



**THERE ARE NO FREE LUNCHES**

Mission-based Investing: Tales from the Trenches

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- Mission Based Investing and Social Capital have been receiving a lot of press lately:
  - According to data collected by the Canadian Social Investment Organization (SIO) there is a total of **\$4.45 billion** impact investing assets
  - *Canadian Task Force on Social Finance* recommended that foundations invest 10% of their assets in impact and mission-related



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- *But questions remain at the macro and micro level*
  - What is a social enterprise?
  - How does social investing fit within an organizations overall mission?
  - Financial vs. Social Return?
  - What is the role of government in this sector?
  - What are the capital requirements of the sector?



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- *What is a social enterprise?*
  - “Business ventures operated by non-profits, whether they are societies, charities, or co-operatives. These businesses sell goods or provide services in the market for the purpose of creating a blended return on investment, both financial and social. Their profits are returned to the business or to a social purpose, rather than maximizing profits to shareholders” \*
  - This definition is not universally shared – each organization is going to have to develop their own definition

\*Enterprising Non Profits Definition



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- *How does social investing fit within an organizations overall mission?*
- What mission objective is met through social investing?
- Why does social investing make sense for this organization?
- Is there a conflict with other objectives?
- What resources is the organization willing to put towards social investing?
- Have all the opportunity costs been well considered?
- Does the organization have the capacity to make solid investment decisions and manage its investments?



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- *Financial vs. Social Return?*
  - Are the right tools in place to measure and analyze investment risk?
  - What is the minimum financial return acceptable to the organization?
  - What is the expected social return?
    - How will it be measured?
    - How will it further the organizations strategic objectives?
  - What will be the impact on the organization if Financial and Social Return Objectives are not met?



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- *What is the role of government in this sector?*
  - Subsidize transaction costs (Grants)?
  - Create a market (Securities Regulation)?
  - Improve returns (Tax Credits)?
  - Lower Risk (Guarantees)?
  - Provide Capacity Building (Sector training)?
- *Where are these resources going to come from and will this have an impact on government financing of the sector directly?*



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- *What are the capital requirements of the sector?*
  - “*Local Ventures Need Millions Invested to Tackle Social and Environmental Problems*” was the headline that accompanied the release of the Social Finance Census
  - Report goes on to say that \$170 m is required
  - Major barrier to success was access to capital
  - Is this the only barrier or is the issue more complex?



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*What are the capital requirements of the sector – CAIC's perspective*

- Key Elements of Success
- Understanding of where capital is needed and would be most useful
- Capacity Building is the key ingredient
- Capital
  - Enterprise Grants
  - Patient Equity
  - Other Low Cost forms of capital



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*What is needed next?*

1. Agreed definition of Social Enterprise
2. In depth understanding of the sector's capital/capacity requirements
3. Clear vision on what capital can do and can't do for the sector – including an analysis of potential negative impact
4. Investors who are clear on their objectives and have realistic expectations on risks and rewards

