



# Public Policy Profile

## **POLICY: Edmonton Social Enterprise Fund**

**DATE INTRODUCED:** Plans for the Fund were first discussed in 2002/2003 but not presented for approval by City Council until April 2007.

**JURISDICTION:** Municipal (Edmonton)

**INTENDED OUTCOME:** The Edmonton Social Enterprise Fund was developed to address the need for non-profit organisations to access patient capital to develop and expand revenue generating activities and to be able to access interim (bridge) financing for social housing development. The Edmonton Social Enterprise Fund is part of a growing social finance movement in Canada. According to Martin Garber- Conrad of the Edmonton Community Foundation, the Fund is intended to address a lack of funding for the Social Economy and reflects a belief that organisations can do more if they have access to financing for growth and expansion.

## **BRIEF DESCRIPTION**

The Edmonton Social Enterprise Fund is a partnership between the City of Edmonton, the Edmonton Community Foundation and the United Way. The Fund is governed as a separate corporation, jointly owned by the City of Edmonton and the Edmonton Community Foundation. The goal of the fund, currently valued at \$5 million, is to “help not-for-profit organizations or co-operatives develop their social enterprises, or social or affordable housing projects” through a focus on patient capital loans, valued between \$50,000 to \$500,000 for the former, and interim financing

up to \$1 Million for the latter (Edmonton Community Foundation, n.d.).<sup>1</sup> Loans are near prime and repayable over a term of up to ten-years. The Fund also offers a small number of Path to Loan Grants meant to provide for the initial costs of business development and planning. Additionally, the Fund directly engages with potential social enterprises to assist them in the process of business planning and start up.

The Fund was initially capitalized with a \$3 Million grant from the City and a \$500,000 contribution from the United Way. The City has provided operating funding to the Fund in its first two years. The Edmonton Community Foundation is now seeking to leverage matching funds to bring the Fund to its stated goal of \$10 Million over 10-years.

## **WHY IT IS IMPORTANT TO A PEOPLE- CENTRED ECONOMY**

Those involved identify a number of reasons why the Edmonton Social Enterprise Fund is an important policy initiative. For Bob Ward, Executive Director of the Fund, access to capital is helping Social Economy organisations deal with policy changes in the way that governments support the non-profit sector. As he notes, the Fund responds to “the need for a set of tools to operate in a new way.” While for Garber- Conrad, the Fund is an important initiative that contributes to the growth and overall strength of the Social Economy in Canada. He notes “it [social finance] is not a magic bullet but access to loan financing is absolutely essential to the optimum development of the Social Economy in Canada.”

<sup>1</sup> Edmonton Community Foundation: <http://ecfoundation.org/majorinitiatives/socialenterprise fund>

The Fund also plays an important role in helping to relocalize the economy. “As people rethink the globalized way of living to a more localized way of living, these sorts of entities attached to these sorts of community partners will survive and become an integral part of the landscape,” says Ward. And further, as Jenny Kain of the City of Edmonton notes, “the beauty of this model is that it is sustainable...it has the potential to benefit our community long into the future” and to “provide community benefit in perpetuity for a relatively low investment.” Further, Kain notes there is an “increasing demand on local level government to respond to very complex problems... many of which are not issues municipalities dealt with ten-fifteen years ago. There is a need to look at a variety of tools at the municipal level to be able to respond to those challenges and an opportunity for the development of innovative tools ... that can play a key role in addressing complex socio-economic issues.”

Lastly, as a process, this model builds on the values about the co-construction of policy that are important to the Social Economy. Kain notes, “working collaboratively on a project like this helps to build relationships between the public, voluntary and private sectors. These relationships build sustainability for future activities and innovation.”

## SIGNIFICANCE

In its first two-years of operation, the Fund has supported seven projects, through loans totaling \$2.3 million. By all accounts, these projects would not exist today without access to this financing. Garber-Conrad explains that “social housing is being built, agencies are able to move ahead with projects that increase their asset base and long term sustainability, and interesting and innovative businesses have been able to get started.” A second contribution has been to raise the overall level of awareness about social enterprise and the Social Economy. According to Garber-Conrad, the Fund provides a “concrete example” of what is meant by the Social Economy and its potential to contribute to community improvement. Kain too noted that the Fund is increasingly used as a tool by City staff to support neighbourhood revitalization and community development efforts.

So, what factors have contributed to the success of the Fund? First, the Fund has a broad mandate in providing loans to social and affordable housing projects. Second, the Fund has adopted a unique governance structure that serves two key functions. The governance structure allows the Fund to draw on the unique experience and expertise of the project partners. Further, the decision to structure the Fund as a third party corporation has allowed funding to flow to a wider range of organisations than either party independently would have been able to fund.

However, the Fund has also been challenged in a number of ways. Managing overhead is a common challenge facing

small loan funds. This challenge was aggravated when potential seed funding through the federal Social Economy programme fell through, leaving the Fund capitalized at only fifty percent of its initial target. Support from the province has also not materialized.

The most surprising challenge has been the lower than anticipated demand for services. Preliminary market research suggested unmet need for financing totaling \$70 Million. However, this need has not easily converted into demand. For many organisations demands on their existing services are so immense that getting innovative ideas “off the side of their desk” into a priority position can be a challenge. For others, thinking about developing a social enterprise requires a ‘cultural shift’ in the way of thinking about financing their services. Non-profit organisations need significant front-end support and capacity building to develop their ideas into viable social enterprises. This can put a strain on small loan funds and the costs of capacity building need to be accounted for.

The Fund has responded to these challenges by becoming a more engaged funder. They have reached out to raise the level of awareness about social enterprise, participating in educational activities and conducting workshops for City staff and they have developed a ‘portfolio’ program, through which key organisations are brought into an ongoing relationship with the Fund and are supported in developing their social enterprise. This is seen as an opportunity to expand the reach of the Fund and engage new partners. As Kain notes, there is a “continuum of involvement” available to the Fund.

## **REPLICABILITY**

The model adopted in Edmonton builds on the experience of the burgeoning social finance movement in Canada. However, this model is unique in that it is the only social enterprise fund operated in partnership with a municipal government in Canada. The Fund has received interest from other municipalities interested in pursuing similar initiative and there is some talk about how it might be scaled up to operate at a provincial level. However, all of those talked to emphasized that these initiatives require significant long-term commitment and a willingness to be flexible on the part of all partners.

## **INTERVIEWS**

Bob Ward, Executive Director, Edmonton Social Enterprise Fund; Martin Garber-Conrad, Executive Director, Edmonton Community Foundation; and Jenny Kain, Research and Innovation section of Community Services, City of Edmonton.

“This may be a small thing/operation, but it is a big idea” (Bob Ward, Edmonton Social Enterprise Fund).

## **FOR MORE INFORMATION**

<http://socialenterprisefund.ca>

This profile was created by Sarah Amyot, Research Coordinator, Canadian Social Economy Hub  
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