Social Enterprise Access to Small and Medium Enterprise (SME) Services

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Final Report

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Executive Summary

The research on social enterprise (SE) access to Federal, Provincial, and Territorial funded (F/P/T) small and medium enterprise (SME) services was completed in response to a request by Human Resources and Skills Development Canada (HRSDC). The research conducted a review of 100 F/P/T SME programs and services and interviews with 17 key stakeholder informants.

The research findings and proposed recommendations intend to provide evidence of current gaps and barriers and suggestions for strategic steps in the creation of improved, accessible SME services for social enterprises.

In the research, three major categories of SE access to existing SME services emerged.

1) 5% of the sample states in its purpose or eligibility requirements a clear access for SE.

2) In 93% of the sample, ambiguity and confusion issues emerged. 55% of the total reviewed indicate that they are open to non-profits, but do not clarify how that relates to social enterprise. 38% of programs and services do not identify non-profits (or, therefore, SE) in their program description or eligibility criteria. The barriers created when SME services neglect to include details regarding non-profit and SE eligibility significantly restrict access. In these cases of "neglect and omission", it is questionable whether the service may or may not be accessible to non-profits and SEs.

3) 2% of programs and services reviewed are identified as specifically excluding non-profits. Although this represents a relatively small percentage of the total reviewed, the number would likely increase if the services with unclear or vague eligibility descriptions were clarified.

Surveys and interviews confirmed a critical concern: the inaccessibility to SME services for social enterprises are in a few cases real, but in most cases access is unclear, ambiguous, or perceived as inaccessible.

Recommendations:
- Lessons must be taken from programs and services that support SE and their process and regulatory support replicated.
- Unclear services must clarify the definition of "non-profit" and eligibility requirements.
- SME services that have neglected non-profits in descriptions and requirements must define requirements and regulations with more detail, explicitly including social enterprises.
- In cases of denied access, changes must be made to eliminate exclusionary practices and regulations.

A further gap for social enterprises emerged: existing SME services are not aligned with the structural elements of social enterprises that operate in a non-profit or charitable structure and are focused on creating a 'blended' return on investment, both financial and social.

Recommendation:
- Enhance and adjust existing programs and develop new service-specific offerings to meet the unique needs of social enterprises' blended value and non-share, non-profit structures.

Making adjustments and clarifying access to the existing SME programs and filling service gaps will address key business development needs for social enterprise and strengthen social enterprises across Canada.

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Contact:

1.0   Introduction

The research on social enterprise[1] (SE) access to Federal, Provincial, and Territorial funded (F/P/T) small and medium enterprise services was initiated in response to an interest expressed by Human Resources and Skills Development Canada (HRSDC). HRSDC seeks evidence-based information and recommendations to further the role of the F/P/T governments in developing a strategy that contributes and supports resources for social enterprise development. The research project engaged key stakeholders in each of the areas of government, social enterprise operators, and intermediaries. The recommendations developed from this research intend to assist the Community Development and Partnership Directorate (CDPD) of HRSDC gain a better understanding of the accessibility of F/P/T SME government services available to social enterprises. The recommendations will contribute to the evidence base for developing policy options and presenting strategic advice to senior management to address discovered barriers, in order to enhance governments' role in the development and expansion of social enterprises in Canada.

The following final report identifies service gaps and delivery/access challenges associated with F/P/T government services available to social enterprises and provides recommendations to HRSDC regarding ways to address the gaps and improve services. The report also includes a matrix framework integrating the Social Enterprise Development path with required supports: skills, financing, and supportive intermediaries (please see **Appendix A** for this matrix), and several additional supporting documents (please see **Appendices**).

One key informant's comments accurately summarize and reflect prominent themes that emerged throughout the research study, highlighting that social enterprise access to SME programs and services is unclear, and in most cases a matter of omission of information on access:

> *"[There is]…frustration from the community sector around finding appropriate programs, even getting the list of SME programs [is] a challenge. It is not clear what the federal government is doing to support the most innovative, most entrepreneurial of services delivered by charities… The playing field (between social enterprises and SMEs) needs to be more equitable"*
>
> *Interview Participant, 2011*

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[1] The term social enterprise is in reference to a business operation run by a non-profit (NP) organization or charity. Revenue raised by the business operation is reinvested into the NP or charity to support the programs and operations of the organization. Social enterprises are operated for the dual purpose of generating income through the sales of goods or services and creating a social value. See www.secouncil.ca & www.enterprisingnonprofits.ca for further clarification and information.

1.1 Research Problem

The primary research question for this study was:

What F/P/T government SME programs and services are available to social enterprise?

The research conducted in this study provided information for analysis to aid the establishment of recommendations in support of HSRDC's strategic engagement with social enterprise development.

In addition to the primary research question, additional questions addressed through this research included:

- Are there service gaps for social enterprise?
- Are there real or perceived barriers faced by social enterprise entities in accessing services from F/P/T government?
- What could the federal government do to enhance services for social enterprises?

2.0 Research Design & Methodology

This research took a mixed-method approach using both exploratory and descriptive research including primary research through qualitative one-on-one interviews with key government and social enterprise stakeholders and proponents, and secondary research via a literature and web-based review.

2.1 Interview Sample Design

The unit of analysis for interviews consisted of the following databases:

- Interview Database #1 – Government Officials and F/P/T government SME program/service providers
- Interview Database #2 – Social enterprise leaders, developers and advocates
- Interview Database #3 – Active social enterprises that have utilized or attempted to utilize F/P/T government SME programs/services (and/or charities that have abandoned efforts to establish a social enterprise due to SME program barriers, if identified)

The broad list of interviewees, including social enterprise leaders and social enterprise support organizations, provided a cross section of stakeholder groups throughout Canada. Please see **Appendix B** for the list of interviewees and **Appendix C** for a summary of interview responses.

Enp utilized its extensive network of social enterprise advocates and developers to fulfill the research plan. To support a comprehensive and educated understanding of the landscape, the primary research process was undertaken by leading regional resources who acted both as

information gatherers and key informants to the research (for a list of key informants, see **Acknowledgements**).

The interview databases are described as follows:

Sample Description	Purpose
Interview Database #1 – Government Officials and F/P/T government SME program/service providers	These interviews included government public service employees from Industry Canada, Office of Small and Medium Enterprises (OSME/PWGSC), and Regional Development Agencies and focused on clarifying past research and/or on assessing SME program/service development related to social enterprises. These subjects were identified through client direction, secondary research, and/or via other interview subjects.
Interview Database #2 – Social enterprise leaders, developers and advocates	These interviews focused on organizations or individuals that provide guidance, support, and/or advocacy to social enterprises, such as social enterprise consultants, trainers, academia, granting entities and loan financers. These subjects provided a broad scope of experience with a variety of different social enterprises. They were identified through secondary research, via researcher experience and/or through other interview subjects.
Interview Database #3 – Active social enterprises that have utilized or attempted to utilize F/P/T government SME programs/services (and/or charities that have abandoned efforts to establish a social enterprise due to SME program barriers, if identified)	These interviews focused on active social enterprise operators/potential operators in various stages of development to explore in greater depth specific, reported challenges with access to SME-related programs/services. They were identified through interviews with Database #1 and #2.

2.2   Focus Group of Key Informants

In addition to exploring the research objectives through one-on-one interviews, the research team further updated HRSDC's earlier research, both the *Report on the assessment phase of the review of SME programs of the Industry Portfolio* and the associated *Table of Programs* excel spreadsheet.

The documents underwent an initial review by *enp* and the interview team, followed by a focus group, utilizing the Labour Market Partnership advisory council[2] as key informants. Please see **Appendix D** for membership. This focus group helped direct the research team toward further

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[2] The Labour Market Partnership advisory council is part of an *enp* Labour Market Partnership project with the BC Provincial Government, which will create resources and tools to enhance non-profit human resource skill sets. This multi-stakeholder council represents non-profits, social enterprises, Aboriginal business development, business skill providers, *enp* funders, and market size and geographic diversity.

secondary and primary research to explore perceived and/or real challenges as identified by focus group participant experience.

2.3   Secondary Research

A review of relevant literature and web-based resources further supported the exploratory nature of this study, validated findings, and supported analysis of F/P/T government-supported SME programs and services. The unit of analysis for secondary research was restricted to recent (no older than 10 years) practitioner-oriented documents, reports and articles, and additional documents provided by the client. Triangulation between sources supported article selection.

2.4   Limitations of this Study

While sensitivity to the quality of available SME program and service supply was maintained, the scope of this project did not allow for a thorough quality assessment of current SME programs. Additionally, while the demand side of the equation was summarized from secondary research and qualitative interview responses, research into demand was limited by the scope of this project.

In regards to all databases involved in this study, there was a possible effect of social desirability bias. In order to alleviate the impact of these swings in opinion, data collected through interviews was themed and correlated with current research. This triangulation process helped identify anomalous inputs.

3.0   Research Findings

What happens when you search 'social enterprise' on the BC Small Business Accelerator site?

Result: "Your search yielded no results"

Research into social enterprise access to SME services funded through or provided by F/P/T governments is often reflective of the situation above. The result is often "no results". This response is quite a quandary in the Social Enterprise Access to SME Services research project, because out of 100 SME business development services surveyed, only 2% explicitly deny service to non-profit organizations. In the research, it was also notable that only 5% of the research sample clearly offer their services to non-profits operating a social enterprise. Therefore, research identified that 93% of program eligibility descriptions are unclear when it comes to non-profits (non-profits are mentioned in the criteria, but the program does not define non-profit or what type of activities can be undertaken by the non-profit OR non-profits are not mentioned in the criteria, and their inclusion/exclusion cannot be determined). In interviews with more than 15 key informants, several representing small business service providers, the answers were similar:

"we don't exclude social enterprises, we just don't include them."

As the research study worked towards determining what F/P/T government SME programs and services are available to social enterprise, four distinct categories of social enterprise access to SME services emerged (if "unclear" and "neglect" are viewed as one category of "omission", three categories are identified):

- SME services that support social enterprise (SE).
- SME services that may be open to non-profits (NP) but through "omission" it is unclear that this actually refers to SE-related access to services[3]. As an example, it would be unclear whether services like business planning are available for social enterprise activities, or if the focus is on the provision of general non-profit, non-business, activities. The other side of the issue is the lack of understanding or clarity from the providers themselves, who are unaware of their role in the social enterprise arena.
- SME services that do not identify non-profit access or SE access at all. Therefore, they neglect to include access to SE.
- SME services that specifically deny access to non-profits or SE.

Exhibit A: Summary of SME Programs and Services Reviewed
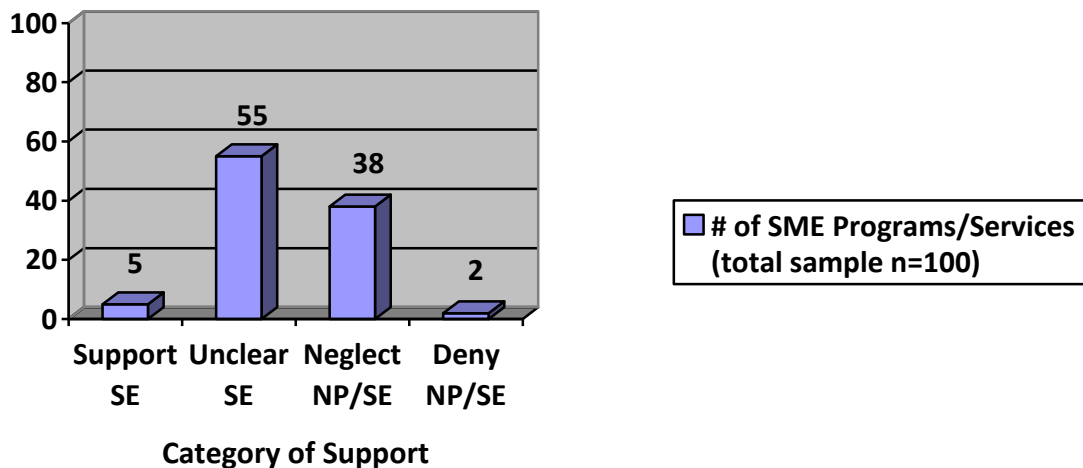
The research highlighted examples of programs or services corresponding to each of these four categories, as well as case studies that further exemplify related concerns. These findings were

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[3] A significant finding in the research emphasized the trend of SME services to mention non-profits in eligibility or program criteria, but remain unclear to inclusions/exclusions (i.e.: SE). In these cases, it is unclear how or in what capacity non-profits are supported. For example, the activities that a non-profit can undertake to be eligible are not specified and a lack of clarity exists as to whether or not a SE operated by one of these groups qualifies for funding or support. The lack of clarity is often on the part of the provider and the potential user.

formed after a review of current F/P/T SME services[4], and one-on-one interviews with government officials, SME program/service providers, social enterprise leaders, and active social enterprises[5].

3.1   SUPPORT: SME services that support social enterprise

In the review of 100 F/P/T government SME programs and services, it was noted that 5% of the sample state in its purpose or eligibility requirements a clear connection of program or service to the unique characteristics of a social enterprise. One example is the Services for Entrepreneurs program offered by Canada Business (Service Canada), which provides opportunities for social enterprises in Quebec through *Investissement Quebec*, a financial institution and economic development agency. This includes the Capitalization of Social Economy Companies program[6] (for co-operatives or non-profits) and the Group Entrepreneurship: Funding Social Economy Enterprises program[7] (for co-operatives). The SME programs and services that support social enterprise, as identified in the research, include[8]:

- Canada Business: Services for Entrepreneurs
  (Service Canada)
- Community Adjustment Fund in the North
  (Canadian Northern Economic Development Agency)
- Community Futures Program
  (Federal Economic Development Agency for Southern Ontario)
- Community Futures Program
  (Federal Economic Development Initiative in Northern Ontario)
- Loan and Investment Program: Assiniboine Credit Union Micro Loan Program
  (Western Economic Diversification Canada)

When interview participants were asked if they had encountered or worked with F/P/T government funded SME programs in relation to social enterprise development or if they knew which government SME services are available to social enterprise, the responses from all three databases (government employees, SE developers/advocates, and active SEs) included an assortment of examples[9]:

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[4] See **Appendix E** for the research spreadsheet and **Appendix F** for a summary of research findings.

[5] See **Appendix C** for a summary of interview responses.

[6] *Capitalization of Social Economy Companies*, http://www.canadabusiness.ca/eng/summary/4578/

[7] *Funding Social Economy Enterprises*, http://www.canadabusiness.ca/eng/summary/4361/

[8] Please see **Appendix E** for the Research Spreadsheet and further details on these programs and services.

[9] Please note that these examples were not verified (i.e. it was not confirmed that they offered support to social enterprises) and express the opinion of the interviewee. See **Appendix C** for a summary of interview responses.

- Employment Manitoba
- Sustainable Development Initiatives Fund (Department of Conservation, Manitoba)
- Department of Labour & Immigration (Manitoba)
- Urban Development Initiatives (Province of Manitoba)
- Federal regional development agencies (through Community Futures)
- Trillium Foundation
- HRSDC
- Ontario Disability Support Program
- Municipalities
- Department of Housing and Community Development, Department of Entrepreneurship Training and Trade, and Manitoba Housing
- Coop Development Initiatives
- Co-op Development Assistance program (Saskatchewan)
- SEED Connection
- CBDC
- Canada/Manitoba Business Service Centre
- Women's Enterprise Centre
- CDI (Co-Op Development Initiative), sponsored by the Rural and Co-Op Secretariat
- The Innovative Co-op Project
- The Co-operators
- Credit Union programs
- CFDC programs
- Seed Connection
- CBDC loans
- Work Place Training for Innovation

The inclusion of non-government programs and the variations in the interview response list in comparison to the program review research reflects the ambiguity of offerings and the confusion that arises when social enterprises attempt to determine what services are available. Of the examples provided by interviewees, only a small percentage were identified in the project's review of programs and services as supporters of social enterprise. Therefore, the fact that interview participants identified additional social enterprise support indicates that there may be issues of eligibility clarification or communication when it comes to accessing these services.

The comments gathered from the interviews with regards to SME services accessible to social enterprise expressed three prominent themes. Firstly, some government employees feel that no distinction is made between for-profit and non-profit businesses on the part of government when providing SME programs and services. In their view, social enterprises are treated like any other business. Another theme, expressed by government employees and social enterprise developers/advocates is the acknowledgment that social enterprises must realize services <u>are</u>

available. They must do their homework as an "audience". A third theme expressed by SME service providers and social enterprise advocates is that government SME program/service providers have demonstrated enthusiasm about social enterprises being included in their programs and services.

While government employees and some social enterprise developers/advocates have expressed opinions that SME services are open to all organizations (non-profit and for-profit) and that social enterprises must learn to access these services, the review of programs and services demonstrates that barriers currently exist (since only 5% of the 100 services reviewed support social enterprise in an open, accessible, inclusive manner) and that ambiguity is a prominent issue in terms of awareness of service availability and access.

3.1.1   Program Examples

Community Futures Program
(FedDev Ontario & FedNor)
The Community Futures (CF) Program supports 61 Community Futures Development Corporations (CFDCs) in Ontario. These CFDCs offer a wide variety of programs and services supporting community economic development and small business growth including strategic community planning and socio-economic development, support for community-based projects, business information and planning services, and access to capital for SMEs and social enterprises.
It is interesting to note that the Community Futures programs is offered federally and yet only FedDev Ontario and FedNor identify social enterprise as a targeted client.

Loan and Investment Program: Assiniboine Credit Union Micro Loan Program
(Western Economic Diversification Canada (WD))
WD partners with independent western financial institutions to offset a portion of the risk they experience when lending to small business. The Assiniboine Credit Union Micro Loan Program is one partnership that is specifically designed to benefit entrepreneurs, small businesses, and social enterprises.

3.1.2   Interview Comments

"I do think that Manitoba has been intentional about making sure that SE has full support from provincial programs, but of course doesn't address how individuals at those program offices would actually respond to SE."
(*Government Employee database*)

"All of our programs for SME are accessible by social enterprise, assuming they meet the other relevant criteria."
(*Government Employee database, Question 3*)

"The intention is that anything available for a business should be available for social enterprise. There's no intention to prevent social enterprises from accessing SME services."
(*Government Employee database, Question 3*)

"Social enterprises need to not be shy about their status as a business. There are many support programs available for businesses and social enterprises should be confident in accessing those programs."
(*Government Employee database, Question 9*)

"I think that the right kinds of supports are there already, as long as you have a strong business case and they don't lock you out based on misperceptions of eligibility."
(*Social Enterprise Developer/Advocate database, Question 8*)

3.2   UNCLEAR: SME services that may be open to NP, but through "omission" it is <u>unclear</u> that this actually refers to SE-related access to services

Among this group of SME services, a sense of confusion exists in determining social enterprise eligibility for access. One significant finding in the research emphasized the trend of SME services to mention non-profits in their eligibility or program criteria, but remain unclear to inclusions/exclusions (i.e.: SE). Apart from the 5% of programs and services reviewed that specifically support social enterprise, a significant proportion of remaining programs and services (55% of the total reviewed) indicate that they are open to non-profits. However, this 55% does not make it clear how or in what capacity they support non-profits. For example, the activities that a non-profit can undertake to be eligible are not specified and a lack of clarity exists as to whether or not a social enterprise operated by one of these groups qualifies for funding or support. In some cases, for-profit enterprises are specifically excluded from eligibility criteria. This leads to the question of whether a non-profit operating a social enterprise would also be excluded from potential funding, programs, or services.

The interviews confirmed some key observations related to the lack of clarity in non-profit access to SME services. In addition to the overall sense of confusion felt by all interview participant databases, problems were identified with the definition of non-profit (i.e. Who is really being targeted? What is really meant when this term is used?). Thus, it is not always clear to government officials or SME service providers which of their services are available to social enterprises and the danger exists that social enterprises may not be considered for support due to misperceptions of eligibility.

These concerns are linked to the gap that was identified between communication and action. In other words, the stated intentions or commitments of government programs are not always inclusive of non-profits and social enterprise in *practice* (i.e. what is being said vs. the reality of the SME environment and social enterprise access). Although the program may be accessible in a structural sense to non-profits operating social enterprises, there is a lack of understanding

on the part of the service providers about if/how to successfully include these non-profit businesses.

Another concern arose from the interviews with social enterprise developers/advocates with regards to exclusion based on the applicant's activity, mission, or sector, and not always based on the type of applicant (or incorporation/structure). For example, they highlighted that non-profits operating social enterprises are excluded from funding that only focuses on activities, such as exporting, that would not traditionally be of interest to a social enterprise.

The overriding concern in both the interviews and the analysis of SME research emphasizes that there is a lack of knowledge (on the part of service providers and social enterprises themselves) on which services and programs are available to non-profits and how they can be accessed to support the development and growth of initiatives such as social enterprise.

3.2.1   Program Examples

**Business Development Program
(Atlantic Canada Opportunities Agency)**
The Business Development Program offers access to capital to SMEs in the form of interest-free, unsecured, repayable contributions. Non-profit organizations that provide support to the business community may also qualify for non-repayable assistance.
The eligibility criteria does not specify whether a social enterprise operated by a non-profit would be classified as an SME or non-profit, thereby creating confusion regarding the repayable vs. non-repayable nature of the financial assistance.

**Canada Summer Jobs
(Service Canada)**
Canada Summer Jobs provides funding to help employers create summer job opportunities for students. Non-profit employers are eligible for up to 100% of the provincial/territorial adult minimum hourly wage, while public and private-sector employers are eligible for up to 50% of the provincial/territorial adult minimum hourly wage.
The program does not specify if a non-profit operating a social enterprise would be eligible for 100% of the funding, or if the non-profit's social enterprise activities would place it in the SME category (where it would only receive 50%). This lack of clarity can have substantial financial implications for the organization.

**Contributions Program for Non-Profit Consumer and Voluntary Organizations
(Industry Canada)**
This program supports organizations in the production of high quality, independent and timely research on consumer issues. Eligible recipients include voluntary organizations that are incorporated as non-profit corporations in Canada and which can demonstrate that they can meet the list of specific criteria. Individuals and profit-oriented organizations are not eligible for support under the program.

According to the eligibility criteria, it is likely that a social enterprise operated by a non-profit or voluntary organization would be excluded from accessing this program (since a social enterprise is profit-oriented).

3.2.2 Interview Comments

"F/P/T programs are generally available however they are not really <u>specific</u> to social enterprise."
(*Government Employee database, Question 4*)

"One of the things that I've discovered, is that the programs and policies often name nonprofits but, when you scratch the surface, you realize that the intent are industry and professional associations."
(*Social Enterprise Developer/Advocate database, Question 2*)

"Some of these programs are limited by the kind of activity, versus the type of applicant…and it's on that basis that [not-for-profits] get excluded."
(*Social Enterprise Developer/Advocate database, Question 2*)

"We have so far to go, where to start? Its one thing to be eligible, it is another for them to give you access."
(*Social Enterprise Developer/Advocate database, Question 10*)

"[I]t is difficult to discern who the go to persons/departments are and what they have to offer. Specific legislation/policy/regulations are unknown to us."
(*Active Social Enterprise database, Question 1*)

3.3   NEGLECT: SME services that do not identify non-profits

The barriers created when SME services neglect to include details regarding non-profit and social enterprise eligibility for SME programs and services significantly restrict access. In these cases of "neglect", it is questionable whether the service may or may not be accessible to non-profits and social enterprises. Of the 100 F/P/T SME programs and services reviewed, 38% were categorized as not identifying non-profits in their program description or eligibility criteria. This unclear approach to eligibility descriptions leads to frustration, misdirection, and limited opportunities for non-profits who are struggling to decode program requirements and develop a business to support their mission.

The fact that non-profits or social enterprises are not explicitly mentioned in applicant criteria leads to an increased perception of exclusion to the SME services environment. While this exclusion may not be accurate (i.e. it is often a case of neglect or omission, as opposed to purposeful exclusion), it still has negative implications for social enterprise and demonstrates that there are delivery and clarity issues with regards to the applicability of SME programs and

service to non-profit businesses. Building on these issues, problems with promoting and marketing services also arise – non-profits, and therefore social enterprises, may not be aware and/or may not be encouraged to access SME services, simply because there isn't an understanding that these services could be applied towards their social enterprise.

The issue of omission is a concern that was also expressed by the interview participants, who identify that programs and services are often not specific to non-profits (that is, they do not mention non-profits and, therefore, do not include social enterprise). This observation was made by social enterprise advocates, social enterprises themselves, as well as government officials and SME program/service providers. It is also interesting to note that a government SME service provider discussed how program evaluations or assessments often do not recognize or identify if a social enterprise is accessing their program/service (such as attending a workshop).

Interview participants from the social enterprise developer/advocate database expanded on the issue of omission by highlighting that there is a lack of ownership of responsibility when it comes to social enterprise development. Particularly, comments revolved around a sense of confusion as to who will take charge in addressing and improving access to SME services for non-profits and their social enterprise endeavours. Concerns included: Who has something to offer social enterprise? Who will step forward to offer support? Who will match social enterprise needs with existing programs and services?

The neglect and omission of eligibility details leads to a situation where awareness of available programs and services is not generated for all those who may benefit, including the non-profit and social enterprise community. Above all, the issue of accessibility emerged in the interviews and research as a common focus to address, change, and improve in the SME services environment.

3.3.1   Program Examples

Office of Small and Medium Enterprises
(Public Works and Government Services Canada)
OSME supports SMEs by working to reduce barriers and by simplifying requirements for SMEs that want to do business with the Government of Canada. OSME helps SME better understand the government procurement system by raising awareness and by providing information and assistance through:
- the Buy and Sell Web site, a 1-800 InfoLine, and providing information to individual suppliers who have questions about federal procurement
- in-person information briefings to groups of suppliers in every region of the country to help them identify niche procurement opportunities and navigate the procurement system
- consultations with SMEs and industry associations across the country every day to understand their procurement objectives and challenges.

While these initiatives of the OSME would, in many cases, add value to the creation or development of a social enterprise, they are not specifically marketed towards the non-profit or social enterprise community.

3.3.2   Interview Comments

 "[We] advertise specifically to small enterprises/people who want to start a small enterprise (and that is who comes to [us]). We do not specifically market to the SE client group."
(*Government Employee database, Question 1*)

"F/P/T programs are generally available however they are not really <u>specific</u> to social enterprise."
(*Government Employee database, Question 4*)

"Part of the barrier is perceived (they think they don't work with SE), part of it is uninformed (they don't understand the purpose – both economic and social). They tend to be focused on generating wealth instead of "value." Look at all the public investment in business incubators; their sense of value is growth of GDP through business growth."
(*Social Enterprise Developer/Advocate database, Question 4*)

"Not much awareness out there."
(*Social Enterprise Developer/Advocate database, Question 5*)

"[Our organization] is doing social enterprise work, and is struggling to make it happen while every level of government in Saskatchewan knows it, yet nobody steps forward with any support – indicating that there likely is nobody who thinks that they have anything to offer to social enterprise development."
(*Social Enterprise Developer/Advocate database, Question 5*)

3.3.3   Case Study: BDC

Lack of clarity, discrepancy in communication of eligibility criteria, and the neglect of non-profits in program access is highlighted in the BDC Case Study: *"It does matter who you talk to…"* (see **Appendix G**). When an effort was made to determine whether any of BDC's SME programs or services were accessible to non-profit organizations, it was concluded that an issue of information discrepancy exists when it comes to non-profit access to BDC programs and services. Depending on the source of information, BDC's position on supporting non-profits varies. The discrepancy created by the varying information online, via personal communication, and via secondary research demonstrates a prime example of the lack of consistency and resulting confusion that a non-profit must tolerate when attempting to access F/P/T SME programs or services.

3.4   DENY: SME services that deny access to non-profits

In the SME research, 2% of programs and services reviewed are identified as specifically excluding non-profits:

- Canada Small Business Financing Program
  (Industry Canada)
- Small Business Internship Program
  (Service Canada)

Although this represents a relatively small percentage of the total reviewed, the number would likely increase if the services with unclear, vague eligibility descriptions (the "unclear" and "neglect" categories - 3.2 and 3.3 - where the inclusion/exclusion of non-profits or social enterprises could not be determined) were examined further.

In the interviews, several comments were made by government employees, social enterprise developers/advocates, and active social enterprises with regards to specific agencies or programs that deny access to non-profits or social enterprises. Participants' examples of policies or regulations that create barriers did not align completely with the program review research conducted in the project. This discrepancy provides further confirmation of the challenges that arise from distinguishing between perception and reality. As indicated by the examples provided by interviewees, there are often programs and services that are perceived to be denying access to non-profits (but that may not be excluding these groups, in reality). Interview participant examples include[10]:

- CED Tax Credit - "it is only for for-profit businesses"
- Community Futures mandate
- Procurement processes in construction
- Loan programs
- BDC financing
- Small Business Tax Investment Credit
- Personal loan guarantees
- Personal development programs that exclude people starting social enterprises
- CEDIFs (Community Economic Development Investment Funds) - "don't work for nonprofit social enterprises"

Concern was raised by all interviewees (in particular, by social enterprise developers/advocates and active social enterprises) over the tendency for SME loan programs to exclude social enterprise and over the policies and regulations related to loan programs that make financing difficult to access for non-profits. For example, interview participants discussed the barriers

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[10] Please see **Appendix C** for a summary of interview responses.

they experienced when attempting to access loan programs offered by BDC and the Industry Canada Small Business Financing Program[11]:

> "[We] didn't qualify for any BDC financing because we are a non-profit. [We] looked at the Business Solutions Financing program…
>
> [The] Industry Canada Small Business Financing Program criteria seemed appropriate but required separate entity and stated non-profits not eligible."
>
> Active Social Enterprise, 2011

Concerns were also expressed when interview participants from the social enterprise developer/advocate database reflected on the challenges that arise in instances when changes in government lead to a modification or termination of funding, as was articulated by an interview participant in Western Canada[12].

3.4.1   Program Examples

Canada Small Business Financing Program
(Industry Canada)
The Canada Small Business Financing Program seeks to increase the availability of loans for establishing, expanding, modernizing and improving small businesses. It does this by encouraging financial institutions to make their financing available to small businesses. Eligible small businesses must be operating for profit in Canada and have annual gross revenues lower than $5 Million. Not eligible under this program are farming businesses, not-for-profit organizations, or charitable and religious organizations.
The Canada Small Business Financing Program specifically excludes non-profits from access.

Small Business Internship Program
(Service Canada)
The Small Business Internship Program enables small and medium-sized businesses to obtain funding to hire post-secondary students for 12-week full-time internships in a field related to

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[11] For further examples of policies and regulations that create barriers for social enterprise, please see **Appendix C**: Interview Response Summaries (responses in Interview Database #1, Question 7 and Interview Database #2, Question 3 specifically address policies and regulations).

[12] "They did get some support through a Co-op Development Assistance program from province [Saskatchewan], but that program seems to have been terminated with the new provincial government."
(*Social Enterprise Developer/Advocate database, Question 1*)

"The province provided $8 million for [two projects], but it was subsequently taken away with a change in government. WED [WD] was interested in supporting them through the stimulus funding, but it had to be matched by the province, and the province refused as they don't see it as a priority…This was a unique situation, as it was heavily political. But lack of understanding was part of it too."
(*Social Enterprise Developer/Advocate database, Question 2*)

information and communication technology. Businesses that wish to apply for funding must be an established small or medium-sized business having fewer than 500 employees, be incorporated or a sole proprietorship and for profit**,** wish to enhance their e-business capability, and contribute 25% of the student wages and related expenses.

The Small Business Internship Program identifies "for profit" as an eligibility requirement, thereby excluding non-profit organizations from accessing the program.

3.4.2   Interview Comments

"We did go to Business Development Bank of Canada to finance, but they only finance for profits, so we were rejected. So that is one example of a regulation being a barrier. We are just as legitimate in terms of economic development and impact as a non profit, but they won't work with us."
(*Social Enterprise Developer/Advocate database, Question 3*)

"SME services NOT available would be loan programs. Loan programs for start-ups are for SME but are not generally available to SE."
(*Government Employee database, Question 4*)

"The first time we called the Canada/Manitoba Businesses Service Centre 6 years ago, they said that nothing we could do would be big enough for them to work with. They still are quite dismissive, and they are not accessible."
(*Social Enterprise Developer/Advocate database, Question 2*)

"[T]hey said that they weren't interested in "supporting an inner city mall" showing their complete lack of knowledge about what this social enterprise/CED initiative was about."
(*Social Enterprise Developer/Advocate database, Question 2*)

"[C]o-ops are excluded.   We're neither betwixt or between. Policy makers and funders just don't understand. This can be generalized to other social enterprises."
(*Social Enterprise Developer/Advocate database, Question 2*)

"Most loan programs won't work with non-profits, making it harder to access financing. They are just generally ruled out."
(*Social Enterprise Developer/Advocate database, Question 3*)

3.4.3   Case Study: Peace Region Internet Society

The exclusion faced by non-profits operating social enterprises when attempting to access SME programs and services is exemplified in the Peace Region Internet Society (PRIS) Case Study: "*Barriers for Social Enterprise: Tackling obstacles with pleas for exemption"* (see **Appendix H**)*.* The study provides an example of how a barrier (the Industry Canada share investment

requirement) makes the broadband licensing service inaccessible to non-profit organizations, such as the PRIS.

Although the issue was eventually resolved, the discussion and complications that were endured by the PRIS in dealings with Industry Canada illustrate that the current environment is not always supportive of the efforts of social enterprises and that, when faced with obstacles, social enterprises must work diligently to receive exemptions in order to meet the needs of their clients and communities. Ultimately, the PRIS case study exemplifies a government service (Industry Canada CRTC broadband licensing) that requires exemptions in its program requirements in order to facilitate non-profit access.

4.0   Analysis of SME Service Gaps and Social Enterprise Needs Gaps

4.1   Access to Existing SME Services Gap Analysis

Upon analysis of F/P/T government SME programs and services, several service gaps for social enterprise are identified. Specifically, an examination of the service type of each program or service (technical assistance, non-financial technical assistance, grants, loans, or equity) and its category of accessibility (support, unclear, neglect, deny) concludes that there is currently no SME service type that is fully accessible to social enterprise (see **Exhibit B**), as there are always cases of unclear, omitted, or denied access. Data from the Access to SME Services Research (**Appendix F**) and classifications from the SE Support Matrix (**Appendix A**) were used in the analysis, identifying the critical service gaps:

- Largest gaps in the Support category are in the areas of grants, loans, and equity
- Largest gaps in the Unclear category are in the areas of technical assistance, loans, and equity
- Neglect (failure to identify non-profits and, therefore, SE) is an issue across all services
- Services are specifically denied for non-profits in the areas of financing (grants, loans)

Specific services that are lacking for social enterprise were also identified:

- Loan programs (financing)
- Business skills development
- Financial literacy
- Organization-oriented programs and services (rather than entrepreneur/sole-proprietor-oriented)
- Online resources tailored to social enterprise (content-wise and also with consideration to the organizational structure of a social enterprise)

Exhibit B: Graph depicting SME service gaps for SE based on service type and accessibility

	Technical Assistance	Technical Assistance (non $)	Grants	Loans	Equity
◆ Support	2	0	0	4	0
■ Unclear	19	7	41	6	2
▲ Neglect	4	16	13	12	6
✕ Deny	0	0	1	1	0
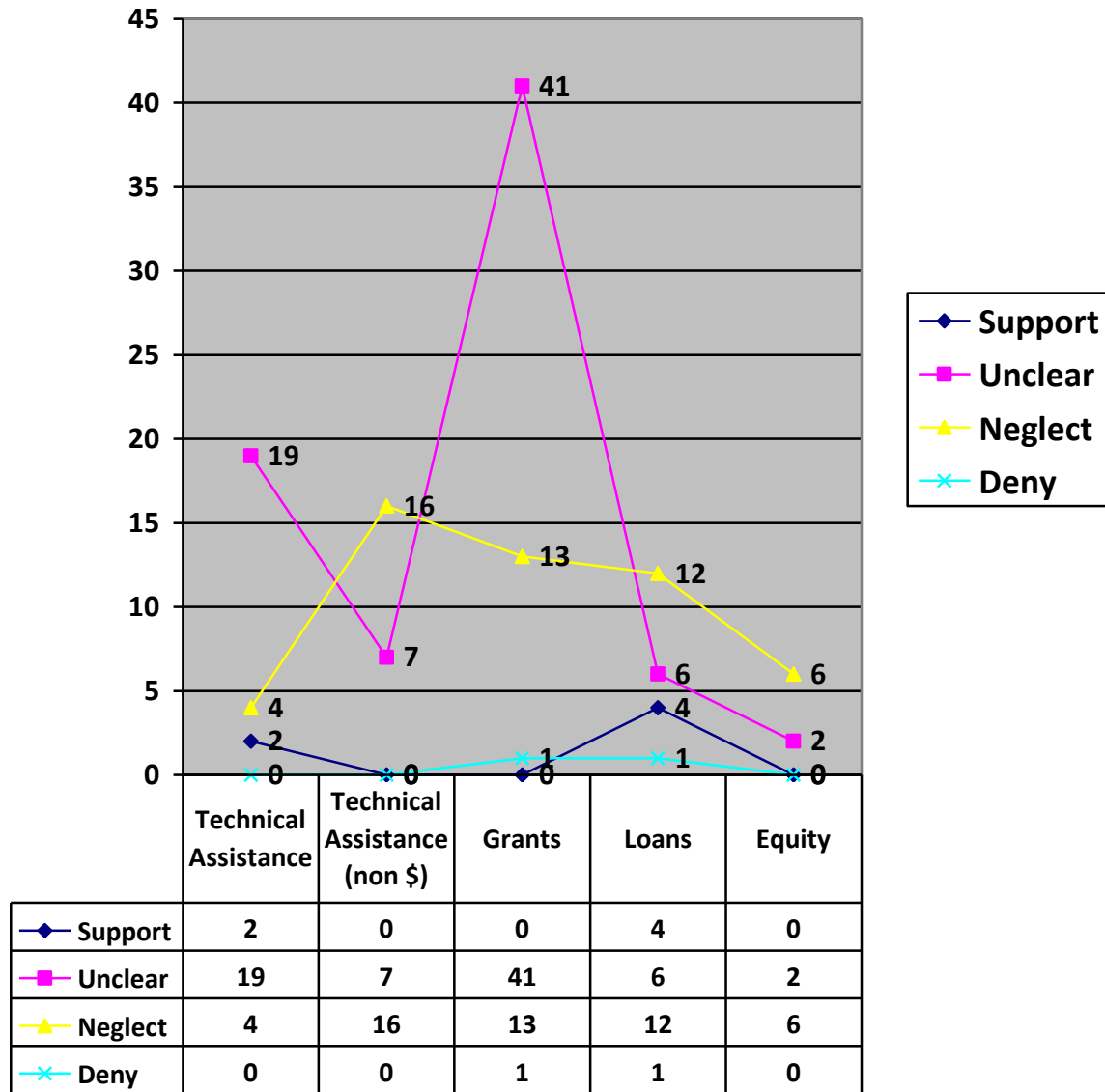
Total TA: 25 →   8% accessible,   92% unclear/omission

Total TA (non $): 23 →   0% accessible,   100% unclear/omission

Total Grants: 55 →   0% accessible,   98% unclear/omission, 2% inaccessible

Total Loans: 23 →   17% accessible,   78% unclear/omission, 4% inaccessible

Total Equity: 8 →   0% accessible,   100% unclear/omission

4.2   Social Enterprise Needs Gap

Social enterprises are businesses operated by non-profit organizations for the dual purpose of generating income through the sales of goods or services and creating a social value[13].

In the past three years social enterprise policy initiatives have identified the fundamental components for a supportive environment for social enterprise, which include: skills development, research on the sector, appropriate financing, and access to markets[14].

Social enterprise needs in many cases seem identical to SME service needs in the general area of business planning and financing. Making access adjustments and clarifying access to the existing SME programs will be a significant asset to the development and success of social enterprises in Canada.

However, this research project on SME program/service review and the related interviews clearly indicate the existence of a major gap for social enterprises: the existing SME services are almost exclusively focused on and designed to serve sole proprietors and share-based small to medium-sized for-profit corporations. Neither of these key structural elements is true for social enterprises that operate in a non-profit or charitable structure and are focused on creating a 'blended' return on investment, both financial and social.

5.0   Recommendations

5.1   Remove Real and Perceived Barriers to Existing Programs

In order to improve social enterprise access to SME programs and services, each of the access categories (outlined in the research findings, section 3.1 – 3.4) must be addressed. The recommended action for each access category of SME services is summarized as follows:

	SME ACCESS CATEGORY	OPPORTUNITIES & BARRIERS	RECOMMENDATION
a)	SUPPORT	Support social enterprise	*Replicate*
b)	UNCLEAR	Open to non-profits; unclear regarding SE	*Clarify*
c)	NEGLECT	Do not identify non-profits	*Define*
d)	DENY	Deny access to non-profits	*Change*

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[13] See www.secouncil.ca and www.enterprisingnonprofits.ca for further clarification and information.

[14] See www.secouncil.ca, www.socialfinance.ca, & www.enterprisingnonprofits.ca for further clarification and information.

a) Replicate

In order to proactively foster the development of increased access to SME services for social enterprise, F/P/T government funded programs and services must replicate the efforts of the SME services identified as supportive of social enterprise in the program review research. By analyzing the leaders who have emerged in the area of social enterprise development, lessons can be learned and a supportive social enterprise environment can be fostered. These lessons can be found through analysis of the SME programs and services that are already addressing social enterprise and by using current social enterprise supporters as models for future SME program and service development. Additionally, measures should be taken to capitalize on the success of existing services that support social enterprise; they can serve as examples and champions for increased access to SME programs and service.

b) Clarify

SME services that are open to non-profits but are unclear with regards to social enterprise must clarify the definition of "non-profit" and lay out the exact guidelines for eligible activities and organizational structure. This clarification will work to reduce frustration, confusion, and lack of guidance on the part of social enterprises.

Link to research findings:
    The significant trend in interview responses and program review research identifies a fault in both awareness and communication when it comes to promoting non-profit and social enterprise access to SME services. Issues related to omission and vague eligibility criteria were voiced as significant concerns throughout the research and are issues that have played a part in limiting or restricting access to programs and services that would, if made available, add value to the development and success of a non-profit's social enterprise.

c) Define

SME services that do not identify and therefore neglect non-profits from eligibility criteria (neither accepting nor excluding non-profit access) must define their requirements and regulations with more detail. This will give social enterprises a clearer picture of what services and programs are available and prevent the loss of time, energy, and resources resulting from the "guessing game".

Link to research findings:
    The barrier for social enterprises when attempting to access the vast majority of SME services is an informational, cultural and delivery model problem, and not always a regulatory or program guideline problem that needs fixing. Although the services may be available, their accessibility, applicability, and usefulness are limited. The delivery agent, culture, and pedagogic models are generally designed for delivery to sole proprietors, not

non-profit organizations. Lack of access could be defined as "omission of delivery" rather than "denial of delivery."

d) Change

SME programs and services that specifically deny access to non-profits must be engaged in a process of change that will eliminate exclusionary practices and regulations. Essentially, these programs and services must be identified as "problems", and solutions must be found to fix these problems. To arrive at these solutions, work must be initiated with ministries that have regulatory, legislative, or guideline barriers to address and remove the identified obstacles and make the appropriate changes to improve access.

Link to research findings:
> Social enterprises are denied access although they are legitimate recipients of the services. This denial of access, because of the historical methods, definitions, and delivery models, results from the fact that the delivery agents have not been resourced, trained, or even made aware of their requirements to serve social enterprises.
>
> Some services, such as the Industry Canada CRTC broad band licensing area, require share investment options. This is a requirement that would be impossible for non-profits to meet. This type of program requires "exemptions" rather than normal access, and is an example of one of the many measures that is required in the process of modifying SME programs and services to increase accessibility for social enterprise. See **Appendix H** for a case study example.

Several additional barriers exist for social enterprises that attempt to access SME programs and services that are either unclear in their program requirements regarding the eligibility of social enterprise or fail to mention non-profits (and therefore social enterprise) in eligibility criteria. The following recommendations propose suggestions for addressing these specific barriers:

	SME ACCESS CATEGORY	**OPPORTUNITIES & BARRIERS**	**RECOMMENDATION**
a)	UNCLEAR / NEGLECT	Vague program requirements and unclear definition of eligible applicants	*Analyze and prioritize offerings/programs/ services*
b)	UNCLEAR / NEGLECT	SME program/service content not applicable to social enterprise	*Expand program knowledge*

a) Analyze and Prioritize Offerings/Programs/Services

To reduce issues caused by vague program requirements and unclear definition of eligible applicants, specific attention should be given to analyzing and prioritizing offerings, programs,

and services in terms of required skills, financial needs and structures, and markets for social enterprise. This will allow social enterprises to be more accurately matched up with appropriate support and also identify what support is already in existence (i.e. look internally and access what is already offered to SMEs) and what support is unique to social enterprise (i.e. what needs to be developed and implemented). Please see **Appendix A**: Social Enterprise Support Matrix Examples for a representation of the connection between business development stage and required support. The program/service examples provided in this matrix serve to demonstrate the variation in accessibility and the current failure to match SE needs with appropriate, accessible programs and services.

b) Expand Program Knowledge

The expansion of program knowledge of social enterprise is a critical step required in order to support the required skills, financial needs and structures, and markets of the social enterprise environment. By identifying existing social enterprise training models and content and sharing this material with SME service providers, SME service providers could effectively and efficiently deliver the content pieces that are missing. Generating and fostering this awareness of program knowledge is a key ingredient in creating an environment in Canada that is conducive to the development, growth, and long-term success of social enterprises in both their economic and social capacities.

Link to research findings:
> The research has identified some key programs that need adjusting in their program service criteria to include social enterprise. For example, a commitment to addressing the access issues identified with BDC and Canada Small Business Financing services (see case study in **Appendix G** for details regarding BDC) would provide significant benefit to social enterprises.

To address barriers that are preventing access to social enterprises that are attempting to access SME services that are unclear, that neglect, or that deny, attention is needed in the area of understanding and defining needs. Specific recommendations are outlined as follows:

	SME ACCESS CATEGORY	OPPORTUNITIES & BARRIERS	RECOMMENDATION
a)	UNCLEAR, NEGLECT, DENY	Access to SME services for non-profits and social enterprises is an informational, cultural, and delivery model problem (accessibility, applicability, and usefulness are limited)	*Analyze, prioritize, and define social enterprise needs*
b)	UNCLEAR, NEGLECT, DENY	Delivery agent, culture, and pedagogic models are generally designed for delivery to sole proprietors, not non-profit organizations	*Understand needs in terms of organizational structure*

a) Analyze, Prioritize, and Define Social Enterprise Needs

If SME programs and services are to be more accessible for social enterprises, initiative must be undertaken to analyze, prioritize, and define social enterprise needs by looking externally and working in collaboration with government and other support. Since the current problems are cross-ministerial and run a broad spectrum of programs and services, HRSDC should:

1) Work with the social enterprise sector to define and prioritize the services needed
2) Strategically work with governments and service providers to begin building and enhancing knowledge of social enterprise
3) Adjust delivery models and content to meet social enterprise needs

Link to research findings:
The content in web-based, online business development resources provided by F/P/T governments is often exclusively geared towards profit oriented businesses, rather than blended value businesses. This lack of alignment between resources and social enterprise business structure limits the benefits that a social enterprise could gain from these online SME services and represents a gap in access. While the material may be accessible to social enterprises (via a web page), it is not always accessible or applicable in terms of content.

b) Understand Needs in terms of Organizational Structure

Attention must also be given to understanding social enterprise needs in terms of organizational structure. As a significant proportion of SME programs and services have been identified as sole proprietor oriented, changes are required in delivery models and program characteristics to more effectively support the unique characteristics of social enterprises (which tend to be managed and operated by non-profit organizations, not individuals). This is a crucial step in addressing barriers and gaps in SME service access, since the current knowledge, models, and offerings are not in a position to meet the current wave of demand that is being created around social enterprise.

Exhibit C: Access to Existing SME Programs Summary of Recommendations

SME ACCESS CATEGORY	OPPORTUNITIES & BARRIERS	RECOMMENDATION
SUPPORT SE	Support social enterprise	*Replicate*
UNCLEAR	Open to non-profits; unclear regarding SE	*Clarify*
NEGLECT	Do not identify non-profits	*Define*
DENY	Deny access to non-profits	*Change*
UNCLEAR / NEGLECT	Vague program requirements and unclear definition of eligible applicants	*Analyze and prioritize offerings/programs/ services*
UNCLEAR / NEGLECT	SME program/service content not applicable to social enterprise	*Expand program knowledge*
UNCLEAR, NEGLECT, DENY	Access to SME services for non-profits and social enterprises is an informational, cultural, and delivery model problem (accessibility, applicability, and usefulness are limited)	*Analyze, prioritize, and define social enterprise needs*
UNCLEAR, NEGLECT, DENY	Delivery agent, culture, and pedagogic models are generally designed for delivery to sole proprietors, not non-profit organizations	*Understand needs in terms of organizational structure*

5.2   Respond to Specific Needs of Social Enterprises

Social enterprises operate in the unique environment of non-profit, non-share organizations and seek a blended return on investment, as described in Section 4.0 above. Therefore, to meet the business development needs of social enterprises, some existing programs will need to be enhanced or adjusted. Further, new social enterprise services may have to be developed to meet the specific blended value and non-share business development needs of social enterprises.

This recommendation, as well as some of the above recommendations in 5.1, will require further specific program needs analysis and program design, beyond the scope of this project.

Summary

- Lessons must be taken from programs and services that support SE and their process and regulatory support replicated.

- Unclear services must clarify the definition of "non-profit" and eligibility requirements.

- SME services that have neglected non-profits in descriptions and requirements must define requirements and regulations with more detail, explicitly including social enterprises.

- In cases of denied access, changes must be made to eliminate exclusionary practices and regulations.

- Enhance and adjust existing programs or develop new social service specific offerings to meet specific needs of social enterprises' blended value and non-share, non-profit structures.

6.0   Conclusion

The Social Enterprise Access to SME Services research, conducted through interviews and program review research, identifies two critical concerns.

The inaccessibility to SME services for social enterprises is in a few cases real, but in the majority of cases access is unclear, ambiguous, or perceived as inaccessible. Clearly, the majority of F/P/T government programs only require improved clarity and defined program access to service offerings to become available to social enterprises.

Secondly, the unique non-profit, blended value proposition of social enterprise requires some service adjustments to existing SME programs, as well as the development of an additional set of social enterprise specific services.

Social enterprises serve a vital role in creating sustainable and healthy communities. They use business models to provide important social solutions to community needs, including employment for targeted groups, services for families and children, arts and culture, addressing environmental issues, and sustainability for the non-profit sector.

The implementation of the recommended strategic steps, outlined in this report and substantiated through program review research and interviews, will provide a framework for the creation of improved, accessible SME services for social enterprises and will play a crucial role in the development, success, and impact of social enterprise nation-wide.

7.0   Appendices

Appendix A: Social Enterprise Support Matrix Examples

		Stage 1	Stage 2	Stage 3	Stage 4	Stage 5
		SEED	**START-UP**	**START-UP**	**GROWTH**	**MATURITY**
			Launch	**Survival**	**Profitability**	
		Organizational readiness	Raising Capital	Revise strategy / business plan	Achieved stability and success in initial market	Demonstrated sustainability & track record of growth
		Idea generation/ evaluation	Preparing for Launch	Build enterprise and management capacity	Expansion- new market, or new products	Push to increase geographic or product growth
		Feasibility assessment				
		Business Planning	Enterprise begins operations	Moving towards profitability	Additional equipment, facilities, HR	Spin-off or new enterprises
Technical Assistance	Grants up to $10,000, primarily for outside advisory services	ACOA Seed Capital Program	WD Western Canada Business Service Network	Canada Council for the Arts The Flying Squad: An Organizational Assistance Program	ACOA Women in Business Initiative	Canada Economic Development for Quebec Regions Business and Regional Growth
Grants	Grants usually $20,000 to $75,000 to support operations		FedDev Ontario Investing in Business Innovation	Canada Council for the Arts Grant Programs	Farm Credit Canada Small Business Team	
Loans	Debt Instruments Credit Enhancements		WD Loan and Investment Program: Assiniboine Credit Union Micro Loan Program	Service Canada Canada Business (Quebec): Services for Entrepreneurs - Capitalization of Social Economy Companies	FedDev Ontario Community Futures Program	ACOA Business Development Program
Equity / Equity-like Capital	Share purchase or equity like investment		Canada Economic Development for Quebec, Community Futures Business Start Up and Sucession Fund		BDC Venture Capital	Farm Credit Canada FCC Ventures

Mentions non-profits in program description or eligibility criteria and specifically targets the program to social enterprise *(20% of examples fall in this category)*

Mentions non-profits in program description or eligibility criteria *(47% of examples fall in this category)*

Omission of non-profits in program description or eligibility criteria (may or may not offer service to non-profits) *(33% of examples fall in this category)*

Appendix B: Interview Databases

Interview Database #1: Government Officials and F/P/T government SME program/service providers

Lisa Banxachai and Sachin Sobhee
Office of Small and Medium Enterprises
Public Works and Government Services Canada
Interviewed by: David LePage

George Hunter
Small Business BC
Interviewed by: Kim Buksa

Chris Bryant
Senior Corporate Policy Analyst, Executive
Council
Nova Scotia Government
Interviewed by: Andy Horsnell

Allison Rickaby
Director of SME Policy and Outreach Branch
Ontario Ministry of Economic Development and
Trade
Interviewed by: Anne Jamieson

Jesse Hajer
Community & Economic Development
Committee of Cabinet
Province of Manitoba
Interviewed by: Brendan Reimer

Wendy Rogers
British Columbia Regional Coordinator
Western Economic Diversification Canada (WD)
Interviewed by: Kim Buksa

Interview Database #2: Social enterprise leaders, developers and advocates

George Karaphillis
Director of MBA in CED
Cape Breton University
Interviewed by: Andy Horsnell

Wendy Keats
Executive Director
Co-operative Enterprise Council of New
Brunswick
Interviewed by: Andy Horsnell

Cindy Coker
SEED Winnipeg
Interviewed by: Brendan Reimer

Penny Rowe
CEO
Community Sector Council Newfoundland and
Labrador
Interviewed by: Andy Horsnell

Dr. Michelle Gauthier
VP, Public Policy & Community Engagement
Imagine Canada
Interviewed by: Anne Jamieson

David Upton
Chair
Atlantic Council for Community and Social
Enterprise
Interviewed by: Andy Horsnell

Allyson Hewlett
SIG / MaRS (Toronto)
Interviewed by: David LePage

Interview Database #3: Active social enterprises

John Baker
Inner City Renovations (Manitoba)
Interviewed by: Brendan Reimer

Damon Johnston
Aboriginal Council of Winnipeg
Interviewed by: Brendan Reimer

Deanne Ziebart
Starworks (Development Disabilities
Association) (BC)
Interviewed by: David LePage

Len Usiskin
Quint (Saskatchewan)
Interviewed by: Brendan Reimer

Appendix C: Interview Response Summaries

Interview Database #1 – Government Officials and F/P/T government SME program/service providers

6 interviews conducted (Manitoba, BC, Nova Scotia, Ontario)

> **1. Have you encountered or worked with social enterprises during the course of your work with <insert>?**

Main points:
- *YES: 3; NO (unclear): 1*
- Work with social enterprises is, for the most part, recognized by interview participants.
- Government officials and SME program/service providers identify that their experience with SE is not often via a direct program or service (i.e. one that is SE specific), and often it would not be recognized or identified if a SE was accessing a service (i.e. attending a workshop).
- There is a gap between communication and action (i.e. what is being said vs. the reality of the SME environment and SE access). In other words, the stated intentions or commitments of government programs are not always inclusive of SE in *practice*. Although the program may be accessible to SE structurally, there is a lack of understanding or knowledge as to how to successfully deliver it to social enterprises.
- The OSME does not favour any type of incorporation (have to qualify and have procurement business number from CRA).

Comments:
"I do think that [the province] has been intentional about making sure that SE has full support from provincial programs, but of course doesn't address how individuals at those program offices would actually respond to SE."

"[We] provide a suite of products and services to improve skills within SME, whether for profits or non-profits. [Our] program is compatible with anyone operating a business, but nothing specific to social enterprise."

"[We] advertise specifically to small enterprises/people who want to start a small enterprise (and that is who comes to [us]). We do not specifically market to the SE client group."

> **2. How do you define a social enterprise as different from other small enterprises?**

Main Points:
- Social and/or environmental purpose is often considered a key element of a social enterprise.
- Profits of a social enterprise are invested in the enterprise.
- There are different forms of a social enterprise (incorporation status, legal status, and structure vary).

Comments:
"A social enterprise is a business driven by a social and/environmental purpose. As with any business, a social enterprise competes to deliver goods and/or services to customers in the marketplace, but profits are re-invested to achieve, sustain and further its' social and/or environmental purpose."

"[We refer] to social enterprises as "non-profit businesses", [as] defined by the federal government."

"Social enterprises are groups that go after a target group that wouldn't be considered."

"Not CSR."

"It's where the profit goes – doesn't get distributed to shareholders; it stays in the company. It's the spirit more than the structure. But certain structures lend themselves to the spirit."

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3. From your perspective, which F/P/T government SME services are available to social enterprise?

Main Points:
- Criteria and eligibility play a significant role in SME service accessibility (i.e. if a social enterprise can meet the SME eligibility criteria, they may be considered).
- Direct business assistance is not provided by some F/P/T SME services.
- It is not always clear to government officials or SME service providers which services are available to SE.
- There is little awareness on educational material and if/how this is provided to social enterprises.
- An interview participant believes that the Ontario Government SME policies, programs and services make no distinction between for-profit and non-profit businesses. She thinks there might some programs whose stated objectives would not be aligned with those of a social enterprise (eg. any program whose goal was promotion of exports).
- Two newer Ontario Government SME services have been highlighted: a Regulatory Registry that posts details of any prospective legislative changes that might affect business, to give interested parties the opportunity to comment; and new E-Business Resources, which offers workshops on how to use the web for business.
- Some government SME program/service providers have expressed enthusiasm about social enterprises being included in all programs and services.

Comments:
"All of our programs for SME are accessible by social enterprise, assuming they meet the other relevant criteria."

"I'm really not aware on the federal side. There was a movement to open it up, but I don't know. On the provincial side, there may be constraints."

"The intention is that anything available for a business should be available for social enterprise. There's no intention to prevent social enterprise's from accessing SME services.

"The official stance… would be that social enterprises are eligible. However, the text of agreements (like with CBDCs) gets filtered by those running specific offices…and CBDCs are under pressure to earn money on their loans. Not that they're against social enterprise; rather their overriding concern is how this will support their portfolio. The same would be the case for the Credit Union loan guarantee program."

4. Which F/P/T government SME services are NOT available, and why?

Main Points:
- Social enterprises are treated like any other business.
- Programs and services are not often specific to SE.
- SME loan programs are not available to SE.

Comments:
"I am not aware of any explicit exclusion of social enterprise from our programs."

"F/P/T programs are generally available however they are not really specific to social enterprise."

"SME services NOT available would be loan programs. Loan programs for start-ups are for SME but are not generally available to SE."

5. Where do you receive information regarding what initiatives are eligible for services and programs?

Main Points:
- Program criteria is generally available online.

6. Have you encountered any challenges providing these programs and services to social enterprises? If yes, please explain.

Main Points:
- This question was not widely answered (and one government official preferred not to respond).

Comments:
"The challenge for [social enterprises] is leveraging funds. There is NO way for an SE to participate, they can't take on debt, which limits access to loans…[their] hands are tied."

7. Are there policies or regulations that make it difficult or awkward to provide programs and services to social enterprises? If so, how have you "worked around" them in the past?

Main Points:
- An issue of alignment exists between organizations, industries and associated regulations or regulatory bodies.
- According to the OSME, things are moving in a better direction for SME's, but limited by trade agreements and government policy for larger suppliers.

Comments:
"The challenge is that there is no alignment between or within regulations, jurisdictions… Have to get parties talking together and aligning. Without this alignment, there is not consistency or precedent or best-practices, so needs or questions are addressed on a case by case basis."

8. From your experience, what other programs and services could be provided to support social enterprise development and growth?

Main Points:
- Financial literacy and an enhanced business skill set is crucial for the development and growth of SE.
- Social finance is required to support the works of social enterprises.
- The profile of SE needs to be raised.
- Small Business BC would be interested in partnering with enp for program or course delivery (there is an opportunity for enp to take Small Business BC planning and add the social side).

Comments:
"The non-profit world is…scared of the "money-side" or business side of things. Work needs to be done to bridge the divide in skill set."

"Social enterprises need to improve business/financial literacy and increase exposure to the business side of things."

"The Government should seriously consider a loan-based program that targets enps [social enterprises]."

"It seems to me that there's a need to go out and popularize the concept of social enterprise. You've got people who have been doing social enterprise but don't realize it…It's not so much that there needs to be special programs; rather you need to highlight what's going on."

"The other big challenge is to bridge social enterprises with corporations doing CSR."

"Giving social enterprise more of a profile gives the whole thing potential to grow."

9. In your opinion, what do social enterprises need to do in order to improve their access to these programs/ services?

Main Points:
- Social enterprises need to be confident in themselves as a business so that they can access programs.
- Social enterprises must realize that services are available (SEs must do their homework as an "audience").
- Social enterprises must influence policy to become more supportive (lobbying).
- A place for dialogue must be fostered for social enterprises and supporters to learn from each other and sustain continued discussion.

Comments:

"Social enterprises need to not be shy about their status as a business. There are many support programs available for businesses and social enterprises should be confident in accessing those programs."

"The services and resources are available, so it's delivery to audience vs. audience requirement. The important part is SEs realizing that services are available."

"There have got to be venues for the sector and those civil servants who are supportive of social enterprise to keep talking. This has been done before, but no lasting structures have come from it."

10. Do you have any recommendations as to how the government could improve access to SME development services for social enterprises?

Main Points:
- Social enterprises must realize that services and resources are available.
- Social enterprises must strategically address their relationship with government in order to make the most of provincial interest in SE development.

Comments:
"It's particularly interesting that we've got a provincial government who is sympathetic to this…That social enterprise is mentioned in the government's economic develop strategy. So, how can we exploit that interest, without forcing them into the wild west."

11. Who else should we speak to on this topic?

- Daisy Quon
- Kyle Pearce
- Sara Fraser
- Michelle Neally
- Arthur Bull, Senior Corporate Policy Analyst, Executive Council, Nova Scotia Government (902) 424-5428, bullaa@gov.ns.ca

Interview Database #2 – Social enterprise leaders, developers and advocates

7 interviews conducted (Manitoba, New Brunswick, Nova Scotia, Newfoundland and Labrador, Ontario)

1. Have you encountered or worked with F/P/T government funded SME programs in relation to social enterprise development? If so, which ones?

Main Points:
- *Yes: 5; No: 0*
- Programs and funders mentioned:
  - Employment Manitoba
  - Sustainable Development Initiatives Fund (Department of Conservation, Manitoba)
  - Department of Labour & Immigration (Manitoba)
  - Urban Development Initiatives (Province of Manitoba)
  - Federal regional development agencies (through Community Futures)
  - Trillium Foundation
  - HRSDC
  - CIC
  - Ontario Disability Support Program
  - Municipalities
  - Department of Housing and Community Development, Department of Entrepreneurship Training and Trade, and Manitoba Housing
  - Coop Development Initiatives
  - Co-op Development Assistance program (Saskatchewan)
  - SEED Connection
  - CBDC
- While there were several responses mentioning SME programs in relation to social enterprise development, answers varied considerably between provinces and a consistent federal program was not highlighted.

Comments:
"[In dealing with] the RDAs and Community Futures offices, [there is] a bias… toward the for-profit model."

"Not much federally."

"They did get some support through a Co-op Development Assistance program from province [Saskatchewan], but that program seems to have been terminated with the new provincial government."

"CBDC loans (social enterprises have been successful getting loans) and Self Employment Benefit (there have been no successful SEB applications for social enterprises)."

"Haven't seen ACOA SME programs done for social enterprises (ACOA has specific programs for community organizations). Not aware of any provincial programs for social enterprises (from Economic

and Rural Development). That said, the provinces does do skill development for social enterprises (Department of Community Services), but that's not mainstream SME services."

> **2. Have you encountered any challenges accessing these programs and services when working with a social enterprise? If yes, please explain.**

Main Points:
- *Yes: 5; No: 0*
- Challenges arise when funding is committed for a social enterprise and then subsequently taken away.
- A lack of understanding of the purpose and mission behind SE (on the part of government) seems to be at the root of many issues.
- Unrealistic expectations are the cause of some frustrations when dealing with government programs and services (i.e. the program or service was not aware of/willing to adapt to the unique nature of a SE).
- Lack of capacity and enterprise skills, organization structure, and governance issues are often a cause of challenges related to ineligibility.
- There are problems with the definition of not-for-profit (i.e. Who is really being targeted? What is really meant when this term is used?).
- Challenges arise from exclusion based on the applicant's activity, and not always based on the type of applicant (i.e. SEs are excluded from funding that only focuses on activities, such as exporting, that would not traditionally be of interest to SEs).

Comments:
"The first time we called the Canada/Manitoba Businesses Service Centre 6 years ago, they said that nothing we could do would be big enough for them to work with. They still are quite dismissive, and they are not accessible."

"The province provided $8 million for [two projects], but it was subsequently taken away with a change in government. WED was interested in supporting them through the stimulus funding, but it had to be matched by the province, and the province refused as they don't see it as a priority...This was a unique situation, as it was heavily political. But lack of understanding was part of it too."

"[T]hey said that they weren't interested in "supporting an inner city mall" showing their complete lack of knowledge about what this social enterprise/CED initiative was about."

"Huge problems. Primarily stems from a lack of understanding, economic development agencies, banks, government agencies, even the public – about what a co-op is. People really don't understand that they are economic entities, but that they have different goals. The fact that the profits always go back into the community."

"[C]o-ops are excluded. We're neither betwixt or between. Policy makers and funders just don't understand. This can be generalized to other social enterprises."

"One of the things that I've discovered, is that the programs and policies often name nonprofits but, when you scratch the surface, you realize that the intent are industry and professional associations."

"Some of these programs are limited by the kind of activity, versus the type of applicant…and it's on that basis that [not-for-profits] get excluded."

3. Are there policies or regulations that make it difficult or awkward to access programs and services as a social enterprise? If so, how have you "worked around" them in the past?

Main Points:
- *Yes: 6; No: 0*
- Examples of policies or regulations that create barriers:
  - CED Tax Credit is only for for-profit businesses
  - Community Futures mandate
  - Procurement processes in construction
  - Loan programs
  - BDC financing
  - Small Business Tax Investment Credit
  - Personal loan guarantees
  - Personal development programs that exclude people starting social enterprises
  - CEDIFs (Community Economic Development Investment Funds) don't work for nonprofit social enterprises
- Organizations have worked around these barriers by teaming up with other groups or government agencies and creating unique solutions through partnerships.
- The well-being and future of those who benefit from the SE are often at the base of this drive to negotiate and modify restricting policies and regulations (i.e. when the barrier is removed, more people can benefit from the SE).
- Negotiations with government are necessary to create or improve access to programs and modify requirements.
- The issue of perception (as opposed to policy or regulation issues) can create challenges.
- Policies and regulations related to loan programs make financing difficult to access for not-for-profits.
- To work around access issues, not-for-profits are exploring options such as creating for-profit subsidiaries (to improve access to financing) and obtaining charitable status (to access grants).
- A lack of awareness or valuing of the SE model is at the root of many policy and regulation issues.

Comments:
"With FEDNOR, a few CFs would have supported social enterprise work, but not many. They are heavily biased toward the for-profit model, and thought that they were not mandated to support social enterprise. This was a matter of their perception rather than a matter of policy or regulation."

"Procurement processes in construction certainly have invisible criteria that eliminated [us] from competing on bids, such as bonding requirements (who do you bond if owned by a non profit?)."

"Most loan programs won't work with non-profits, making it harder to access financing. They are just generally ruled out."

"It is not about the policies and regulations really, it is about a complete lack of awareness or valuing of the SE model."

"We did go to Business Development Bank of Canada to finance, but they only finance for profits, so we were rejected. So that is one example of a regulation being a barrier. We are just as legitimate in terms of economic development and impact as a non profit, but they won't work with us."

"Until recently, we were excluded from the Small Business Loan Guarantee. Co-ops are so used to being excluded, they don't even try, even now that they could."

"Two particular currently identified barriers include definition of Canadian being tied to shareholders (broadband SE in northern BC), and the definition of SME as being for profit. SME should remove the phrasing about them being "for profit"."

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4. From your perspective, which F/P/T government SME services are available to social enterprise? Which F/P/T government SME services are NOT available? Do you know why they are not available?

Main Points:
- Examples of available SME services:
    - Canada/Manitoba Business Service Centre recently hired a SEED Winnipeg staff person to explore more supports for social enterprises and co-operatives.
    - Women's Enterprise Centre did partner with SEED on an immigrant program, where they would provide loans for participants. They have also come in as loan providers together with Assiniboine Credit Union.
    - CDI (Co-Op Development Initiative), sponsored by the Rural and Co-Op Secretariat.
    - The Innovative Co-op Project
    - The Co-operators have a co-op development fund and community development fund (for any social enterprise, not just co-ops).
    - Credit Union programs
    - CFDC programs
    - Seed Connection
    - CBDC loans

Comments:
"Part of the barrier is perceived (they think they don't work with SE), part of it is uninformed (they don't understand the purpose – both economic and social). They tend to be focused on generating wealth instead of "value." Look at all the public investment in business incubators; their sense of value is growth of GDP through business growth."

"No, mostly I don't think anyone would know where to go to get support for SE."

5. Where do you receive information regarding available SME programs and services? How do you determine if the social enterprise you are working with is eligible?

Main Points:
- The "social enterprise" label can have a negative influence on accessing SME programs or services or determining eligibility (i.e. some suggest to avoid using this label when applying for business support).
- There is a lack of ownership of responsibility when it comes to social enterprise development. Who has something to offer SE? Who will step forward to offer support? Who will match SE needs with existing programs and services?
- Information regarding SME programs and services for SE is not easily accessible.

Comments:
"Mostly, it is just best not to use the social enterprise label. Just approach business supports with your business plan. Don't get locked out of support just because you are stuck on using the SE label."

"Not much awareness out there."

"[Our organization] is doing social enterprise work, and is struggling to make it happen while every level of government in Saskatchewan knows it, yet nobody steps forward with any support – indicating that there likely is nobody who thinks that they have anything to offer to social enterprise development."

6. Do you think that social enterprises require different support from other SMEs during their development and expansion? If yes, please explain. What similar supports are required?

Main Points:
- Social enterprises do not require different support from other SMEs during development and expansion.
- Social enterprises require more support than SMEs because they have a more complex, multiple bottom line approach.
- The playing field is not equal (SEs are not getting the same support as for-profits).
- Starting up a SE is much more work, due to different decision-making structure and limited governance and management experience.
- Outside experts must be brought in to help.
- Accessing capital requires additional support for SEs.
- Capital is needed to explore the role that SE can play in community and economic development.

Comments:
"[T]he real supports that are required are the same. SMEs need to understand the social impact of their business and the SE crowd need to better understand their initiative as a business model."

"SEs have it even tougher because with their multiple bottom line approach, SEs should actually receive more support than for profit models, particularly when you calculate that they return greater value on investment that for-profit models do."

"80% is the same (marketing is marketing, etc.), but how to account for social impact and governance is totally different."

"I think that people making policy need to be thinking about a *strategic investment fund*, which would allow for some experimentation and building."

"There could be things that could be done (by social enterprise) to create truly community-based enterprises to address these issues [i.e. senior care and child care in Canada]."

"It may be that social enterprise is just another SME with different motivations."

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7. In your experience, which government funded services have seen the greatest uptake by social enterprises?

Main Points:
- A common trend with SEs is that they all have a diverse funding base (they cannot rely on just one agency or department for funding).
- Federal programs need to be more reasonable and accessible in order to make a difference for SEs.
- The Coop Development Initiative (under Co-op Secretariat) has seen a significant uptake by SEs.

Comments:
"Organizations with a diverse funding base shows some strength to funders, and there is a better chance that at least one of these funders will step up to support the SE."

"No comment. It's almost more accidental on the part of social enterprises."

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8. From your experience, what other programs and services could be provided to support social enterprise development and growth?

Main Points:
- The danger exists that SEs may not be considered for support due to misperceptions of eligibility.
- SEs need all of the same standard support that other SMEs require.
- The additional work involved in setting up a SE needs to be supported (i.e. building the board, creating a pool of capital)

Comments:
"I think that the right kinds of supports are there already, as long as you have a strong business case and they don't lock you out based on misperceptions of eligibility."

"It think having parity for all other services for SMEs is very important – in terms of policies and regulations. If it's available for a small business, it should be available to a social enterprise."

"I've seen many, many good ideas not go forward for lack of funding."

9. In your opinion, what do social enterprises need to do in order to improve their access to existing programs/ services?

Main Points:
- It is important to position SE as a business when pitching a plan or applying for funding.
- SEs must be sensitive to the definition of "social enterprise" and the misunderstanding that can be associated with the term.
- SEs need to know that support services exist.
- It is important for SEs to use the right language and build a business case.
- A strong, supportive advocacy group is necessary to help level the playing field and to get government on board with the process.

Comments:
"Don't lock yourself out with a definition that they don't understand."

"[Y]ou need program officers who value and understand the cost benefit analysis of the SE model. They need to know how to look at more than the bottom line."

"I think that social enterprises need to educate themselves about what is out there, do some advocacy work with government about why they are viable and the impact they are creating. They have to present a strong business case; the strong social case isn't enough. We need to understand that if we are talking about being in business, then we have to use the right language and building the business case."

10. Do you have any recommendations as to how the government could improve access to current SME development services for social enterprises?

Main Points:
- Support services are essential, including business developers (more proactive).
- There needs to be greater understanding of the financial realities of SEs.
- It is important to understand risk and clarify missions.
- The support of large investors is crucial in the development of social enterprise.
- Legislative changes are required (i.e. to be able to sell investment shares).
- The development of the sector as a whole needs to be supported.

Comments:
"The supports need to be accessible and located in the community, and there need to be business developers as opposed to just lenders."

"Revisit down-payment/matching equity requirements as most social enterprises do not have equity available for their existing criteria."

"We need to find a way to draw larger investors into supporting social enterprise; and find a way to ensure they get some returns."

"We have so far to go, where to start? Its one thing to be eligible, it is another for them to give you access."

"Need to find ways to support the development of the sector to organize itself."

11. Who else should we speak to on this topic?

- Seth Asimakos, St. John Community Loan Fund
- Sue Rickards (selbyinc@nb.sympatico.ca)
- Elizabeth Rice (elizabeth.rice@cbdc.ca)
- Ron O'Brien (ron.obrien@cbdc.ca)

Interview Database #3 – Active social enterprises that have utilized or attempted to utilize F/P/T government SME programs/services and/or charities that have abandoned efforts to establish a social enterprise due to SME program barriers.

4 interviews conducted (British Columbia, Manitoba, Saskatchewan,)

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1. Have you encountered or worked with F/P/T government funded SME programs? If so, which ones?

Main Points:
- Program examples:
  - o Work Place Training for Innovation (promoted as for-profits only, an exemption was made made to allow the social enterprise employee access to the program funds)
  - o BDC (didn't qualify for any financing because of non-profit status - looked at the Business Solutions Financing program)
  - o BC Ministry of Competition, Science and Enterprise, Investment Capital Branch (Language in brochure was in itself was a barrier, trying to understand eligibility. Social enterprise is a program of parent organization, but wasn't clear if they could apply as less than 100 employees in their entity. Required equity position, which would exclude non-profits).
  - o Industry Canada Small Business Financing Program (Criteria seemed appropriate but required separate entity and stated non-profits not eligible)
- Emphasis was made on a lack of awareness of options in the non-profit world, rather than specific problems in existing policies and programs.
- There is a lack of direction and knowledge on what services and programs are available and how they can be accessed.

Comments:
"…[A]s we build some consensus on what systemic changes are needed and what new supports may be required, we need to decide how we go forward to government/others so as to have focused and consistent messaging and a diverse leadership group…"

"[I]t is difficult to discern who the go to persons/departments are and what they have to offer. Specific legislation/policy/regulations are unknown to us."

Appendix D: Labour Market Partnership Advisory Council Membership List

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Appendix E: Research Spreadsheet

Please see Excel document "*Access to SME Services Research Spreadsheet*"

Appendix F: Access to SME Services Research Overview

Research Highlights

Observation #1: The updated research on social enterprise access to SME services has indicated that while social enterprises are not usually explicitly excluded from F/P/T programs and services, they are not often specifically targeted (or even mentioned) in the applicant criteria.

Implication: This omission of social enterprise in eligibility criteria and program target group descriptions demonstrates that there is a lack of awareness of the applicability of SME programs and service to social enterprises. With this lack of awareness comes a lack of promotion – social enterprises may not be made aware and/or may not be encouraged to access SME services, simply because there isn't an understanding of the value that these services could contribute towards their enterprise.

Example: The Office of Small and Medium Enterprises (Public Works and Government Services Canada) supports SMEs by working to reduce barriers and by simplifying requirements for SMEs that want to do business with the Government of Canada. OSME helps SME better understand the government procurement system by raising awareness and by providing information and assistance through:
- the Buy and Sell Web site, a 1-800 InfoLine, and providing information to individual suppliers who have questions about federal procurement;
- in-person information briefings to groups of suppliers in every region of the country to help them identify niche procurement opportunities and navigate the procurement system; and
- consultations with SMEs and industry associations across the country every day to understand their procurement objectives and challenges.

While these initiatives of the OSME would, in many cases, add value to the creation or development of a social enterprise, they are not specifically marketed towards this specific group.
http://www.tpsgc-pwgsc.gc.ca/app-acq/pme-sme/index-eng.html

Observation #2: There are few SME programs and services tailored to the unique characteristics and needs of a social enterprise.

Implication: The SME programs made available, adapted, and geared towards social enterprises have the potential to generate significant benefit for social enterprises and the communities they serve. However, the fact that these particular programs and services stand out implies that supported, encouraged social enterprise access to SME programs and services is not commonplace.

Example: The Services for Entrepreneurs program offered by Canada Business (Service Canada) provides opportunities in Quebec through Investissement Quebec, including the Capitalization of Social Economy Companies program (for co-operatives or non-profits) and the Group Entrepreneurship: Funding Social Economy Enterprises program (for co-operatives). *These programs are unique in the Canadian SME context, since they are providing services specific to the needs and characteristics of social enterprises.*
http://www.canadabusiness.ca/eng/summary/2963/ ; http://www.canadabusiness.ca/eng/guide/3541/

Observation #3: While several SME programs and services are made available to not-for-profit organizations, co-operatives, and community development organizations, there is a lack of clarity as to whether or not a social enterprise operated by one of these groups would qualify for funding or support. In some cases, for-profit enterprises are specifically excluded from eligibility criteria.

Implication: This leads to the question of whether a not-for-profit, charity, or co-operative operating a social enterprise would also be excluded from potential funding, programs, or services.

Example: The Contributions Program for Non-Profit Consumer and Voluntary Organizations (Industry Canada) supports organizations in the production of high quality, independent and timely research on consumer issues. Eligible recipients include voluntary organizations that are incorporated as non-profit corporations in Canada and which can demonstrate that they can meet the list of specific criteria. Individuals and profit-oriented organizations are not eligible for support under the Program. *According to the eligibility criteria, it is likely that a social enterprise operated by a not-for-profit or voluntary organization would be excluded from accessing this program.*
http://www.ic.gc.ca/eic/site/oca-bc.nsf/eng/h_ca00175.html

Observation #4: An additional trend illustrated in the research is the varying level of funding that is provided to not-for-profit vs. for-profit organizations. In the case of many SME programs and services, a significantly reduced level of funding is provided to for-profit groups (e.g. 40% of the project budget), while not-for-profits often receive almost all of the funding necessary to carry out a project (e.g. 90% of the budget).

Implication: This reality leads to the question of where social enterprises fall within this range. As a not-for-profit generating revenue through a social enterprise, it is possible that the organization will not have access to adequate funding (which would create obstacles and barriers for the initial stages and development of the social enterprise). In addition, funders sometimes provide funding to for-profit organizations on a repayable basis (if a social enterprise was placed in the "for-profit" category, this would have substantial financial implications for the organization).

Example 1: Canada Summer Jobs (Service Canada) provides funding to help employers create summer job opportunities for students. Not-for-profit employers are eligible for up to 100% of the provincial/territorial adult minimum hourly wage, while public and private-sector employers are eligible for up to 50% of the provincial/territorial adult minimum hourly wage. *The program does not specify how much funding would be granted to a social enterprise operated by a not-for-profit, co-operative, or community development organization.*
http://www.servicecanada.gc.ca/eng/epb/yi/yep/programs/scpp.shtml

Example 2: The Business Development Program (ACOA) offers access to capital to SMEs in the form of interest-free, unsecured, repayable contributions. Not-for-profit organizations that provide support to the business community may also qualify for non-repayable assistance. *The eligibility criteria does not specify whether a social enterprise operated by a not-for-profit, co-operative, or community development organization would be classified as an SME or not-for-profit, therefore creating confusion regarding the repayable vs. non-repayable nature of the financial assistance.*

http://www.acoa-apeca.gc.ca/English/ImLookingFor/ProgramInformation/Pages/ProgramDetails.aspx?ProgramID=2

Observation #5: Several SME programs and services provide online resources and toolkits that would be accessible to social enterprises over the internet. However, these resources are produced for the "typical" small or medium enterprise and do not necessarily focus on the unique characteristics of a social enterprise.

Implication: When using these tools and resources, social enterprises must take on the task themselves of adapting the SME resource to their specific business reality as a social enterprise. While the SME tool or resource would be very helpful to the social enterprise in a business planning and development sense, the defining factor (the "social mission") of the business would often not be taken into account or included in the material.

Example: Industry Canada's SME Benchmarking Tool and SME Direct offer a wide range of tools and resources that can be accessed online by a social enterprise. *However, these tools and resources are not tailored to a social enterprise or not-for-profit, both in terms of specific content and delivery method (i.e. a new social enterprise may need face-to-face interaction to discuss planning and issues, rather than an online tool).*
http://www.ic.gc.ca/eic/site/pp-pp.nsf/eng/home ; http://www.ic.gc.ca/eic/site/dir-ect.nsf/eng/home

Specific Inclusion of Social Enterprise or Not-For-Profit Access to SME Programs and Services

Please note: In the research, there were several examples of inclusion of not-for-profit organizations in the eligibility criteria for SME programs and services. However, the definition of "not-for-profit" was often not elaborated (i.e. it was not made clear whether a not-for-profit could be embarking on social enterprise endeavours). Highlighted below are some examples of programs or services that specifically include social enterprises:

Community Adjustment Fund in the North
(Canadian Northern Economic Development Agency)
- A two-year national program established under Budget 2009, Canada's Economic Action Plan. The objectives of the CAF are to provide economic stimulus to create or maintain jobs in and around communities affected by the global recession, and to promote economic diversification of those communities. CAF is delivered by CanNor in the three territories.
- Eligible recipients are**: organizations including social enterprises**; individuals; other levels of government and other non-federal entities, public or private, that have an interest in economic development in the North. Contributions to for-profit organizations may be made on a repayable basis.

Community Futures Program
(Federal Economic Development Agency for Southern Ontario & Federal Economic Development Initiative in Northern Ontario)
- The Community Futures (CF) Program supports 61 Community Futures Development Corporations (CFDCs) in Ontario— FedDev Ontario serves 37 in rural Eastern and Southern Ontario. CFDCs offer a wide variety of programs and services supporting community economic development and small business growth:

- o Strategic community planning and socio-economic development;
- o Support for community-based projects;
- o Business information and planning services; and
- o **Access to capital for small- and medium-sized businesses and social enterprises**.

Canada Business: Services for Entrepreneurs
(Service Canada)
- Government grants and financing, including grants, contributions, and financial assistance; loans and cash advances; loan guarantees; tax refunds and credits; wage subsidies; equity investments
- Programs Offered in Quebec through Investissement Quebec:
  - o **Capitalization of Social Economy Companies** (for co-operatives or non-profits)
  - o **Group Entrepreneurship: Funding Social Economy Enterprises** (for co-operatives)

Loan and Investment Program
(Western Economic Diversification Canada)
- WD partners with independent western financial institutions to offset a portion of the risk they experience when lending to small business.
- Assiniboine Credit Union Micro Loan Program: **designed to benefit entrepreneurs, small businesses and social enterprises.**

Specific Exclusion of Social Enterprise or Not-For-Profit Access to SME Programs and Services

Please note: While these SME programs below are examples of specific exclusion of not-for-profit organizations, the research discovered several examples of "omission", where the inclusion/exclusion of not-for-profits or social enterprises could not be determined.

Canada Small Business Financing Program
(Industry Canada)
- Seeks to increase the availability of loans for establishing, expanding, modernizing and improving small businesses. It does this by encouraging financial institutions to make their financing available to small businesses.
- Eligible small businesses must be operating for profit in Canada and have annual gross revenues lower than $5 Million. **Not eligible under this program are farming businesses, not-for-profit organizations, or charitable and religious organizations**.

Small Business Internship Program
(Service Canada)
- Enables small and medium-sized businesses to obtain funding to hire post-secondary students for 12-week full-time internships in a field related to information and communication technology.
- Businesses that wish to apply for funding must:
  - o Be an established small or medium-sized business having fewer than 500 employees
  - o **Be incorporated or a sole proprietorship and for profit**
  - o Wish to enhance their e-business capability
  - o Contribute 25% of the student wages and related expenses

Government Programs and Services Reviewed (Several programs and services within each of these main departments were reviewed)

- Agriculture and Agri-Food Canada
- Atlantic Canada Opportunities Agency (ACOA)
- Business Development Bank of Canada (BDC)
- Canada Council for the Arts
- Canada Economic Development for Quebec Regions
- Canadian Northern Economic Development Agency (CanNor)
- Canadian Tourism Commission (CTC)
- Communications Research Centre Canada
- Enterprise Cape Breton Corporation
- Environment Canada
- Export Development Canada
- Farm Credit Canada (FCC)
- Federal Economic Development Agency for Southern Ontario (FedDev)
- Human Resources and Skills Development Canada
- Indian and Northern Affairs Canada
- Industry Canada
- Public Works and Government Services Canada
- Service Canada
- Federal Economic Development Initiative in Northern Ontario (FedNor)
- Infrastructure Canada
- Justice Canada
- Natural Sciences & Engineering Research Council
- Public Safety Canada
- Social Sciences and Humanities Research Council
- Status of Women Canada
- Western Economic Diversification Canada

Summary of Research Classifications (100 programs/services reviewed)
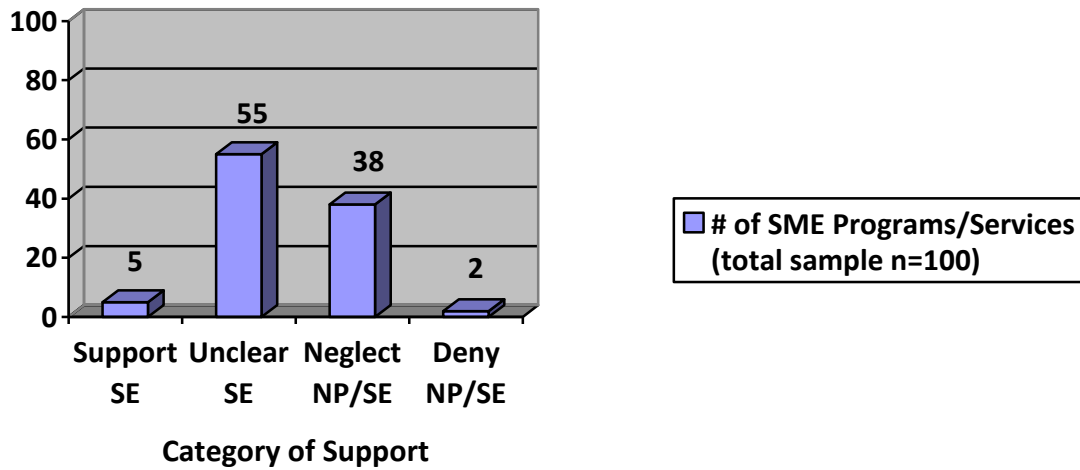
Support SE: The description or eligibility criteria of the SME program/service identifies social enterprises and the SME program/service is accessible and tailored to social enterprises. The term "social enterprise" is used in program description or list of eligible applicants. *(5% of the total reviewed)*

Unclear SE: The description or eligibility criteria of the SME program/service mentions or highlights non-profit organizations. The SME program/service is accessible and, at times tailored towards, not-for-profit organizations. However, the definition of "non-profit" is not clarified and social enterprises are not identified in the program description or list of eligible applicants. *(55% of the total reviewed)*

Neglect NP/SE: The SME program/service does not mention social enterprise or non-profit in its program description or list of eligible applicants. *(38% of the total reviewed)*

Deny SE: The SME program/service specifically excludes non-profit organizations from the eligibility requirements. Although the definition of "non-profit" organization is not made clear in the case of these programs, it is likely that social enterprises are also excluded as part of this group. *(2% of the total reviewed)*

Appendix G: BDC Case Study

Business Development Bank of Canada

It does matter who you talk to…

The Business Development Bank of Canada (BDC), a financial institution owned by the Government of Canada, helps create and develop Canadian businesses through financing, venture capital, and consulting services with a focus on small and medium-sized enterprises (SMEs).[15]

In February, 2011, an effort was made by Enterprising Non-Profits to determine whether any of BDC's SME programs or services were accessible to non-profit organizations. Ultimately, it was concluded that an issue of information discrepancy exists when it comes to non-profit access to BDC programs and services.

Three methods of investigation were used in determining BDC's accessibility to non-profits:

BDC Website Research

An overview of the BDC website (www.bdc.ca) and eligibility criteria for its various financing, venture capital, and consulting programs and services indicated that non-profits are not mentioned in the program or service descriptions or eligibility criteria.

Telephone Communication

On February 21, 2011, a call was placed to the BDC general inquiry number (1-877- 232-2269). The representative responded to the inquiries regarding non-profit access to programs and service by clearly stating that BDC does not finance non-profits and that organizations must be 100% for-profit in order to be eligible for anything with BDC. When asked if she was aware of any programs or services that are specifically tailored to social enterprise or non-profit business, the representative responded that she was not aware of any BDC offerings in this area.

General Research

An internet search for research discussing BDC and social enterprise brought up a January 2008 research paper entitled Financing Social Enterprise: A Scan of Financing Providers in the Manitoba, Saskatchewan and Northwestern Ontario Region[16] (part of a collection of research reports prepared for the project *Linking, Learning, Leveraging*: *Social Enterprises, Knowledgeable Economies, and Sustainable Communities).* In the report's overview of BDC, it states:

> "The Business Development Bank of Canada does lend to social enterprises, but makes no distinction between social enterprise and normal for-profit enterprises. The blended values of a social enterprise are not part of the assessment criteria, but loans officers are sympathetic to social enterprise objectives." (pg. 26)

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[15] *Business Development Bank of Canada*, www.bdc.ca

[16] *Financing Social Enterprise: A Scan of Financing Providers in the Manitoba, Saskatchewan and Northwestern Ontario Region,* http://www.usaskstudies.coop/socialeconomy/files/LLL_Final_Reports/Report_CL2_02a.pdf

The research methodology for the Financing Social Enterprise report included telephone/email surveys supplemented with key informant interviews, email, and in person interviews and Internet research.

In an interview conducted as part of the Social Enterprise Access to SME Services project, a participant commented on a past experience with BDC:

> "We did go to [the] Business Development Bank of Canada to finance, but they only finance for profits, so we were rejected. So that is one example of a regulation being a barrier. We are just as legitimate in terms of economic development and impact…but they won't work with us."
> (from Interview Database #2, Question 3)

Another interview participant, involved in social enterprise development and advocacy, commented:

> "The Business Development Bank excludes non-profits although their documentation states that "social economy enterprises" might be eligible, but does not define the term, although it does say that such enterprises 'cannot depend on grants and donations'."
> (from Interview Database #2)

In conclusion, the research conducted into the specific regulations around BDC's SME services highlights that there is a lack of clarity and, above all, a discrepancy in communication of eligibility criteria. Depending on the source of information, BDC's position on supporting non-profits varies. The discrepancy created by the varying information available online, via personal communication, and via secondary research demonstrates a prime example of the lack of consistency and resulting confusion and that a non-profit must tolerate when attempting to access F/P/T SME programs or services.

Appendix H: Peace Region Internet Society Case Study

Case Study: Peace Region Internet Society

Barriers for Social Enterprise: Tackling obstacles with pleas for exemption

On September 16, 2010, the Globe and Mail published an article entitled: "Red tape snarls rural Internet firm"[17]. The article discussed the situation that the Peace Region Internet Society (PRIS) found itself in after expressing interest in upgrading its wireless service by applying to use a higher piece of wireless spectrum. The PRIS came up against a significant barrier when the Society was informed by Industry Canada that "…the 5,000-member society, all of whom are residents of B.C. or Alberta, is not Canadian enough to qualify." In an email from an Industry Canada official, the PRIS was advised:

> "The definition of being Canadian-owned and -controlled requires that Canadians beneficially own 80 per cent of the corporation's voting shares (issued and outstanding), and the [Peace Region society], being a corporation without share capital, does not issue voting shares and therefore doesn't meet the requirement." (Marlow, 2010)

After being "…deemed un-Canadian because it does not issue shares" (Marlow, 2010), the PRIS asked Industry Canada to reconsider the application.

The PRIS example serves to highlight "…the struggles that small, rural Internet providers are facing as Ottawa grapples with what to do about regions of the country that suffer from poor or unreliable Web connections" (Marlow, 2010), along with the realities that social enterprises are facing in Canada when attempting to access programs or services provided or funded by Federal, Provincial, or Territorial governments. In this case, the Industry Canada share investment requirement made the broadband licensing service inaccessible to non-profit organizations.

As outlined in the email response from Arvo Koppel of the PRIS (see page 2), the situation was eventually resolved. However, the discussion and complications that were endured by the PRIS in dealings with Industry Canada illustrate that the current environment is not always supportive of the efforts of social enterprises and that, when faced with obstacles, social enterprises must work diligently to receive exemptions in order to meet the needs of their clients and communities. Ultimately, the PRIS case study exemplifies a government service (Industry Canada CRTC broadband licensing) that requires exemptions in its program requirements in order to facilitate non-profit access.

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[17] Marlow, I. (2010, September 16). Red tape snarls rural Internet firm. *The Globe and Mail*, http://www.theglobeandmail.com/news/technology/red-tape-snarls-rural-internet-firm/article1710935/

Update on the Industry Canada issue from Arvo Koppel, Peace Region Internet Society
(email correspondence, February 7, 2011)*:

"The situation did resolve to our satisfaction at this time, although I am not certain if a precedent was established.

Our problem was that, as a not-for-profit Society, we do not have registered shareholders, and hence Industry Canada could not establish that we met the requirement that 80% of the controlling and Decision-making shares were held by Canadian Citizens.. by the simple fact that we did not issue any shares, and that was the wording of the Rules for holding Spectrum.

We are a community-based entity, and the qualification problem was caused by our organizational structure as a registered not-for-profit Society, rather than as a traditional share-based for-profit corporate entity. This caused difficulties in applying the required regulatory tests.

We were ultimately granted the license we sought, but I will give due credit to the media for having brought the issue to conclusion after 1 year of 'back-and-forth'. The problem was somewhat protracted because Industry Canada staff were not able to release the contact info for the person who was the decision-maker in this. (This contributed to the feeling of being in a quagmire).

Nonetheless, the crux matter of not being able to prove Canadian ownership if one is a Society registered under the Society Act of British Columbia was not clearly addressed. There were assurances that the Society was 'Member Controlled' since all members get to vote for the Board of Directors, and *currently* 80% of the Board of directors had duly notarized Canadian citizenship and residency. There was also some discussion of the membership being Canadian *residents* since we only offered Internet service in the BC Peace. Fortunately, we were not asked to provide proof that 80% of these members, who have egalitarian and de-facto control of our Society's operations, were at least 80% Canadian.

Industry Canada also advised us to change our Bylaws to ensure that 80% of the Directors were Canadian citizens. While I said 'Sure', we have no constitutional or Bylaw authority to change the bylaws without a special resolution supported by the membership at large, nor can one imagine a mechanism by which one could guarantee 80% citizenship of our Board, as the Board is elected by the membership. If perchance we ended up with two non-Canadians elected simultaneously to the Board, how in Heaven's name would we decide which elected person would be disqualified, and how would we do this without being discriminatory?

Anyhow, the matter was resolved in the favour of logic, once we could get the attention of a person with sufficient authority to examine the decision in the context of 'Intent' rather than specific wording."

Arvo Koppel
System Administrator

System Operations	Tel:(250)782-5128, 785-8877
sysop@pris.ca	Out-of-Town 1-800-768-3311
Peace Region Internet Society	FAX: (250) 782-2459

*Permission was obtained from Arvo Koppel to include his email in this report.