

Chantier de l'économie sociale

**For a greater contribution from
the social economy
to inclusive growth**

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Introduction

The new Government of Canada made a commitment to Canadians to spur economic growth, job creation and broad-based prosperity. In his mandate letters to new Cabinet ministers, the Prime Minister stressed the importance of ministers and departments collaborating with all levels of government and engaging in a constructive dialogue with civil society.

The Chantier de l'économie sociale welcomes this intent on the part of the government. We have long argued that government on its own cannot address all the challenges associated with job creation, the fight against poverty and social exclusion, or sustainable and inclusive development. Responding to these challenges requires the participation of partners, as well as innovative approaches in a range of areas, including economic development.

The Chantier de l'économie sociale has been working for two decades to promote and support the development of a collective entrepreneurship that contributes to the creation of wealth, the development of the economy and job creation, while meeting social, cultural and environmental needs. Recognized as a primary interlocutor of the Government of Quebec in the *Social Economy Act*, which was adopted in 2013, the Chantier de l'économie sociale has solid experience in creating financial tools for collective enterprises, in research and development and in guiding and supporting sectoral initiatives. The Chantier has actively participated with all levels of government in co-producing public policies to support collective entrepreneurship, social finance and social innovation. Indeed, we worked with the Government of Canada as part of a social economy initiative in 2004 when Paul Martin was prime minister.

The Chantier has also partnered with a coalition of organizations from all regions of Canada, bringing together a diversity of experience and expertise in the areas of social innovation and social finance. Members of the Table pancanadienne des praticiens en investissement avec impact are actively engaged in implementing innovative solutions in the areas of community housing, community economic development, collective entrepreneurship and social finance.

The social economy has been a vital part of the socio-economic structure of Quebec and Canada for over 100 years. In fact, Alphonse Desjardins, founder of Desjardins Group, the largest financial institution in Quebec, was a member of the Société d'économie sociale de Montréal in 1900! The contribution of collective enterprises, cooperatives and non-profit organizations to the Canadian economy has manifested itself in the last century in all regions and in many sectors. Now more than ever, this form of economy based on collective private enterprises should receive the same recognition and support as does the development of share capital enterprises, because collective enterprises contribute to both the creation of wealth and a better distribution of that wealth.

A brief portrait of the social economy

Without official statistics, it is difficult to accurately assess the relative importance of collective enterprises in Quebec. However, based on a few statistics—official and otherwise—it is estimated that the province is home to approximately 7,500 collective enterprises with more than 150,000 employees and activities representing over 8% of Quebec's GDP. These figures

correspond to similar statistics in Europe. In Canada, a study by Statistics Canada in the early 2000s showed that over one million Canadians work in non-profit businesses and organizations. Moreover, data from Quebec's Direction des coopératives indicate that there are 3,300 cooperatives in the province—of which 2,800 are non-financial—representing 8.8 million consumers, workers and manufacturers.

Sound investments in sustainable businesses

Collective enterprises are sustainable. In addition to embracing social, cultural and environmental missions, they show a survival rate that compares very favourably with that of individually owned private enterprises. For example, Investissement Québec (IQ), the investor arm of the Government of Quebec, has been supporting social economy enterprises through a variety of financial products (loan guarantees, capitalization loans) for many years. The experience has been conclusive: the social economy portfolio—under the Coopératives et autres entreprises d'économie sociale directorate—posts IQ's lowest loss rates. This information confirms other studies, including those of the Direction des coopératives, which unequivocally demonstrate that cooperatives have a longer lifespan than traditional companies. These data can be confirmed through a portfolio review of the Réseau d'investissement du Québec (RISQ), a fund exclusively dedicated to social economy enterprises. After 17 years of investing in the start-up, consolidation and expansion of more than 400 small cooperatives and non-profit enterprises, the loss rate is about 12%. This compares very favourably with similar portfolios composed of conventional private companies.

Profitable investments for public authorities

In recent years, several studies have demonstrated the profitability of investments in the social economy. Whether it be enterprises involved in the field of home care, adapted businesses offering employment to people with disabilities or enterprises that integrate people into the workforce, governments quickly recover their investments, and society as a whole benefits from the jobs and services that are created—a win-win situation for everyone.

For increased support to the social economy through structuring investments

Over the past two decades, with support from a successful partnership involving participants in the social economy, municipalities, private partners, social movements and provincial governments, the social economy has experienced new-found momentum and proven itself in terms of job creation and new economic activities, revenue for the State and the strength and sustainability of enterprises.

In the context of the Minister of Finance's pre-budget consultations, the Chantier de l'économie sociale believes it is important to recall the current and potential contribution of the social economy to economic recovery and employment growth. The recent history of Quebec, as well as international analyses such as that of the Organisation for Economic Co-operation and

Development (OECD), illustrate yet again the significance of the contribution of the social economy, whose very mission is to promote inclusive growth.

Considering the above, the Chantier de l'économie sociale proposes that the Government of Canada rely on the expertise of this pan-Canadian coalition and include the following measures in its next budget.

1. Creation of a three-year, \$250-million first-loss fund to stimulate private investment for social purposes

Experience in Canada and elsewhere suggests that an initial investment from the Government of Canada would provide a solid basis on which investors in a social finance market could build. By providing the initial outlays, the Government of Canada would help create a social investment fund, or strengthen existing funds, in all regions of Canada. Such an investment would provide for creating a range of new financial products tailored to each regional context and meeting social investment needs and potential in a variety of sectors. The objectives of the fund could be defined as:

- Acting as a lever to mobilize private investment with a general objective of raising private capital in social funds based on a ratio of at least three private dollars for every public dollar. The overall leverage in projects would be 6:1.
- Generating activities that create short- and long-term employment.
- Creating strong social infrastructure in areas such as collective and community property and creating or developing viable collective and social enterprises (cooperatives, non-profit and social enterprises).
- Creating social investment funds on a sufficiently large scale and with the necessary expertise to attract institutional investors, such as pension funds and financial institutions.

2. Creation of a social infrastructure program for community initiatives

This program should be developed in coordination and complementarity with other sectoral initiatives in social infrastructure, particularly in the field of community housing. We propose, moreover, that the Government of Canada set aside a percentage of the social infrastructure program for collective social economy projects. This approach would maximize the leverage effect of the Government of Canada's investments in social infrastructure by mobilizing private capital for these projects. Such an approach has already existed in Quebec for several years with the Programme d'infrastructures en entrepreneuriat collectif (PIEC), which has allowed for the realization of projects with great social significance through partnerships between local stakeholders in the social economy (including several investment funds), municipalities and the Quebec government. The Government of Canada could provide infrastructure grants as one component of more complex financial packages involving social finance investors, among others. This money could be invested in a range of initiatives with high social, cultural or environmental impact.

3. Support for the development of entrepreneurial skills

Every day across Canada, local organizations and citizens are faced with the challenge of creating innovative and sustainable solutions for revitalizing neighbourhoods and villages, addressing social, cultural and environmental needs, combatting poverty, creating jobs—particularly for the marginalized—building community housing, providing quality childcare, offering quality home services for seniors and people with reduced autonomy, and providing access to recreational, cultural and other services for the entire population, regardless of income.

In order to strengthen and accelerate the development of these initiatives and these collective and social enterprises and to fully benefit from the potential offered by investment with a social impact, it is essential to strengthen the intermediary organizations that offer support for and access to the expertise required to carry out these projects. For example, in Quebec, the Chantier has social economy clusters in all regions supporting the development of collective entrepreneurship in a variety of ways. Given the growing popularity of this form of social entrepreneurship, particularly among young people, we propose that a capacity-building program be established to support the work of these intermediary organizations. This program, which would be coordinated with the previously mentioned social investment and infrastructure initiatives, would support coaching and knowledge transfer and technical support strategies in order to strengthen the capacity of collective entrepreneurs and help them seize and respond to opportunities with innovative solutions that meet the needs of their communities.