
The tipping point for impact investing

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Author: Sara Lyons and Hilary Pearson

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This article coincides with the release of a new [impact investing guidebook](#) designed to help Canadian foundations begin investing their capital for greater impact.

We are at a tipping point for impact investing by foundations in Canada. A growing number are using this approach to support organizations and projects that share their mission. They are investing more capital to address issues such as sustainable food production, renewable energy and adjustment to climate change, affordable housing – to name a few – while also making a financial return.

Many pioneering community, family, and independent foundations are well out of the gate with sophisticated strategies to build impact investing into their organizational practice. They have shared, learned, experimented, and re-invested. This wave of early adopters has cleared new ground for others to participate.

Canada's 10,000 public and private charitable foundations, with combined assets of close to \$40 billion, could be important investors when it comes to building needed social purpose ventures in Canada. More and more foundations are moving to set aside of anywhere between 5% and 10% of their portfolios for such investments. And the market is growing.

Why impact investing?

Impact investing complements the mission-related impact of grantmaking. Through impact investments, foundations can target positive social and environmental impact alongside a financial return. This approach has a range of benefits. For example, foundation endowments can, amongst other things:

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- Support small scale social entrepreneurs;
 - Grow the stock of green, urban, and social infrastructure like affordable housing that our cities and communities need;
 - Help charities with capital needs and cash flow challenges;
 - Support the switch to sustainable energy;
 - Bring mission-aligned capital into partnerships with government and the private sector;
 - Aim capital towards gaps in financing, such as for newcomers to Canada, Indigenous communities, and women; and
 - Work at bigger scales and over longer terms.

Canadian foundations already investing for impact

Impact investing practices for Canadian foundations have shown growth over the past 10 years. For example, starting with a 3% goal for its assets invested for impact, the Lawson Foundation has built a portfolio of investments, including a significant purchase of a community bond offered by Innovation Works in London, Ontario and a co-working space for a variety of charities and social enterprises.

Meanwhile, the Ottawa Community Foundation is supporting affordable housing in Canadian cities through a \$1 million equity investment in [New Market Funds](#) and an equal commitment to the Community Forward Fund, which makes loans to non-profits.

Edmonton Community Foundation has collaborated with the City of Edmonton to create a Social Enterprise Fund that has made more than 40 loans in Alberta. Very recently, it made \$10 million in financing available through the new Community Development Corporation (that it also co-incubated and co-governs) to support new housing, employment, and neighbourhood redevelopment in targeted areas of the city.

Closing the gap

Despite this activity and momentum, it's clear that we still at the starting gate. A majority of Canadian foundations are not on track to meet a 2010 recommendation by the Canadian Task Force on Social Finance to direct 10% of capital towards impact investing. Some, however, are looking to begin their impact investing journey with the right tools and partners. Recent research by Community Foundations of Canada found that while *most* of the 191 community foundations in Canada do not currently have an impact investing strategy, one third of those organizations without a plan in place intend to change that in the next 24 months. There is pent up interest in practical steps and steady advice to help foundations manage innovation within their organizations. With the right energy, tools, and opportunities we can move ahead quickly and at scale.

Over the past year, Community Foundations of Canada, Philanthropic Foundations Canada, and Purpose Capital have been collaborating on a project to respond to what we see as a need for more dedicated resources rooted in the practical day-to-day realities of foundations and impact investors. This collaboration has resulted in a [new Impact Investing Guidebook](#) aimed at Canadian foundations that are ready to begin using their assets differently, learn more about impact investing, and develop strategies to engage with it.

As well, this partnership between our three organizations responds to a gap: the need for more

customized support. The most successful foundations in the first wave have been working with experts and advisors to frame their investment strategies. As foundations take on impact investing, they are adjusting their staffing and governance, and creating new operational pathways inside their organizations. Many foundations cannot afford customized external support to make these transitions. Together, the three lead Impact Investing Guidebook partners have spent much of the past year conducting surveys, focus groups, and interviews to create a helpful resource for the sector. In addition, customized advice will be available through a coaching service at preferential rates for member foundations.

This new guidebook will fill an information and action gap for many foundations. We hope that it will be of significant help to the next wave of foundation impact investors in Canada and add to the momentum that we are seeing develop in this field. Continuing to move forward, and “tipping over,” is critical since impact investing provides strength to key directions in Canadian philanthropy and the broader Canadian conversation about social change. Other ingredients are also needed, including continued collaboration with product developers and managers to connect supply and demand. This includes cooperation with governments at all levels to help shape the market and align incentives. The federal government’s current Social Innovation and Social Finance Steering Group is a great example of one opportunity to build and enable creative collaboration.

As we focus on larger and more complex goals, for example making progress towards the Sustainable Development Goals, we need to mobilize our resources to the fullest extent possible. Impact investing can become an important tool in our work on environmental and social priorities, in collaboration with other sectors. And finally, in a changing world where charities are increasingly earning revenue and taking on debt, and we see social enterprise and social purpose business taking off, foundations must shift their own cultures, practices, and capacities to align with new opportunities.

The Impact Investing Guidebook has been developed in partnership between Community Foundations of Canada, Philanthropic Foundations Canada, and leading impact advisory firm Purpose Capital, with additional support from Miller Thomson, Employment and Social Development Canada (ESDC), Edmonton Community Foundation, Fondation Lucie et André Chagnon, Genus Capital, and input from many Canadian foundations. For more information visit impactinvesting.ca/foundations.