

New avenue to fund social and environmental change

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So many social and environmental problems. So little money.

That is the challenge facing groups and individuals dedicated to tackling climate change and entrenched poverty at a time when governments are feeling constrained by public debt and rising deficits.

Enter the Social Venture Exchange (SVX), a concept similar to the Toronto Stock Exchange, designed to connect socially minded investors with social or environmental ventures making a positive impact in their communities.

“The idea is to mobilize private capital for public good within a strong public policy environment,” says Adam Spence, who developed the concept in 2007 when he was head of the Ontario Association of Food Banks. Since 2009, Spence has been leading the effort at Toronto’s MaRs Centre for Social Innovation Generation.

“The goal is not to replace government funding, but to grow the pool of capital available to support more social and environmental enterprise,” he says.

The concept, endorsed by the province in its 2008 Poverty Reduction Strategy, began as a pilot project last fall with \$109,000 from the provincial research and innovation ministry. The TMX Group Inc. (owners of the Toronto Stock Exchange) are collaborating on the initiative with the support of Torys LLP, Causeway Social Finance, Imagine Canada, and others.

Subject to approval by the Ontario Securities Commission, the project is set to launch online at the end of September.

The short-term goal is to raise at least \$2.5 million for 10 new social ventures and list at least 50 investment opportunities by September 2012.

The exchange will allow investors to share due diligence, collaborate on deals and identify high quality, pre-screened, investment opportunities and ventures, says Kevin Doyle, director of corporate strategy for the TMX Group and a key player in the project.

For social entrepreneurs, the SVX will give them increased access to capital and financial expertise.

Traditionally, investors maximize their returns and donate a portion of those profits to charity, says Doyle. The SVX responds to the growing interest among investors to integrate their investing and giving by taking lower returns — or no return — on ventures that help the community.

“Why wouldn’t I consider making slightly less, but know that my money is doing good — to get homeless people off the street or employ troubled youth?” he adds.

Among the Toronto-area ventures hoping to list on the exchange is YWCA Toronto’s Elm Centre, a 300-unit affordable housing complex to help women-led families, aboriginals and those suffering from addiction and mental health problems. The agency is looking to issue a \$1 million community bond through the SVX to offset its anticipated \$31 million mortgage for the building which opens open later this summer. Interest paid to bond investors will come from rents, says Lois Fine, the YWCA’s director of finance and information technology.

“It’s a safe bet for investors and we’ll be paying a lower interest rate than our mortgage,” she explains.

“It also gives us a chance to explore a new funding option for the future and to support the SVX, which we believe is a very interesting initiative.”

For small charities that offer micro-credit such as Access Community Capital Fund, listing on the SVX means gaining access to money from large institutional investors.

“Institutional investors are much more difficult to reach on our own as a small non-profit,” says Alex Kjørven, development manager of the fund which provides loans of up to \$5,000 to budding entrepreneurs who don’t have the credit history to get money from traditional lenders like banks or credit unions.

“It’s a terrific opportunity for us,” she says.

SolarShare, a Toronto-based non-profit co-op that allows Ontarians to invest in community-based solar energy installations across the province, wants to raise between \$3 million and

\$10 million through community bonds listed on the SVX and sold in the community to individual investors.

Tiffinday, a company that delivers about 150 vegetarian Indian lunches a week to workplaces in downtown Toronto, hopes to list on the exchange to raise capital to grow to 100 lunches a day and eventually franchise to other communities. The for-profit venture is eligible to invest in because most employees and contractors come from socially disadvantaged groups. The company also sources ingredients locally whenever possible and uses reusable packaging.

Research and Innovation Minister Glen Murray says the SVX — believed to be the first of its kind in North America — is a watershed moment for social innovation in Canada.

“It’s raising awareness in the business community that social innovation isn’t a frill — it is very serious business.

“Not only does it offer a good return on investment, it is transformative,” he says. “It’s investment that changes social conditions and alleviates social problems.

“It is the most exciting idea I’ve heard of in a very long time.”