# Enterprising Solutions to Social Problems: **Building the Social Economy on PEI** July 2019

SOCIAL ECONOMY WORKING GROUP:

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## INTRODUCTION

The Government of PEI, through projects embedded and championed in the Executive Council Office, has been exploring and developing a better understanding of Social Enterprise over the past several years. The PEI Poverty Reduction Action Plan, released in November 2018, included exploring the development of a provincial social enterprise framework as supportive action for building communities and partners. The current government recommitted to the Poverty Reduction Action Plan in the June 14, 2019 Speech from the Throne.

The exploratory work within government was in tandem with an increased interest from community groups in Social Enterprise as an opportunity to diversify revenue streams and reduce dependence on government funding. Not for Profit organizations on PEI also see this as an option to find new ways to address the complex social problems their members and the community at large are facing.

## BACKGROUND:

In the fall of 2018, an ad hoc working group of community organizations proposed this project to Innovation PEI as the host organization to develop an action plan and recommendations for creating an environment where social enterprise can flourish.

Over the winter of 2019, the Social Economy Working Group released a survey to gather community perspective on the benefits and challenges they face as well as recommendations for next steps. We have also had further discussions with experts and key players, both on PEI and off, who contributed to the understanding of where PEI is now and where we need to go. This discussion paper integrates the learnings from the community, as well as local, regional and international expertise on Social Enterprise.

## WHAT IS SOCIAL ENTERPRISE

As is often the case with big 'concepts', a lot of time could be dedicated to developing a clear definition for social enterprise. The basic concept is that an organization or business reinvests the majority of its profits into the community. The Social Enterprise Council of Canada defines social enterprise as "community-based businesses that sell goods or services in the marketplace to achieve a social, cultural and/or environmental purpose, reinvesting their profits to maximize their social mission."

At the heart of the matter, social enterprise tackles social problems with business solutions.

https://www.princeedwardisland.ca/sites/default/files/publications/pei-poverty-reduction-action-plan\_web.pdf https://www.princeedwardisland.ca/sites/default/files/publications/speech-from-the-throne-2019.pdf Social Enterprise Canada. Website: http://secouncil.ca/

## CURRENT CONTEXT: PRINCE EDWARD ISLAND

The Working Group tried to better understand the entire ecosystem in which social enterprise can flourish. They have identified a continuum of options on which social enterprise is but one important grouping of organizations and businesses working to improve society for all.

The "tent" on PEI should be large and focus on the middle of the continuum where the social economy lives. This means, rather than spending time debating about who could and should be part of the discussion, we focus on ensuring that everyone - organization or business - who wants to create enterprising solutions to social issues is welcome and has access to appropriate supports and services.



While many of these terms are familiar, some are not. B Corps are Certified Beneficial Companies. Their purpose is to create value for society as well as money. They meet high standards of transparency and accountability and create positive social and environmental benefits. Up Street Brewing Company is currently PEI's only certified B Corp.

A Social Purpose Business uses entrepreneurial principles to organize, mobilize and manage a for-profit business that has a social mission at its core and the goals of creating both economic and social value. Career Development Services is an excellent local example of a Social Purpose Business.

Currently, on Prince Edward Island, you can incorporate as a business or a not-for-profit under the Companies Act, or as a co-operative (either for profit or non-profit) under the Co-operative Associations Act, but there is no legislative framework that recognizes Social Enterprise. Despite this constraint, there is quite a lot of Social Enterprise happening on PEI and significant interest from the community and not-for-profit organizations to build this ecosystem. While the survey conducted by the Social Economy Working Group over the winter of 2019 is no way comprehensive, it does provide an interesting snapshot of Social Enterprise on Prince Edward Island. There were 20 responses from people currently operating a Social Enterprise. Of those, 50% have been operating a Social Enterprise for more than 10 years, with 25% operating for three years of less and 25% operating for between 4 and 10 years.

In terms of revenues:

8 have revenues less than	\$100,000 year from the SE
5 have revenues ranging from	\$100,000 - \$300,000
6 have revenues in excess of	\$300,000 per year

As is often the case with new ideas, when you become aware of them, you then see them everywhere. Whether it is the rich Co-operative movement on Prince Edward Island; local Harbour authorities; businesses started in our First Nations communities; or not-for-profits with diverse revenue streams, there are many Islanders already working in the context of the social economy.

Equally as important, there is significant interest from the community about building on their success and creating new enterprises to solve many of the social problems Island communities face. Interestingly, almost 80% of the respondents in the survey were organizations who were interested in starting a Social Enterprise. There's a strong appetite to learn more and develop the skills necessary to solve some of our most complex social problems using an entrepreneurial lens.

In July 2019, the working group hosted a "lunch and learn" with government - elected officials and public servants - to brief them on the upcoming opportunities to leverage Federal Government Funding and provide information on how PEI could move forward.

Additionally, the working group hosted an information and planning session with the Community and Not-for-Profit Sector to explore creating a Social Economy Network that would work with other Atlantic Provinces to ensure the voices of Atlantic Canadians are appropriately represented at national decision-making tables.

See Appendix A for an incomplete and growing list of business and organizations operating in the Social Economy on PEI.

# **BENEFITS OF SOCIAL ENTERPRISE**

Using enterprise to solve social problems provides tremendous benefits to the entire community. Key informant interviews and survey responses identify some benefits of Social Enterprise to include:

- The freedom to inspire and create innovative solutions that inspire change;
- Being able to combine social awareness and business acumen;
- Applying different models of success (i.e. economic growth and community wellness);
- Ability to support clients with their range of needs, delivery programs and meet organizational mandate in ways that are not supported by funders;
- Provides unrestricted funds and a degree of financial and funder independence;
- Provides flexibility;
- Builds organizational capacity with tangible deliverables for clients and customers;
- Provides valuable work experience and advocacy for their participants.

## **CHALLENGES TO SOCIAL ENTERPRISE**

Conversely, there are challenges to running a social enterprise as well. They include:

- Awareness: the general public, community organizations and government funders don't always understand the concept;
- Not qualifying for some projects because of for-profit business status and alternatively, not qualifying for some projects/funding because of not-for-profit status;
- Avoiding mandate drift;
- Provincial incorporation rules are for non-profit or for-profit entities and there are no distinctions for social enterprise;
- Limited recognition that social enterprise is a valuable sector of the economy that is worthy of investment.

# Unsurprisingly many of the challenges to running a social enterprise are the same as traditional businesses:

- Raising capital;
- Having the right staff in place;
- Making a profit;
- The work and risk involved in starting a business;
- Lack of support for marketing, market analysis and product development.

# **CURRENT CONTEXT: FEDERAL GOVERNMENT**

The Government of Canada has committed to developing a Social Innovation and Social Finance Strategy for Canada. Through the Strategy, the Government is exploring ways to enable and support communities and social purpose organizations in the development of new and innovative approaches to persistent social problems.

The vision for the strategy is one that supports a future for Canada:

- In which communities thrive and flourish;.
- Where individuals, including those from vulnerable groups, have access to good jobs and homes, healthy food and strong social connections;.
- Characterized by sustainability, inclusion and reconciliation with Indigenous peoples.

The overall goal of the Federal Strategy is to create an ecosystem that fosters social innovation (see Appendix C for working definition) to improve outcomes for vulnerable populations and create inclusive and sustainable communities, including through the approaches of social finance and social enterprise.

The strategy's Steering Committee identified six potential and interconnected areas for action to advance social innovation and social finance in Canada (see Appendix C for working definition). They include:

- Capacity and skills;
- Funding and capital;
- Market access;
- Policy and regulatory environment;
- Knowledge transfer, data and impact measurement;
- Mobilization and awareness.

Enabling framework legislation could serve to recognize the contribution of the social economy, direct government to consider social impact in designing and implementing policies and programs, and support collaboration between government and social purpose organizations.

It is anticipated that calls for proposals for the initial funds of \$50M will be announced in the fall of 2019, with the \$755M social financing fund beginning disbursements in 2020. The funding will be disbursed over 10 years. The initial funding will provide support for organizations and regions to prepare for being able to access the Social Finance Fund.

Employment and Social Development Canada: Social Innovation and Social Finance Strategy. Website: https://www.canada.ca/en/employment-social-development/programs/social-innovation-social-finance/ consultation/discussion-guide.html The Working Group has met several times with Dave Upton who is an expert in Social Enterprise and the Social Economy. He has been working in this field for more than 25 years and has been instrumental in the evolution happening in Nova Scotia (see Appendix B). He is the co-founder of Common Good Solutions, a certified BCorp Consulting Agency, a 20 person team, who helps organizations and communities develop Social Enterprise. He is also a member of the 16-person Federal Social Innovation and Social Finance Strategy Co-Creation Steering Group that developed the federal strategy.

Dave Upton and Lauren Sears, Managing Partner at Common Good Solutions, have worked extensively on PEI over the past seven years, so understand both the local PEI context and what needs to happen on PEI to best leverage the funding opportunities available through the national strategy.

In July 2019, Dave and Lauren provided more information on the federal context to members of the Legislative Assembly, senior government officials and members of the community sector. They recommend that the Atlantic Provinces work together to ensure that priority setting and decision-making for Atlantic Canadians happens here.

Members of the Community Sector and Not for Profit organizations in attendance at the July meeting referenced earlier agreed that PEI needs to work with the other Atlantic Provinces on this quickly emerging opportunity to build and enhance the social economy.

# **RECOMMENDATIONS TO GROW THE SOCIAL ECONOMY ON PEI**

While details are still emerging about how the federal funding will be disbursed, PEI must quickly become more organized to ensure:

- Our voice is heard at federal decision-making tables;
- PEI is able to equitably access funding and support to grow our own social economy;
- Priorities are identified with experts who understand the local context.

With that in mind, these are short-term recommendations to Government and the Community Sector that the working group suggests be implemented (or started in the case of awareness building) over the next 18 months:

- First and foremost, engage with the community sector and government as well as the private sector to get clear how a thriving social economy can benefit society as a whole, and to further develop specific action items.
- Develop and implement an awareness campaign to increase understanding of and capacity for social innovation approaches, targeting the government, the community sector and the private sector.
- Create a social innovation hub that will help develop new skills needed to foster innovation, including the development of further connections and collaborations with the UPEI & Holland College (ie School for Sustainable Design Engineering).
- Develop the Social Economy as a way to retain youth in the province, recognizing that youth want to work in areas that have a social purpose.
- Increase local understanding and championing of social financing

## **RECOMMENDATIONS SPECIFIC TO GOVERNMENT:**

- Provide seed funding to Community Sector Association to leverage federal funds and build linkages within the Atlantic region
- Adopt legislation that recognizes Social Enterprise organizations
- Provide SE organizations with the same access to government services that businesses currently enjoy (e.g. HST rebate, Skills PEI, Innovation PEI programs & services,).
- Extend contracts between government and not-for-profits with proven track records
- Change criteria for existing opportunities to access capital, funding, and program supports offered to for profit businesses to include not-for-profit organizations who wish to explore Social Enterprise opportunities by the provincial government. For example, Innovation PEI and Finance PEI.
- Implement recommendations related to Social Enterprise and the Community Sector in the 2018 Poverty Reduction Action Plan.

## RECOMMENDATIONS TO THE COMMUNITY AND NOT-FOR-PROFIT SECTOR:

- Create a Social Economy Network (housed by the newly formed Community Sector Network) so PEI can work with other Atlantic Provinces on these initiatives.
- NGO leaders need to understand the ways in which they are currently entrepreneurial and have support to develop the skills they need to fully participate in the social economy.

# **APPENDIX A**

An incomplete list of social enterprise and social purpose businesses on PEI that, along with our large co-operative community, contribute to improving social problems while generating revenues.

**Credit Unions** Harbour Authorities Industry Associations **Chambers of Commerce** Early Childhood Facilities East Prince Youth Development Centre Rinks **Curling Clubs** Wildlife Associations Arts Organizations, for example, Film PEI Artisans on Main Sport PEI (The Royalty Centre) Institute for Bioregional Studies Ltd. PEI Mutual Insurance Co. **Farmers Helping Farmers** Mi'kmaq Confederacy of PEI - Mi'kmaq Printing and Design, Mi'kmaq Productions Sierra Club Canada (PEI Wild Child Program) Lennon House Career Development Association of PEI Inc. Upstreet Craft Brewing **BID** Inc Startup Zone **Reach Foundation** Transportation West Inc. PEI Council of People with Disabilities Community Inclusions Ltd Harbourview Training Centre Pat & the Elephant **Fitzroy Centre** The Farm Centre **Blooming House Career Development Services** 

East Prince Women's Information Centre

## **APPENDIX B**

### WORKING DEFINITIONS

Social enterprise: [An organization] which seeks to achieve social, cultural or environmental aims through the sale of goods and services. The social enterprises can be for-profit or not-for-profit but the majority of net profits must be directed to a social objective with limited distribution to shareholders and owners. [Innovation, Science and Economic Development Canada, Directory of Canadian Social Enterprises]

Social economy: Rooted in local communities and independent from government, Social Economy organizations and businesses prioritize social objectives and social values. While they may intend to make a profit, they do so in a context that sees profit as a means to meet social goals, not primarily as a means to create individual wealth. [Adapted from the Social Economy and Sustainability Research Network, Mount St Vincent University]

Social finance: An approach to investing that involves placing capital to generate both a financial return and measurable social impact. Social finance mobilizes private and charitable capital for public good.

Social innovation: New ideas — whether they are programs, services, products, processes or types of organizations — that meet social needs in more effective ways than existing approaches. Successful social innovations are widely adopted, generate measurable benefits, and typically involve collaboration across sectors.

# **APPENDIX C: CASE STUDIES**

### SCOTLAND CASE STUDY:

Scotland is considered a world leader in the Social Enterprise movement, so naturally, a place for PEI to examine for both inspiration and practical strategies. This case study provides a flavour of the Scotland experience.

#### How the Scottish have injected billions into their economy while saving the world

When you eat at one of Scotland's Social Bite cafes, you aren't only solving your own hunger you're also ending someone else's. Rather than keeping any of the profits, Social Bites' founders put proceeds back into the community, by feeding the hungry, building shelters for the homeless, allowing customers who wish to buy meals in advance for those in need, caring for the homeless at Christmas time, and creating programs aimed at getting people off the streets.

Homelessness and poor housing are major problems in many parts of the world, but a number of businesses like Social Bite, are aiming to change that in Scotland. Places for People is dedicated to building sustainable communities for everyone, regardless of their background or their needs. For victims of domestic violence, persons with special needs, or those who have found themselves homeless due to other circumstances, Places for People is there to help with financing and housing. 100% of Places for People's proceeds go right back into helping provide the community with affordable shelter.

Another champion in the fight against poverty in Scotland is the publisher, The Big Issue Group. They are creating opportunity for the homeless by offering them employment through selling their magazines to the public. Rather than panhandling, vendors of The Big Issue magazines are entrepreneurs, buying their magazines for £1.25 and selling them for £2.50. The Big Issue has helped more than 92,000 vendors earn £115 million since 1991. This award-winning publication has inspired 120 like-minded magazines to be developed in 35 countries around the world. Social Bite, Places for People, and The Big Issue are three examples of the more than 5,600 social enterprises that currently exist in Scotland—each of them solving a problem and contributing positively to the economy, while helping the most vulnerable members of the community. Housing, health, and social care account for 60% of all income to the social economy in Scotland. As of 2017, social enterprises have been responsible for employing more than 81,000 people and contributing billions of dollars to the national economy. According to Social Enterprise Scotland (an "independent, Scottish, membership-led organization, built and controlled by social enterprises")[1], social enterprises are "innovative, independent businesses that exist to deliver a specific social and/or environmental mission. All their profits go towards their mission. Social enterprise is a dynamic, ethical, and more sustainable way of doing business."[2]

When we consider what the entire country of Scotland has been able to accomplish through the rise of social enterprise, imagine the possibilities if Prince Edward Island were to adopt a similar mindset when it comes to encouraging the growth of a social economy.

Our numbers are so small but our hearts are large. Could we end hunger? Could we house every member of our province who needs shelter? Could we give the vulnerable among us meaningful employment that makes a difference in their lives and in the world? Prince Edward Island, with its innovative nature, is perfectly poised to create an environment in which a social economy could flourish. Read more about the inspirational rise of the social economy in Scotland and imagine the possibilities for the future of our province: https://www.socialenterprisescotland.org.uk

# CASE STUDY: IF NOVA SCOTIA CAN DO IT, SO CAN WE.

How Prince Edward Island's neighbouring province has built a thriving social economy

Over the past five years, thanks to a strategic, collaborative approach between government officials, individuals, and social entrepreneurs, Nova Scotia has quietly become a national leader in social enterprise.

The definition of social enterprise has been evolving, along with changes in the sector. In 2017, the Government of Nova Scotia and the province's social enterprise sector declared:

"A social enterprise is operated for the purpose of addressing social, cultural, environmental, or economic challenges. The majority of profits and surpluses are reinvested to support that purpose."

The following is a brief history of social enterprise in Nova Scotia, to show leaders in Prince Edward Island how community and government worked together in our neighbouring province to create a strong social economy for the betterment of all Nova Scotians. We can do the same.

## 1999

The NS Community Economic Development Investment Fund (CEDIF) program began in 1999 and laid the groundwork for government recognition of social purpose businesses, beginning with a willingness to facilitate local investment with significant tax rebates for NS investors who supported businesses (including co-operatives) that played a valuable role in Community Economic Development. This year marks the 20th anniversary of the CEDIF program.

## 2014

In February 2014, the One Nova Scotia Commission released Now or Never: An Urgent Call to Action for Nova Scotians.[1] This impassioned report warned Nova Scotians that with the province's declining economy, the government could not be solely responsible for economic growth.

A survey of Nova Scotia's social enterprise sector in that same year revealed more than 1,000 social enterprises operating in the province. These businesses were generating more than \$126 million annually and providing employment for more than 5,000 people, all while creating positive change in their communities. It was clear that social enterprise could have a powerful positive impact on the province's economy and in its communities; however, social entrepreneurs indicated they faced a number of barriers to further success.

Subsequently, the Nova Scotia Department of Business was mandated to facilitate the growth of social enterprise within the province, helping social entrepreneurs to thrive. Through close collaboration with the Social Enterprise Network of Nova Scotia (SENNS)—a member-led, non-profit society, advocating for strong social enterprise—the department worked to determine how to best foster an environment for the growth of the social economy within the province.

#### 2016

Through a series of workshops, the Nova Scotia Department of Business, along with social entrepreneurs, SENNS, and other key stakeholders, worked together to develop a common agenda from which to grow the sector of social enterprise in the province. These workshops provided a solid basis of data and ideas for the work that needed to be done, in order for government, social entrepreneurs, and other stakeholders to work together to grow the province's social economy. In November 2016, the province of Nova Scotia passed legislation to legally recognize a social enterprise as a business, as long as it combines entrepreneurship and a social purpose.

#### 2017

In April 2017, Nova Scotia introduced its framework for social entrepreneurs, formally recognizing the value of its social economy. The Framework for Advancing Social Enterprise[2] provides social entrepreneurs with resources and support, financing options, business training opportunities, and more. This document was released concurrently with SENNS's Nova Scotia Social Enterprise Strategy,[3] sending a clear message about the collaborative efforts of all parties involved in the growth of Nova Scotia's social economy.

Both the framework and strategy build upon six policy pillars that were named at the 2009 Canadian Conference on Social Enterprise and adopted formally by both the Social Enterprise Council of Canada and SENNS. Those pillars are: (1) Increase enterprise capacity, (2) Enhance access to financing, (3) Expand market opportunities, (4) Promote and demonstrate the value of the sector, (5) Create an enabling policy environment, and (6) Build a strong social enterprise network.

Together, the framework and strategy provided an actionable plan for building a sustainable, thriving social economy in Nova Scotia. Following the release of those documents, SENNS researched the landscape of social enterprise in Nova Scotia to get a clearer understanding of the work being done by social entrepreneurs since the 2014 survey of the sector. These research findings were compiled in Mapping the Social Shift: Nova Scotia's Social Enterprise Sector Survey Report[4], which revealed that in 2016, social enterprises generated, on average, approximately \$1 million per year.

#### Conclusion

The collaborative approach taken by the province of Nova Scotia and members of the community is, in short, inspiring. Given the many similarities between Prince Edward Island and Nova Scotia, we should look at modelling their approach and take significant steps towards growing our own social enterprise sector. To borrow from One Nova Scotia Commission's report title, it is "Now or Never."

- [1] https://onens.ca/img/now-or-never.pdf
- [2] https://beta.novascotia.ca/sites/default/files/documents/1-700/advancing-social-enterprise-nova-scotia-en.pdf
- [3] https://senns.ca/wp-content/uploads/2018/02/social-enterprise-strategy.pdf
- [4] https://senns.ca/wp-content/uploads/2018/02/Survey-Report-WEB.pdf

# SHAUN LONEY: CANADA'S SOCIAL ENTERPRISE GURU

Shaun Loney is doing everything in his power to use social enterprise to solve some of Manitoba's most expensive problems, but he has also co-founded and mentored twelve social enterprises throughout the country. He has spoken all across Canada, authored two books, and delivered a powerful Ted Talk titled "How Social Enterprise Can Solve Our Most Costly Problems." Loney is someone to watch and emulate, when it comes to fostering an environment that supports social enterprise.

In 2005, while working as Director of Energy Policy for the Government of Manitoba, Loney wondered why, in the province's First Nations communities, many households weren't taking advantage of programs and incentives in place to help lower energy usage and reduce energy poverty. After consulting with local non-profit organizations and activists, Loney learned that there was little access to employment opportunities for First Nations people, so regardless of government funding, many First Nations people couldn't afford updates. He also discovered that inefficient energy use in old housing and outdated infrastructure in these communities were responsible for higher utility costs and increased greenhouse gas emissions.

Loney began working on a plan that would address issues being faced by Manitoba's First Nations communities—specifically, unemployment, energy poverty, and energy waste. His plan resulted in him co-founding a social enterprise in 2006, called Building Urban Industries for Local Development (BUILD Inc.). The goal of BUILD was to mitigate barriers facing some unemployed individuals in Aboriginal communities (e.g., criminal backgrounds, substance abuse, and lack of formal education), by providing them with six months of free job training. This job training was in trades relevant to the green economic market, including home retrofitting, solar power, and geo-thermal infrastructure development.

BUILD students were also equipped with life skills and support for their employment barriers, through parenting classes, financial management services, and leadership workshops. BUILD then employed its alumni to update energy infrastructure in low- income homes, helping to provide work while lowering energy costs and reducing emissions.

By 2013, BUILD had generated over \$5 million in revenue annually and had employed over 125 individuals annually, with roughly 80 trainees per year and a long waiting list for participants

More recently, Loney has been involved in a social enterprise called Aki Foods in the remote First Nations community of Garden Hill in Manitoba, where diabetes rates are high and where the only store in the community sells mostly unhealthy foods. Aki Foods has launched a community-owned and operated 13-acre farm, raising chickens and turkeys, and growing a variety of fruits and vegetables. The farm provides healthy food, creates jobs, and contributes to school breakfast and lunch programs.

In an interview on CBC's The Current, when asked by Anna Maria Tremonti about his struggles to get governments and Indigenous leaders behind his concept of social enterprise, Shaun Loney said:

"First Nations people are ready. We have lineups that go around blocks. We have stacks of resumes. It's one of the myths we have in this country that low-income people, Indigenous people, don't want to work. I have seen absolutely no evidence of that. And that, to me, as a Canadian, is really exciting, and we're going to see this re-emergence and we're going to see it profoundly in every corner of the country. But first, Government must create an ecosystem where social enterprises and other progressive economic ventures can be successful. And right now, we're battling them every day."

When one considers how a single person has created so much positive change in locations across Canada, it is exciting to think about the types of issues Prince Edward Island could begin to solve, if the province were to foster an environment where social enterprise could flourish. Imagine what could be done about pressing issues facing Islanders, like food insecurity, literacy rates, housing, and unemployment, if social enterprises were encouraged and supported here?

Links:

http://www.armyofproblemsolvers.com https://www.cbc.ca/radio/thecurrent/the-current-for-november-29-2016-1.3871187/november-29-2016-full-episode-transcript-1.3873367#segment1 https://www.youtube.com/watch?v=3h7j4Jnnsz0