in user friendly language, UK's Community Investment Tax Relief (CITR) program, which provides a 25% tax credit for investments made in accredited Community Development Financial Institutions (CDFIs), which in turn invest in social enterprises. The investment is required to be held for at least five years, with 1/5 of the tax benefit being applied each year, and may be in the form of equity or debt. A similar tax credit is in effect in Québec, for investment in cooperatives. A tax credit for investment in social enterprise has recently been promoted in British Columbia and at the federal level.

Appendix B: Canadian Foundations in order of endowment size

- Fondation Lucie et André Chagnon (+$1.30 billion)
- Vancouver Foundation (+$600 million)
- J.W. McConnell Family Foundation (+$470 million)
- The Hospital for Sick Children Foundation (+$470 million)
- The Winnipeg Foundation (+$340 million)
- Fondation Marcelle et Jean Coutu (+$220 million)
- The Calgary Foundation (+$210 million)
- Jewish Community Foundation of Montreal (+$190 million)
- The Edmonton Community Foundation (+$140 million)
- The George Cedric Metcalf Charitable Foundation (+$130 million)
- Fondation J. Armand Bombardier (+$120 million)
- Donner Canadian Foundation (+$100 million)
- Chastell Foundation (+$100 million)
- R. Howard Webster Foundation (+$90 million)
- The EJLB Foundation (+$80 million)
- The Kahanoff Foundation (+$80 million)
- F.K. Morrow Foundation (+$70 million)
- J.P. Bickell Foundation (+$70 million)
- Lawson Foundation (+$70 million)
- The Physicians' Services Incorporated Foundation (+$70 million)
- Walter and Duncan Gordon Foundation (+$60 million)
- Atkinson Charitable Foundation (+$50 million)
- Fondation J.-Louis Levesque (+$50 million)
- Laidlaw Foundation (+$50 million)
- Max Bell Foundation (+$50 million)
- The Macdonald Stewart Foundation (+$50 million)
- The Muttart Foundation (+$50 million)
- The Richard Ivey Foundation (+$50 million)
- The Samuel and Saidye Bronfman Family Foundation (+$40 million)
- The New Brunswick Innovation Foundation (+$35 million)
- Kinnear Foundation (+$30 million)
- Peter Munk Charitable Foundation (+$30 million)
- The Molson Foundation (+$30 million)
- The W. Garfield Weston Foundation (+$30 million)
- Claridge Foundation (+$20 million)
- Eldee Foundation (+$20 million)
- John Dobson Foundation (+$20 million)
- Vancity Community Foundation (+$20 million)
- Fondation J.A. De Seve (+$10 million)

(source: Wikipedia, as of 2004)