



Social Economy Consultations in Western Canada

Summary Report

Western Economic Diversification Canada

June 2005



Introduction

Western Economic Diversification Canada (WD) is responsible for the design and delivery of new programs to support the social economy in Western Canada. To inform the development of these programs, WD consulted with social economy organizations across the West about their needs and common approaches, and preferences for program delivery.

Consultations were organized by WD regional offices to ensure input are received from communities and organizations in each of the four western provinces. To engage the community in their respective provinces, each regional office hired a facilitator who designed their own consultation process.

Definitions of key terms used:

- **Social Economy:** is a grassroots, entrepreneurial, not-for-profit sector based on democratic values that seeks to enhance the social, economic, and environmental conditions of communities, often with a focus on its disadvantaged members. The social economy is sometimes seen as occupying the space between the private sector and government, where collective action is used to advance community interests.
- **Social Economy Organization:** defines any organization that is engaged in the social economy.
- **Social Economy Enterprise:** is one component of the social economy that is run like a business, producing goods and services for the market economy, but manages its operations and redirect its surpluses in pursuit of social and community goals. Social economy enterprises often emerge out of community economic development strategies that involve citizens, governments, the voluntary sector, businesses, education institutions and others working together. The social contributions of these enterprises are as diverse as affordable housing, skills development, promotion of civic participation, and solution to local environmental challenges.



Chronology

- February 2004** The Speech from the Throne makes the Social Economy one of the new priorities for Canada and the federal government commits to foster its development by creating the conditions for its success and an environment that fosters its growth.
- March 2004** In Budget 2004, the Government of Canada announces four initiatives that specifically refer to the Social Economy. Western Economic Diversification Canada is given the responsibility to develop and deliver a capacity building program to community economic development organizations and to increase access to financing to social enterprises in the West. The other Regional Development Agencies (RDAs - Industry Canada/FedNor, Atlantic Canada Opportunities Agency, and Canada Economic Development for Quebec Regions) are responsible for program design and delivery elsewhere in Canada. Social Development Canada (SDC) will develop a broad national social economy policy framework to support the further development and growth of the sector.
- November 2004** Cabinet approval of the policy framework for social economy initiatives. The RDAs, including WD, start to plan community consultations.
- January – February 2005** WD holds Community consultations were held across Western Canada.

Overview

Formal consultations were undertaken in Winnipeg, Regina, Saskatoon, Edmonton, Red Deer, Calgary and Vancouver in January and February 2005. An additional telephone consultation was held with residents of northern and rural Manitoba. Approximately 200 participants who attended these meetings include members of social economy organizations, representatives from other levels of government (federal, provincial and municipal) and WD officers.

The participants represented a cross-section of the social economy sector: rural and urban communities, Official Languages Minority communities, Aboriginal organizations, women's groups, umbrella organizations, WD partners, and financial institutions. The Honourable Eleni Bakopanos, Parliamentary Secretary to the Minister of Social Development with special emphasis on Social Economy, participated in the consultations in Calgary and Vancouver.



Although each facilitator hired by WD regional offices designed their own consultation process, all consultations sought to answer the following key questions:

1. What will success look like at the community level? How will we know if these initiatives – i.e. capacity building, financing – have had a positive impact in the community?
2. Who are the key target groups served by social economy organizations and social enterprises in your communities/province?
3. What are the priority needs of the target groups and the organizations that serve them, where are the gaps and what opportunities do you see to improve programs/services?
4. What types of projects/activities do you think are required to address the needs/opportunities/gaps?
5. What features would you like to see in financing products for social enterprises?
6. What is the current capacity of organizations within the community/province to deliver programs/services to this sector?
7. What should main objectives be for WD when designing capacity building and financing support for this sector?
8. How do you feel WD can best identify and assess proposals? (e.g. approach existing organizations, consult with target groups, through our own networks/contacts, use of an advisory group, RFP)?
9. How and when should WD continue to engage with social economy organizations?

The following common themes that emerged from the consultations informed WD's program development:

1. What will success look like at the community level? How will we know if these initiatives – i.e. capacity building, financing – have had a positive impact in the community?

A shared vision of a social economy sector emerged as self-sustaining and less reliant on public or private sources of funding. Social economy organizations would be financially strong and self-reliant – allowing them to spend less time on raising funds and capital, and more time to pursue organizational mandates. The sector would be an accepted part of the Canadian economy – and there would be increased participation and collaboration among all levels of government, the private sector, the non-profit sector, and other related organizations.



Increased support for the social economy sector will also improve the quality of life for the constituent communities being served by the sector. Specific benefits include better access to services for marginalized groups (especially those living in poverty), increased education levels, more and better jobs for marginalized groups, and lower crime rates.

A combination of traditional and non-traditional measures will need to be used to evaluate the success of these specific initiatives to ensure the non-economic benefits of the program are recognized. One such indicator of success would be the availability of clearly identifiable social economy “success stories” – these stories could also be used to help build awareness of the social economy. At the community level, economic and other forms of revitalization would be an indicator of success, as would the increased usage of social economy services by the Canadian society.

2. Who are the key target groups served by social economy organizations and social enterprises in your communities/province?

The social economy sector serves a broad cross-section of the community across the west. Communities of interest identified included rural and urban areas interested in economic rejuvenation and redevelopment, organizations interested in skills development and increasing participation by marginalized groups, and other organizations focused on specific target groups such as aboriginal peoples and minority language groups.

3. What are the priority needs of the target groups and the organizations that serve them, where are the gaps and what opportunities do you see to improve programs/services?

Access to financing

The social economy sector has difficulty accessing funding. Banks and lending institutions are reluctant, or even unable, to lend to non-profit and non-traditional organizations, and governments may be unwilling to support for profit enterprises. These systemic barriers leave for profit social enterprises without access to government support and all social economy enterprises with limited or no access to traditional sources of financing.

Better understanding of the social economy sector

The Canadian society needs to be more aware of the social economy sector and its contributions. The non-profit and community economic development sectors also need to learn more about how they fit in to the sector. This also points to the need for a clear and understood language to identify and describe the social economy.



Improved networks

Collaboration among all parties, including the levels of government, is essential so that relationships in the social economy sector are strengthened.

Targeted training

Individuals working in the social economy sector should have the education and training they need to support their own social economy organizations and to help develop and grow other social economy organizations and social enterprises.

Flexible delivery

While there should be some consistency in social economy programs, some provincial flexibility is also needed to facilitate unique province-specific opportunities for social economy initiatives.

Participants recognized that the current initiative will not address all these priority areas, but noted that there is an opportunity for WD to identify areas where its current services could be expanded upon and other areas that could be addressed through the broader social economy policy framework being developed by Social Development Canada (SDC).

4. What types of projects/activities do you think are required to address the needs/opportunities/gaps?

For the Capacity Building Program, participants suggested that priority be given to projects that would be able to demonstrate success quickly and lead to long-term sustainability. Given the short time frame of the capacity building program, many participants recommended supporting multi-year projects. However, eligibility requirements should not preclude applications for targeted or more innovative proposals that could help traditional non-profit organizations become more entrepreneurial. Participants emphasized that all proposals must clearly demonstrate the support and involvement of the appropriate community.

The feedback on eligible activities was surprisingly consistent across the West. Participants in all regions spoke of supporting:

- the development of a social economy toolkit;
- activities that would build awareness and understanding about the social economy sector;
- the development of umbrella organizations and networks such as social economic provincial association or intermediary organizations established to carry out social economy initiatives;
- training and development, planning, access to technical advisory services, and support for other management/HR issues



Participants also suggested that capacity building programs could be linked directly to the financing program to provide pre- and post-loan support to increase the likelihood of success of social enterprises.

5. What features would you like to see in financing products for social enterprises?

All consultations indicated that social economy enterprises need access to a full range of financial instruments, ranging from equity and/or patient capital to operating lines of credit. These instruments should have flexible terms and conditions that reflect the unique challenges of the sector. Financing should be incremental to traditional financing currently available.

No clear conclusions were reached around the characteristics of financial instruments to be delivered. Participants did not agree on the appropriate level of interest to be charged; some advocate for interest free or non-repayable funds, while others support the provision of more traditional financial instruments with higher interest rates that reflect the high-risk level associated with social enterprises. A blended model was suggested at several meetings. With a blended model there would be no or limited repayment at start-up and a graduated program thereafter leaning towards more traditional financial instruments and repayment terms.

Participants encouraged WD to take advantage of private sector expertise in the development and implementation of the access to capital initiative. They recommended working with delivery agents who have experience in lending, can leverage additional funds, and have a track record of success in working with social economy organizations. The Department was also encouraged to look beyond the traditional financial community for the delivery of this initiative. Participants agreed that any new funding should be made available to organizations that cannot access capital from elsewhere and should not displace current resources that support the social economy.

For the program to be successful, participants agreed that financing must be accompanied by business supports, such as business planning, pre- and post-loan care and mentoring. Several sessions suggested this could be achieved by linking the capacity building program directly to the financing program. Participants also noted that offering these support services would increase the overhead costs of those delivering these financing programs.

The consultations highlighted the need for specific evaluation criteria that recognize the unique circumstances of social enterprises. They agreed that while traditional criteria, such as the ability of organizations to fully use capital financing, repay loans, and be self-sustaining are still valid measures of performance, other measures that pertain to the objectives of the social enterprise (e.g. asset creation, job creation, and



skills development) should also be used. Suggestions for alternative approaches to project evaluation included using a triple bottom line, which considers environmental and social returns in addition to economic returns, and considering the character of applicants.

Participants emphasized that government and delivery agents must be prepared to tolerate failure rates that are at least as high, if not higher, than for traditional small businesses. They also noted that the cost of failure of a social enterprise might be higher than for other businesses because this cost is borne not only by the *business owners*, but also by the social enterprise's client group who may lose a needed service. Participants cautioned that uptake of the financing program may be limited because of the willingness or ability of not-for-profit organizations to incur debt and/or reluctance by Board Members to become personally liable for debt.

6. What is the current capacity of organizations within the community/province to deliver programs/services to this sector?

The current capacity varies across Western Canada. Participants had differing opinions about whether existing infrastructure, such as credit unions, should be used to administer the financing program or whether new structures, such as community investment pools, should be developed.

7. What should main objectives be for WD when designing capacity building and financing support for this sector?

In approving projects for capacity building, WD was encouraged to focus on outcomes and impacts, and not on methodology and process. Repayment of loan funds is not enough for the initiative. To be a success, the supported organizations must be able to achieve their environmental and social goals as outlined in project proposals.

8. How do you feel WD can best identify and assess proposals? (e.g. approach existing organizations, consult with target groups, through our own networks/contacts, use of an advisory group, RFP)?

Participants asked for a streamlined application process that does not create unnecessary burden for the sector. They recommend increased cooperation among all levels of government so that unnecessary overlap and duplication of services can be avoided. The use of a two-step application process is recommended for the capacity building program in which interested parties submit a letter of interest and organizations are selected from within that pool to submit full proposals. Most groups recommended using some form of peer review to evaluate proposals.



9. How and when should WD continue to engage with social economy organizations?

All participants asked that WD continue to consult with the social economy sector. The community indicated an interest in maintaining a meaningful, ongoing role in the development of social economy programs for Western Canada. Suggestions ranged from community co-management, to involvement in the design, delivery and evaluation of programs, to engagement in priority setting.



The Social Economy in Canada

Background

Recent Speeches From the Throne have highlighted the importance of the social economy in encouraging a stronger Canadian economy and a higher quality of life. In the February 2004 Speech from the Throne, the social economy was made one of the new priorities for Canada and the Government of Canada committed to promote its development by creating the conditions for its success and an environment to foster its growth.

In Budget 2004, the federal government announced four initiatives that specifically referred to the social economy:

- **Capacity Building** – \$17M over two years with \$4.25M being allocated to Western Canada
- **Financing** - \$100M over five years with \$25M being allocated to the West
- **Improving access to federal programs/services for social economy organizations** by changing eligibility requirements and increasing awareness of available programs and services. This initiative is not funded.
- **Support for research on the social economy** - \$15M over five years to be provided to the Social Sciences and Humanities Research Council.

Western Economic Diversification Canada and the other RDAs will support Social Development Canada (SDC) and will participate as observers at the National Roundtable on Social Economy.

WD's Role in the Social Economy

The Department is mandated to promote the development and diversification of the economy of Western Canada. As the delivery agent of the social economy initiatives announced in Budget 2004 in Western Canada, WD will receive \$4.25M over two years to build community capacity for social economy activities and \$25M over five years to increase financing for social economy enterprises and/or to establish regional patient capital funds.

The Department's support will help develop links between core businesses, economic development, and social economy initiatives. As well, WD will assist SDC in developing a broad policy framework for the Social Economy.