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Submission to the Social Enterprise Branch, Ministry of Economic Development, Employment and Infrastructure

ONN has been working with the nonprofit sector over a number of years to identify the needs and opportunities related to social enterprise in Ontario. We make the following recommendations based on that work. We look forward to working with the Social Enterprise Branch to ensure social enterprise flourishes and stays true to the values and principles that are the foundation of social enterprise work.

A - The Key Take Aways

Ensuring a principled approach - Social enterprises are hugely varied and operate across a spectrum of corporate forms - charities, nonprofits, cooperatives, and some types of for-profit businesses, all of which have their unique roles and strengths. Regardless of corporate form, all social enterprises must clearly exist to provide a public benefit, contribute to and grow community wealth and wellbeing.

The first practical challenge is to ensure that the Social Enterprise Branch has a real focus on *nonprofit social enterprise*.

We have seen previous strategies relying on examples of social enterprise from the nonprofit sector (including nonprofit co-operatives) but the strategies themselves were almost wholly targeted at a much smaller number of for-profit social enterprises. This is understandable because the for-profit model is in some ways better understood and social impact investors are heavily focused on for-profit models. We need to ensure that nonprofit social enterprise is a key focus of the government social enterprise strategy even though it requires more work to develop policies and financial programs to meet their unique needs. The rest of MEDEI focuses on for-profit enterprise. We need this Branch to focus on nonprofit social enterprise.

For more information on the scope of nonprofit social enterprise see CCEDNet's recent report ([link](#)). While a small sample (n=597), it indicates that well over 80% of social enterprises in Ontario are nonprofit.

B - Telling our Story: Key Messages

Some business people not familiar with the nonprofit sector have suggested that across all of Ontario there may be only a handful of social enterprises in total. Consultations are a chance to educate, and sharing key information makes a difference:

- **Over 45% of revenues for the 55,000 nonprofits in Ontario comes from earned income** (as opposed to government grants and contributions, and donations).
- **Nonprofit social enterprises are increasingly important in this fast-changing world and they act as a bedrock of community stability.** Performing arts, recreation and sport, supported employment, affordable housing and many other kinds of organizations earn income to support their work. Social enterprises constitute one of the fastest growing sectors of the economy.
- **Nonprofit social enterprise has the potential to address growing inequality in communities and play a major role in building community assets and resiliency.**
- In particular nonprofit social enterprise has large role in creating resilient communities and assisting those at the margins. **It is not just about running a business it is about generating revenue to strengthen communities.**
- **The way we define success must include “top up” social enterprises that cover sometimes 50-90% of their costs but need a baseline of government funding to flourish.** The cost savings and social/economic benefits provided are enormous and our accounting needs to reflect that.

C - Six Policy Recommendations (in Brief!)

ONN in consultation with our network developed six policy recommendations. They should be reflected in a social enterprise strategy for the province.

1. **Approaches to social enterprise development must maintain a clear focus and clarity of purpose and principle.**

For policy development, it is critical to understand what makes a social enterprise fundamentally different from other businesses. The public, funders, and those working in the government, private and nonprofit sectors need confidence that social enterprises in their communities meet core criteria that demonstrate their commitment to the public good.

ONN has identified the following four criteria that are key to the *public trust compact* that exists between organizations providing social enterprise and their communities, regardless of corporate form or sources of revenue:

- a) Has a **public purpose** and mission;
- b) Operates for the **public good, not personal gain**;
- c) **Reinvests excess revenue** in its public mission; and
- d) **Retains its assets** in the public domain for the public good.

Approaches to stimulating and developing social enterprise should take a holistic approach and should be applied across the spectrum of social enterprises, regardless of corporate form.

Too often nonprofit social enterprise and co-operatives have been left out of initiatives or excluded from access to grant programs for for-profit corporations.

Innovation knows no bounds and cannot be programmed. In public benefit work, experiences shows that advances in building strong and resilient people and communities can and do come from a variety of sectors and organizations in communities. ONN supports the development of new ways of doing things, and encourages the development of supports to aid new and emerging innovations across sectors and corporate forms.

Research and development funding similar to that received by other fields would be most welcomed by social enterprises. Recent policy development for social enterprise has tended to focus almost exclusively on for profit or dual purpose (private profit and social good) enterprises, resulting in the discounting and neglect of the thousands of nonprofit organizations actually operating social enterprises in Ontario.

2. The Government of Ontario should focus on improving access to appropriate capital investment for social enterprise.

Social enterprises have special challenges and needs that require different types and structures of investment capital. Enterprises need access to a wide variety of capital and supports at different stages of their development. Key examples include **operating lines of credit, slow money, pooled funds, crowd funding, community bonds, loan guarantees, RRSP eligibility for social investments, grants for different ages and stages of enterprises and investment tax incentives.**

3. The Government should develop a Social Procurement Action Plan.

The Government of Ontario has significant purchasing power. Procurement decisions, wherever possible, should provide a direct social benefit to Ontarians and their communities. Targeted social procurement, and the establishment of community benefit criteria for government purchasing, could significantly grow economic wealth creation opportunities for nonprofit social enterprises. **A social procurement strategy must be community-driven, and ONN recommends drawing on the resources from community experts in the province's social economy who could provide leadership, guidance and province-wide linkages to help establish the plan.**

4. A provincial approach means including regional approaches.

MEDEI must take into account place-based initiatives and work with local and regional government staff to focus on rural and remote contexts as well as urban ones, including enabling land and building use, enterprise development supports and adapt provincial policies and approaches to local conditions. For example a farming community focused on local food may have a very different need for zoning laws than a remote community creating an employment opportunity for people with developmental disabilities. Policies that are designed for urban centres must be complemented by policies designed for rural and remote environments.

5. The Government of Ontario should move forward with enabling amendments to legislation and regulation for the 88% of social enterprises operating as non-share capital organizations, so they may earn income to grow their enterprises, attract capital, and increase sustainability while maintaining the public's trust.

Modernizing existing legislation and regulation to improve the ability of these organizations to raise essential operating revenues will also make nonprofit corporate forms more attractive as corporate structures for new social enterprise. Nonprofit legislation and regulation was designed and developed in another era, before earned income was the largest, and growing, source of revenue for the sector. For example, 45.6% of the revenue generated by Ontario's community nonprofit sector is earned independent of government funding and donations.[1] There is a significant opportunity to modernize legislation and regulation to better enable this activity.

6. Modifications to the Ontario Business Corporations Act to provide for dual purpose “private profit and social good” corporations should not be undertaken at this time.

ONN is supportive of any legislative framework that encourages and ensures enduring public benefit work. We understand that one size does not fit all, and different enterprises have different needs that require different corporate forms. However, ONN's background research and interviews strongly indicate that hybrid models, as currently constituted, do not seem to meet the needs of any of the key stakeholders: social entrepreneurs, communities, investors, or governments.

Please see ONN's [Policy Blueprint for Social Enterprise](#) for more information about the policy recommendations mentioned here.

About ONN

Organized in 2007 and incorporated as a nonprofit in 2014, the Ontario Nonprofit Network (ONN) is the convening network for the approximately 55,000 nonprofit and charitable organizations across Ontario. As a 7,000-strong provincial network, with a volunteer base of 300 sector leaders, ONN brings the diverse voices of the sector to government, funders and the business sector to create and influence systemic change. ONN activates its volunteer base and the network to develop and analyze policy, and work on strategic issues through its working groups, engagement of nonprofits and charities and government.

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