



August 1, 2014

To: The House of Commons Standing Committee on Finance

Regarding: Pre-Budget Consultation Comments

From: Social Enterprise Council of Canada (SECC)

In response to the Minister of Finance's request the Social Enterprise Council of Canada (SECC) submits the following 2015 pre-budget comments to the The House of Commons Standing Committee on Finance.

The SECC represents social enterprise leaders from across Canada. We focus our efforts on building the entrepreneurial capacity of non-profit social enterprises. Social enterprises are a means to support non-profits to effectively deliver on their social mission and achieve financial sustainability.

The Council requests an opportunity to provide in-person testimony to the committee during the pre-budget hearings, either in Ottawa or Vancouver.

EXECUTIVE SUMMARY

The Social Enterprise Council of Canada agrees that a balanced federal budget is one of the tools the Federal government can use to provide all Canadians the opportunities to live and work in healthy communities while maintaining fiscal sustainability and economic growth.

To achieve these goals, the SECC suggests two policy stream priorities underscore the 2015 Federal Budget:

- 1) ***Leverage greater value from the existing expenditures:*** Adopt a Social Values Act across all ministries rather than relying on the traditional "taxes or cuts" approach to a balanced budget.
- 2) ***Support the development and growth of social enterprise businesses:*** Social enterprises operate to maximize social impact value rather than shareholder value – they contribute directly to maximizing the types of jobs, the health, education and training for vulnerable Canadians.

Social Enterprise Council of Canada 2015 Budget Recommendations

SECC proposals support all six themes for the 2014 pre-budget consultations.

Adopt a Social Purchasing Policy

Adopt a social purchasing policy with legislation that, similar to the UK's Social Values Act, requires social impact consideration in all government procurement.

- Add Community Benefit Clauses in all major development and infrastructure projects
- Include a social valuation criteria on all procurement Request for Qualifications, Request for Proposals and other purchasing processes
- Employment and Social Development Canada (ESDC) to establish a reporting, monitoring and reward system to assess and promote social value procurement throughout and across government.

Support Social Enterprise Business Development and Growth

Require that existing federally funded SME business development programs, loans and investments, and research & development resources specifically include and support all business corporate models, including non-profits, co-operatives, and hybrids (example, the British Columbia Community Contribution Company, CCC)

Ensure that the Canadian Business Network and other services have the required resources to support social enterprises as a component of their entrepreneurship and SME business development services.

Provide Supportive Public Policy

Rectify the current imbalance in the regulatory approach to non-profit and charitable business activities by improving Canada's taxation and regulatory regimes as it affects the capacity and success of social enterprise businesses.

Measure and Demonstrate Social Impact

Recognize and measure the unique and important role of blended value businesses in Canada, and provide allocation of funds within the ESDC budget to expand and continue this important research.

Develop Networks for Social Enterprise Business

Provide five years of financial support for a Non-Profit Social Enterprise Sector Council in Canada to build the capacity and strength of their impact in local communities. This will provide a Pan-Canadian network the opportunity to coordinate the business skills development, networking, and market expansion for the non-profit social enterprise sector.

SECC PROPOSALS FOR CONSIDERATION

Introduction

A balanced federal budget that insures fiscal sustainability and economic growth requires a systems view of budgeting. Such a budget process examines not just numbers, but measures performance outcomes and community impact.

A balanced budget includes a net savings analysis based upon “blending” the financial and social outcomes for communities.

Social Enterprise

Social enterprises are businesses operated by non-profit organizations that maximize social impact value rather than shareholder value. They accelerate their social mission impacts and contribute to the financial self-sustainability of the non-profit sector. They reinvest their surpluses into the business or further social value. Social enterprises comprise a valuable component of Canada’s Small / Medium Size business sector. They often are successful through the voluntary and in-kind contributions from Board participation and other community members.

Social enterprises contribute significantly to the economy and create employment opportunities, most often ***supporting families and helping vulnerable Canadians by focusing on health, education and training***. Social enterprises ***maximize the number and types of jobs for Canadians*** beyond the current labour market;¹ they provide childcare, access to health services, and support our seniors.

Social enterprises are blended value businesses that have a cross-ministerial economic and social impact.

¹ http://ccednet-rcdec.ca/sites/ccednet-rcdec.ca/files/ccednet/pdfs/inspiring_innovation-social_enterprise_in_ontario_by_ccednet-pgs.pdf;
<http://www.sess.ca/english/report/>;
www.socialenterprisecanada.ca

SECC'S Recommendations for the 2015 Federal Budget

Adopt a Social Purchasing Policy

Social purchasing leverages existing expenditures to create greater value.

SECC asks that the 2015 Federal Government budget implement a social procurement policy that will direct Public Works Government Services Canada (PWGSC) to work with all Ministry purchasing and contracting services to achieve best value for money for the Canadian tax payer. Such a budget would ***encourage and reward innovation and commercialization through social value considerations in contract design and blended value impact measurements for existing purchasing.***

To adopt a social purchasing policy with legislation that, similar to the UK Social Value Act model, requires social impact consideration in all government procurement:

- Add Community Benefit Clauses in all major development and infrastructure projects
- Include a social valuation criteria on all procurement Request for Qualifications, Request for Proposals and other purchasing processes
- Employment and Social Development Canada (ESDC) to establish a reporting, monitoring and reward system to assess and promote social value procurement throughout and across government.

We all know from your government's own initiatives and from the experiences around the world that the “demand side of purchasing” has the power to drive supplier behaviour and create amazing economic results. Building the capacity of the non-profit social enterprises in Canada will add social impacts, such as support to families and assist vulnerable Canadians by focusing on health, education and training.

If the government truly wants to purchase “value for money” the evaluation of purchasing decisions cannot be merely price, quality, green, and avoid risk. The assessment should also include a “create social opportunity” evaluation into procurement goals and processes. Effective purchasing policy can drive a more sustainable economy, create jobs, and address complex social issues across Canada.

EXAMPLE: The small investment in “unbundling” service contracts by PWGSC will allow social enterprises that provide employment to persons with disabilities or other challenges to respond and compete on a fair basis. The potential result is a significant savings in social and health costs. Seemingly unrelated ministry budgets, but a net financial savings and improved social impacts.

An Ernst & Young report from last year confirms that hiring from vulnerable populations in Vancouver's Downtown Eastside, Canada's poorest postal code, benefits taxpayers at a rate of more than three to one.²

This external analysis shows that for every one dollar, \$1.00, spent to employ a target employee group of 105 employees in 2012/2013, Atira Property Management Inc. (APMI) has realized a social return on investment (SROI) of \$3.32. "We knew that our employment strategy was making an economic impact on community, but were not able to quantify how much – until now," says Janice Abbott, CEO of APMI. "Ernst & Young's analysis shows conclusively that hiring employees from our target employee group not only creates a significant financial return on investment for stakeholders like ourselves, the Downtown Eastside community and the government, but also a strong social return. And, by partnering with an international firm like Ernst & Young, we've been able to take advantage of a credible economic model to calculate social ROI."

The results of an effective, cross-ministerial social purchasing policy will directly enhance social enterprise, strengthening the non-profit sector and increasing employment for people with disabilities and barriers to employment and lessening the dependence on government to meet social and health costs. This model of social purchasing has greater impact and is much less expensive than only using Social Impact Bond-like models.

Support Social Enterprise Business Development and Growth

Increasing the competitiveness of Canadian businesses through research, development, innovation and commercialization requires that ALL businesses, including non-profit operated businesses, have the right tools and resources.

SECC proposes that the 2015 Budget require federally funded business programs and services to comply with the intent and purpose of the funds to build the competitiveness of Canadian businesses, and not exclude non-profits just because of the mode of incorporation.

The 2015 Federal Budget should ensure that the Canadian Business Network has the required funding and resources to support social enterprise as a component of their support for entrepreneurship and business development. Social enterprises' unique blended value business models require specific skills and knowledge. Social enterprise is a form of SME and must have the appropriate tools available on an equal and equitable basis of all SME's.

Further, in regards to increasing the competitiveness of Canadian businesses through research, development, innovation and commercialization, SECC wants to compliment the federal budget supports available to help finance SME's. The range

² <http://www.atira.ca/sites/default/files/APMI%20SROI%20Report.pdf>

of resources, tax credits, R&D funds, and loans through many federally funded avenues are valuable tools, such as the regional development programs of Industry Canada. It is imperative that non-profit social enterprises should have access and support through all of these business development tools and resources when the 2015 budget is prepared.

One example of explicit exclusion to non-profit operated businesses is the NRC Industrial Research Assistance Program (IRAP). Their website reads: IRAP “provides financial support to qualified small and medium-sized enterprises in Canada to help them undertake technology innovation. In order to be considered for possible IRAP funding, the basic eligibility criteria are to “be a small and medium-sized enterprise in Canada, incorporated and profit-oriented.”

To what value is eliminating a business model, social enterprise, just because it values social impact over finance return on investment? Often the exclusion is not this specific, but is more within the existing practices rather than policy or regulatory framework of the business services entity.

SECC proposes that this kind discrimination against non-profit social enterprise businesses within federally funded programs and services be eliminated as a matter of policy.

Provide Supportive Public Policy

Improving Canada’s taxation and regulatory regimes is critical to building the non-profit social enterprise ecosystem. One of the largest public policy factors impacting social enterprise development, growth and scaling is the ancient and restrictive legislative and regulatory framework of the Canadian Revenue Agency regarding non-profit and charitable business activities. Attempting to deny the potential misuse of funds or charitable donations of a few by punishing the vast majority of social enterprises has to be remedied and can be done in a manner consistent with the priorities of the 2015 budget.

SECC encourages the Ministry of Finance to rectify the regulatory restraints on non-profit and charitable business activities as a key action in its effort to improve Canada’s taxation and regulatory regimes.

Measure and Demonstrate Social Impact

Research has been initiated to survey the role of social enterprise in Canada through the work of enp-Canada and Social Enterprise Surveys Canada, www.sess.ca.

SECC recommends that the 2015 Federal budget recognize the unique and important role of non-profit blended value businesses in Canada, and provide an allocation of funds within the ESDC budget to expand and continue this important research.

Develop Networks for Social Enterprise Business

The federal government has traditionally supported a series of roundtables, centres of excellence, and Sector Councils to support emerging issues and business sectors that will benefit the economy and create employment.

SECC recommends that the 2015 Federal budget provide for five years support for a Non-Profit Social Enterprise Sector Council in Canada.

SECC thanks the Minister of Finance for the opportunity to participate in this consultation and looks forward to further discussions.

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