



Public Policy Profile

POLICY: Social Venture Fund

JURISDICTION: Ontario

DATE IMPLEMENTED: Not yet implemented

INTENDED OUTCOME: The Ontario Social Venture Fund is intended to help “find innovative solutions to difficult social problems and improve social outcomes” by addressing the question of how best to provide access to new sources of capital for entities doing ‘social purpose’ work (Breaking the Cycle: Ontario’s Poverty Reduction Strategy). Access to equity investment is an important tool that will support new and innovative enterprises in scaling up. However, the regulatory framework in Canada limits the ability of many social enterprises to access traditional forms of financing by limiting their activities to either non-profit or for-profit activities. Other jurisdictions, such as the UK (through the CIC or Community Interest Company) and the US (through the L3C or Low Profit Limited Liability Corporation), have reformed their regulatory frameworks to recognize the ‘hybrid’ space that many social enterprises occupy, thereby easing access to traditional sources of capital. In addition, the US Office of Social Innovation and Civic Participation has announced a \$50 Million Social Innovation Fund to achieve this very purpose.

The Fund is also intended to address the unique issues facing social purpose businesses and social entrepreneurs in seeking access to capital. As Allyson Hewitt, Director, Social Entrepreneurship at MaRS notes, there is a growing recognition of the needs of social enterprises in accessing capital that are being addressed through initiatives such

as the Edmonton Social Enterprise Fund, the Enterprising Non-Profits (ENP) program in B.C. or other loan financing opportunities increasingly available to non-profits. However, there is a new generation of socially minded entrepreneurs who are interested in using the tools of the market to ‘make a difference’ throughout their career. These new social entrepreneurs also face unique barriers to accessing traditional forms of investment as most investors and financial institutions remain unfamiliar with the ideas of a double or triple bottom line. MaRS seeks to harness the energy of this unique hybrid space by leveraging the unique skills and abilities of the non-profit and for-profit sectors.

BRIEF DESCRIPTION

The Ontario Social Venture Fund is envisioned as a \$20 Million capital fund that would provide support to social enterprises and social purpose businesses collectively known as social ventures, in the form of access to capital through equity investment or loans.

WHY IT IS IMPORTANT TO A PEOPLE- CENTRED ECONOMY

According to Hewitt social finance is fundamental to the development of a people-centred economy because “we can’t continue to rely on traditional grants and donations to deal with the overwhelming social and ecological challenges that we are facing as a country...The challenges we face are huge and we need to mobilize all sectors to address them. We need to think about how we use these

resources to achieve an objective that is beyond financial and at its core considers the environmental and social issues that we face.” And further, “if we are committed to a world that recognizes both financial and social impacts, then we need to create an environment where there is access to new capital” for enterprises engaged in this type of work.

TIMELINE AND NEXT STEPS

Plans for the development of a Social Venture Fund in Ontario were first announced in the Ontario Liberal Party’s platform in September 2007, which stated that the party intended to “create a social venture capital fund at Social Innovation Generation (SiG@MaRS) to find new solutions to difficult social problems.”¹ However, the creation of the Fund was soon after delayed as part of an attempt to achieve budget savings in 2008-2009. Then, in December 2008 the Ontario Liberal Party renewed its commitment to the social venture fund in its report *Breaking the Cycle: Ontario’s Poverty Reduction Strategy*. Specifically, this report indicated that “as a down payment to the Poverty Reduction Strategy, [the Government of Ontario is] committed \$20 Million to develop a Social Venture Capital Fund.”² While the government has not yet taken any action towards the creation of the Fund, practitioners remain

1 Ontario Liberal Party (2007). *Moving Forward Together: The Ontario Liberal Party Platform*. Ontario: Author.

2 Government of Ontario (2009). *Breaking the Cycle: Ontario’s poverty reduction strategy*. Toronto: Author.

hopeful that the Fund remains a possibility, especially if matching funding is found. The recent development of Causeway, a task force on social finance similar to the one implemented in the UK ten-years ago is seen as a possible opportunity to re-focus attention on this issue.

However, even the successful creation of a \$20 Million Social Venture Fund is only a partial solution. It will be important to ‘scale up’ the Fund beyond the \$20 Million mark, because experience has demonstrated that investment funds require capital in the magnitude of \$150 Million to begin achieving economies of scale and significant returns.

Thus Hewitt argues, it is important for the social finance sector to continue to work together and to consider structures that would allow for the combination of investment from a variety of sources including: foundations, other social innovation funds, and private investment. The initial investment was intended as a “catalytic” one to demonstrate the viability of the model in order to leverage support from more traditional players.

INTERVIEWS

Allyson Hewitt, Director, Social Entrepreneurship, MaRS Discovery District; with information from John Brodhead, former Senior Policy Advisor for infrastructure, transportation and social policy - Office of the Premier, Ontario Dalton McGuinty.

FOR MORE INFORMATION

www.marsdd.com

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