

RECOMMENDATIONS FOR THE 2019 FEDERAL BUDGET



Pre-Budget Submission to the
House of Commons Standing Committee on Finance
by the
Canadian Community Economic Development Network

July 30, 2018

Recommendations

Advance Social Innovation and Social Finance

- **Recommendation 1:** Invest \$375M to support the community priorities of the Social Innovation and Social Finance Strategy
- **Recommendation 2:** Adopt framework legislation to embed a commitment to social innovation and social finance across the federal government, and create a multi-sectoral Social Innovation Council
- **Recommendation 3:** Create an Office of Social Innovation to promote interdepartmental collaboration in the implementation of the Strategy and coordinate reporting on progress
- **Recommendation 4:** Establish a National Social Innovation Knowledge Sharing Network

Make Canadian Businesses More Productive and Competitive

- **Recommendation 5:** Invest \$5M over 2 years to expand the capacity and access of Canadian Business Network services to social enterprise and co-operative sectors.
- **Recommendation 6:** Provide a supportive regulatory framework giving charities and non-profits more flexibility to pursue business models.
- **Recommendation 7:** Invest \$75M over five years to support innovation networks and communities of practice
- **Recommendation 8:** Contribute to the capitalization of existing and emerging community-based social finance investment funds.

Help Canadians Be More Productive

- **Recommendation 9:** Invest \$15M over three years for training, deployment and measurement to utilize social procurement policies.
- **Recommendation 10:** Engage stakeholders across sectors, including community leaders, to co-create a strong national strategy for Community Employment Benefits, with clear targets and common measures.
- **Recommendation 11:** Study the feasibility of a portable account, financed by contributions from workers, employers and the federal government, for Canadians to draw upon to pay for lifetime learning and job retraining.

Ensuring Canada's Competitiveness Through Social Innovation and Social Finance

Strengthening Canada's competitiveness means supporting innovation in ways that harness untapped talent, investment and capacity. An inclusive innovation agenda expands labour market participation among disadvantaged and underrepresented populations, mobilizes local leadership around collaborative solutions, and redirects capital into new growth opportunities. Social innovation and social finance are proven approaches that can catalyze new services, products and processes to create unique opportunities and improve well-being, while enhancing Canada's competitiveness.

Social innovation and social finance allow more Canadians to be productive, create new business opportunities and enhance the lives of vulnerable Canadians, creating a more prosperous and sustainable society for all.

Additionally, social innovation and social finance can be a powerful contributor to Canada's efforts engaging a whole-of-society approach to the United Nations' 2030 Agenda.

As such, Budget 2019 should follow up on the important investments Canada has made in recent years in business and technological innovation with major investments in a new social innovation and social finance strategy for Canada. This strategy could scale up many of the innovative, community-led practices already showing success throughout the country, thereby strengthening the competitiveness of our communities, increasing the productivity of our economy and improving quality of life for all Canadians.

Recommendation 1: Invest \$375M in the community priorities to implement the Social Innovation and Social Finance Strategy.

Recommendation 2: Adopt framework legislation to embed a commitment to social innovation and social finance across the federal government, and create a multi-sectoral Social Innovation Council to provide advice and support co-creation of relevant policies and programs.

Recommendation 3: Create an Office of Social Innovation to promote interdepartmental collaboration in the implementation of the Strategy and coordinate reporting on progress. The Office should contribute to updating the *Policy on Transfer Payments* to allow more flexibility and risk-taking, and encourage all departments to include social innovation in federal funding programs. The Office should also work with national, regional, and local partners to deliver a national social innovation and social finance awareness-raising campaign to promote the concepts and practices of social innovation, social finance and social enterprise among Canadians.

Recommendation 4: Establish a National Social Innovation Knowledge Sharing Network to connect regional networks and research centres with social purpose organizations, investors,

funderson and researchers. Québec's program for OLTIS (organisations de liaison et de transfert en innovation sociale) is a useful model, including its support for the Territoires innovantes en économie sociale et solidaire (TIESS).

Making Canadian Businesses More Productive and Competitive

Community enterprises operated by non-profits, co-operatives, and micro-enterprises established by or dedicated to supporting marginalized individuals and communities create wealth and respond to the needs of rural and urban communities. Contrary to popular misconceptions, community enterprises have a higher survival rate than traditional small- to medium-enterprises while offering a positive financial and social return on investment.

Although more than 90% of the federal small and medium enterprise (SME) support programs are allowed under legislation and regulations to serve non-profits and hybrid business models (ie. social enterprises), access to those programs is typically limited by current practices, culture and mandates. Investments to modernize federal SME business support programs and create additional tailored development services would level the playing field for these innovative and emerging business models.

Recommendation 5: Invest \$5M over 2 years to expand the capacity and accessibility of Canadian Business Network services to social enterprise and co-operative sectors. This should be coupled with awareness-raising efforts for government officials to ensure a level playing field for alternative forms of incorporation.

Recommendation 6: Create a more supportive regulatory framework giving charities and non-profits greater flexibility to pursue business models that generate both social and financial impacts. This should involve clarifying and updating Canada Revenue Agency guidance, and redesigning the Income Tax regime and other regulatory issues.

Recommendation 7: Invest \$75M over five years to support innovation networks and communities of practice to connect relevant stakeholders across sectors, such as through the Social Enterprise Ecosystem initiative being led by the Canadian CED Network, the Chantier de l'économie sociale, the Social Enterprise Institute, Buy Social Canada and Social Value Lab, and other similar comprehensive programs.

In pursuit of prosperity and social impact, social enterprises, co-operatives and CED initiatives need access to markets and capital as any other for-profit business would. The differing context between these incorporation types means investment funds should be tailored to the specific needs of each.

Recommendation 8: Contribute to the capitalization of existing and emerging community-based social finance investment funds, delivered under a stakeholder-led governance model to ensure responsiveness to regional and community needs.

Helping Canadians Be More Productive

One of the greatest ways Canadians can contribute to our country's productivity is through participation in the labour market. Unfortunately, this is easier said than done for many Canadians who face barriers to employment, such as low education levels, involvement with the criminal justice system, lack of Canadian work experience, unrecognized credentials, mental health or addictions issues. Social enterprises and community economic development (CED) initiatives provide tailored job and training opportunities to people facing barriers to employment. By supporting social enterprise and CED, the federal government can increase labour market participation for historically disadvantaged and equity-seeking communities, and strengthen our economy.

Creating Opportunities Through Social Procurement and Community Benefits

Procurement is a powerful and underutilized tool of government. Better accounting for the social, environmental and economic impact of government spending through social value weighting, will increase benefits to historically disadvantaged and/or equity-seeking communities and individuals, creating accessible education and job opportunities for communities traditionally at the margins or excluded from the economy.

Initiatives such as [Buy Social Canada](#), *L'économie sociale, j'achète*, and ECPAR are leading Canadian examples of this rapidly emerging practice.

Budget 2019 should advance the Prime Minister's mandate letter to the Minister of Public Services and Procurement by implementing social purchasing pilots, thereby leveraging existing spending to increase productivity.

Recommendation 9: Invest \$15M over three years for training, deployment and measurement to utilize social procurement policies and pilots across Government of Canada's existing purchasing choices and infrastructure investments.

As documented in the 2015 House of Commons Standing Committee on Human Resources, Skills and Social Development and the Status of Persons with Disabilities report on Social Finance, CED initiatives have a proven track record for engaging vulnerable populations in the workforce to enhance Canada's productivity, investing in community infrastructure, and creating new opportunities for local investment by community members.

Community Benefits Agreements are a practical tool for CED initiatives to engage with development projects and create local opportunities. We congratulate the government on the Community Employment Benefits requirement announced as part of the Investing in Canada plan, which is an important step forward. But the absence of basic benchmarks or targets in the bilateral agreements with the provinces and territories means that the potential impact of the program is weakened. Additionally, a common set of metrics across provinces and territories

would facilitate comparisons and tracking progress. Engagement with stakeholders across sectors, including community leaders, could co-create a strong national strategy that sets clear targets, common measures and, if necessary, incentives for ambitious action

Recommendation 10: Engage stakeholders across sectors, including community leaders, to co-create a strong national strategy for Community Employment Benefits, with clear targets and common measures.

Flexible Employment and Skills Training

The labour force is evolving and a greater emphasis needs to be placed on broader workforce participation and on matching education with workforce demand. This includes the identification and removal of institutional and systemic barriers to workforce participation.

Non-standard employment arrangements are becoming more prominent. This may create a need for more innovative income stability and market maintenance supports like a portable savings fund, financed by contributions from workers, employers and the federal government, that can be used to invest in personal lifelong learning and ongoing skills development.

Recommendation 11: Study the feasibility of a portable account, financed by contributions from workers, employers and the federal government, for Canadians to draw upon to pay for lifetime learning and job retraining.

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The Canadian Community Economic Development Network

The Canadian CED Network is a national association of community organizations, co-operatives, credit unions, foundations, municipalities and citizens working to enhance the social, economic and environmental conditions of Canada's communities. We have members in all regions of Canada, including urban, rural, northern and Aboriginal community settings.

Community Economic Development is citizen-led action to enhance the social and economic conditions of their communities on an integrated and inclusive basis, reducing poverty, unemployment and social disadvantage by building assets and creating opportunities. What distinguishes CED is its understanding of the interconnectedness of social, economic and environmental issues, and a philosophy that the solutions which tend to be most effective for the complex problems communities face are those that involve and are driven by the people who are directly affected.

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