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# Policy Proposals for Canada's Social Economy

Canada's economic, social and environmental realities present a mix of challenges and opportunities. Stubborn poverty rates and systemic underrepresentation of Aboriginal Peoples, women, and newcomers are barriers to prosperity for too many Canadians. And the balancing act between economic growth and environmental stewardship raises concerns about whether our children will have an ecologically stable and viable future.

Faced with these challenges, Canadians are changing the way we view our economy. The old divide between non-profit social services and for-profit entrepreneurship is blurring. Growing numbers of local entrepreneurs are creating democratic and sustainable economic alternatives that improve community well-being, aligning social and environmental responsibility with their obligations to shareholders and working for a more blended value.

Made up of entrepreneurial non-profits, co-operatives, and other forms of social enterprise, the **Social Economy** harnesses the power of entrepreneurship for social as well as economic goals. It provides local solutions and stability for our society's most vulnerable – from ensuring people with disabilities have meaningful employment to connecting new immigrants with the resources to succeed, and thousands of other examples. These organizations are showing how innovative enterprises can have a social impact that improves value for government investment. Despite its proven success, the Social Economy faces barriers that are unnecessarily holding it back from reaching its full potential for our communities and economy.

There are many low-cost, effective policy changes that the Federal government can make that will allow the Social Economy to expand its benefits for Canadians. This document presents some of the top priorities as articulated by leaders in the sector.

The track record of the Social Economy sector has shown that solving our social problems at the root through community-led economic development has consistently provided taxpayers with a sound return on investment.

*Developed in consultation with*



# Grow Social Economy Business

## 1. Ensure access to federal development programs is inclusive of various business models and types of incorporation.

Social Economy entrepreneurs are merging profitable enterprises with positive social change. Just as traditional entrepreneurs often need support, social entrepreneurs would also benefit from the many business development programs that exist. As demand for these innovative businesses increases, blended value businesses of all corporate forms will also have to scale up their operations.

*The Federal government should ensure that all forms of incorporation – including non-profit, social enterprise, and co-operatives – have equal access to existing government-supported business development tools.*

## 2. Create and fund a Social Economy Development Strategy.

Provincial governments have experience developing strategies to bolster the Social Economy sector – such as Québec's *Action Plan for Collective Entrepreneurship*, Manitoba's *Co-op Visioning Strategy*, or Ontario's *Impact: A Social Enterprise Strategy for Ontario*. These co-created strategies ensure government support to the sector is efficient and effective, strengthening the sustainability of local economies and communities.

The Social Economy – made up of social enterprises along with other non-profits and co-operatives – has a proven track record of providing innovative and flexible solutions to complex community challenges, from unemployment to crime reduction. It is in Canada's public interest that these enterprises grow.

*The Federal government should play a lead role in strengthening the Social Economy sector by creating one or more strategies to support non-profit social enterprise and co-op development.* These strategies would ensure government supports are getting the best return on investment available.

## 3. Create and fund on-going learning opportunities in social economy business planning, incubation and acceleration.

Building a stronger Social Economy and increasing its impact on our communities requires blended-value entrepreneurs to have opportunities to share and learn. Various engagement and learning opportunities have been successful, such as the Social Enterprise World Forum 2013 held in Calgary, or the Canadian Conference on Social Enterprise 2011 held in Halifax. Building upon and expanding these efforts will result in stronger returns from the Social Economy.

*The Federal government should create and fund on-going learning opportunities in social economy business planning, incubation, and acceleration through various engagement options and events.*

## Stimulate Investment

### 4. Support an Impact Investing Matching Program

All businesses need access to investment capital – an absolute must at start-up and in times of growth. Many blended value businesses are non-share incorporations which have few financial options beyond grants or standard loan arrangements. New forms of patient, investment-like capital pools are required for the blended businesses of the social economy.

There are currently a few Canadian examples of investment funds that support the Social Economy, such as the Chantier de l'économie sociale Trust Fund in Québec, and Vancity Credit Union's Resilient Capital fund. These investment funds have demonstrated success to support Social Economy entrepreneurs, and increasing the size and amount of these investment funds will strengthen the Social Economy.

A Fund, capitalized by the government, co-invested with private investors and co-managed by social economy partners, could support existing regional and sectoral funds to reach scale and catalyze the formation of new funds, such as the Canada Co-operative Investment Fund.

*The Federal government should create and support a Canada Impact Investment Fund, in partner with private, institutional and philanthropic investors.*

### 5. Create Tax Credits for Social Enterprise Development

Tax incentives for small-to-medium businesses can stimulate growth in targeted sectors of our economy, but most legislation and regulations for these incentives are limited to private businesses. These incentives should be extended to blended value businesses and all types of incorporation. Recent examples include the expansion of the small-business tax credit in New Brunswick to include blended value businesses, and Nova Scotia and Manitoba's tax credits that include eligibility for co-operatives.

*The Federal government should create tax credit incentives for blended value businesses, inclusive of all types of incorporation.*

## Leverage Procurement

### 6. Adopt social procurement as policy across all government departments.

The traditional government purchasing criteria of price, quality, and speed does not ensure government is getting the best value for its dollar. The Federal government can achieve a better return on investment if it considers blended value in its purchasing, which accounts for social, economic, and environmental outcomes.

Successful examples of targeted procurement can be found internationally, with the UK's *Social Values Act* and the European Union's social and environmental

procurement policies. Locally, we have seen success with the Federal Aboriginal Business Initiative to stimulate growth in underserved economies.

*The Federal government should adopt social procurement practices across all government departments, to ensure social, economic, and environmental value are calculated. This can include targeted purchases, supportive RFP criteria, and Community Benefit Agreements.*

## **7. Unbundle large government contracts.**

When governments issue large contract tenders for goods or services, it ensures that only large businesses have access to these revenue opportunities. Large contracts are inaccessible to many small and medium enterprises, including non-profits, co-operatives and other local social economy businesses. For the purpose of strengthening the Social Economy and increasing its impact on our communities, large government contracts should be unbundled into smaller contracts, thereby allowing more entrepreneurs to compete for the work.

*The Federal government should unbundle large procurement and service contracts, thereby allowing growing entrepreneurs in the Social Economy opportunity to bid.*

## **Modernize Legislation and Regulations**

### **8. Revisit governance legislation to allow blended value business more flexibility for generating profits and accessing capital.**

Present federal legislation and regulations create a division between for-profit and non-profit activities, and hinder non-profit organizations from adopting an entrepreneurial business model. This challenges organizations' ability to innovate, attract investment, and improve their financial stability. It also prevents non-profits from becoming less dependent on charity or government grants to fund their mission. Regulatory reform should include clarification regarding non-profit revenue generation.

*The Federal government, in consultation with the Social Economy sector, should re-examine the frameworks and regulations that blended value business operates within.*

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