Infrastructure for the Social Economy:

A literature Review for BALTA's Social Economy Research Cluster 3

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May 2007

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This paper/report has been produced as part of the research program of the B.C-Alberta Social Economy Research Alliance (BALTA). Financial support from the Social Sciences and Humanities Research Council of Canada (SSHRC) is gratefully acknowledged.

Social Sciences and Humanities Research Council of Canada
Conseil de recherches en sciences humaines du Canada
Canada

Executive Summary

Infrastructure and the ability to scale-up a web of supports is an important element to the growth and development of the social economy. The primary goal of this paper is to review the literature on three major components of infrastructure for the social economy, focusing on what factors have enabled or hindered their growth, and identifying research gaps and opportunities for the British Columbia and Alberta Research Alliance on the Social Economy (BALTA). The three infrastructure components focused on are: development finance, policy environment and interventions, and leadership, entrepreneurship and capacity-building.

The development finance section identifies methods and actors that are part of the infrastructure of the social economy, and considers what the literature has to say about the factors that have enabled or hindered their growth. It also identifies key challenges facing the various actors within the development finance sector.

The section on policy environments provides an overview of the existing policies and programs implemented by different jurisdictions which impact the development of the social economy. For each jurisdiction, an attempt was made to touch on the following aspects of a policy environment: enabling legislation, committed government staff and resources, policy planning and co-ordination, government programming, and government purchasing from the social economy sector. Key themes are pulled from the literature which cross-cut many of the different jurisdictions.

The section on leadership, entrepreneurship and capacity-building considers opportunities for both informal and formal education and training for actors within the social economy. A key finding of this review is the relative lack of research-based literature on this topic.

Following this overview of the three components of infrastructure for the social economy, a section on cross-cutting issues, gaps, opportunities and barriers considers themes that have emerged. The important role of intermediary institutions and support organizations is emphasized along with the need for strong leadership in these organizations, in governments, and in development finance institutions. However, there are a wide variety of approaches taking place and many opportunities exist to learn from progress in other jurisdictions. Included in this section is a discussion of the relationship between social economy infrastructure and community economic development infrastructure. Highlighted is the question of appropriate scale at which to provide different levels of support, and the need for intermediation of different spatial scales.

The final section identifies opportunities for research by social economy alliances such as BALTA drawing on gaps identified directly in the literature, and insights gained through considering the cross-cutting issues and themes that emerged from this review.

1. Introduction

1.1 Social economy global theory

Communities in Canada and elsewhere have developed strategies and tools to deal with marginalization in the face of economic restructuring and globalization. Among the most fundamental common characteristics of these practices is the reinsertion of social goals, reciprocity and solidarity into economic thinking and decision-making and a concern for long-term sustainability (Lewis 2006). These activities have been called community economic development (CED) where they have a specific territorial focus. However, the social economy includes both CED initiatives and other enterprising initiatives that seek to re-insert social and environmental values into economic life across a range of places and contexts. Restakis (2005) defines social economy organizations as “those organizations whose members are animated by the principle of reciprocity for the pursuit of mutual economic or social goals, often through the social control of capital” (pg 12). These organizations include all co-operatives and credit unions, non-profits and volunteer organizations, charities and foundations, service associations, community enterprises, and social enterprises that use market mechanisms to pursue explicit social objectives (Lewis 2006). As an alternative to classification based on institutional form, social economy organizations can also be classified according to underlying dimensions such as: social objectives, relationship to the state, relationship to the market, democratic decision making, and volunteer participation (Quarter et al. 2001). While often described as individual organizations, the social economy has in fact moved beyond situated and relatively isolated initiatives and is forming an integrated network of networks of civil society actors from different sectors and at different spatial scales (Mendell 2006). As Mendell describes, “it is a laboratory of social innovation that horizontally links networks and makes the vertical links with different levels of government, piercing through existing institutions to create new and hybrid public places…” (pg 23).

1.2 Social economy in relation to SERC 3

The focus of BALTA’s SERC 3 is on infrastructure for the social economy. CED practitioners describe infrastructure as a web of supports or as the community’s or region’s development system (Lewis, 2007). The aim of this paper is to identify what knowledge exists already in the literature about effective development systems, webs of support, or infrastructure for the social economy, and what the factors are that can encourage or discourage the growth of such supports. While searching for best practices may seem like an obvious route, academics and practitioners alike caution against generalized, institutionalist practices and instead recommend contextual analysis of specific initiatives, and consideration of the process instead of the structure of successful initiatives (Neamtan and Downing 2005, Fuller and Jonas 2002, Amin et al. 1999). Although a cautious approach must be taken, learning about what factors are involved in scaling-up successes in social economy initiatives is an important undertaking (Lewis 2000, Neamtan and Downing 2005). This paper begins consideration of this question by looking at the existing literature on what infrastructure for the social economy is, what is and isn’t working, why, and what lessons can be learned. For the purposes of this review, an attempt has been made to identify different components of infrastructure for the social economy. However, it is important to remember that infrastructure pieces come in interlocking packages – aptly described by the phrase “web of supports”. It is equally relevant to consider how the pieces fit together as much as what those pieces are.

1.2.1 What does infrastructure encompass?

When infrastructure is mentioned the definition most people have in mind consists of investments in various types of physical assets and services. In this view, infrastructure encompasses many of the obvious, physical features of civilization, such as roads, bridges and highways; transport and ports; basic utilities such as power, water and sanitation; and also schools, health care facilities and public buildings. However, this is not the type of infrastructure considered in this review. Instead, the focus here is on "soft" infrastructure. The World Bank's Local Economic Development program identifies aspects of "soft" infrastructure for local economic development including[1]:

- enabling or providing skills training;
- supporting research and development;
- providing business advisory services;
- the provision of access to capital and finance;
- supporting the development of business and trade organizations;
- improving delivery of government services to businesses; and
- social inclusion strategies.

These aspects of soft infrastructure have parallels in infrastructure for the social economy. The Chantier de l'économie sociale in Québec provides a good example of multi-functional infrastructure for the social economy. This multi-stakeholder "network of networks" is involved in promoting an enabling policy environment, researching and building new tools and rules (legislation, policy and programs), fostering sector organizations, and building equity and credit sources tailored to investment in social enterprise (Lewis 2006). Infrastructure also exists at different jurisdictional levels including local, regional, provincial and national (Lewis 2006). For example, the St. Tharcisius food co-operative in Québec was supported in its development locally, by the Local Development Centre, regionally, by a Regional Development Co-operative, and was provided credit by Caisse Populaire, part of Canada's largest cooperative financial group (Lewis 2006). For the purposes of this review, the partners in SERC 3 have identified four key areas of infrastructure for the social economy: development finance; policy environment and interventions; leadership, entrepreneurship and capacity building; and evaluation, analysis and monitoring. In an attempt to scope what is a very broad topic, this paper will focus on the first three. A useful resource on the topic of evaluation, analysis and monitoring is Mark Anielski's "A Sustainability Accounting System for Canada" (2002).

1.2.2 What is the significance of infrastructure to the Social Economy?

Part of the power of economic globalization is the sense that it is present everywhere, thus leaving no room to imagine, let alone create, alternative modes of economic organization. Yet, nationally and internationally there are many regions where the social economy is alive and well, for example, Québec, the Basque region of Spain, the Emile-Romagna region of Italy and the more recent movements in Brazil. These regions are not just vessels containing particularly dense concentrations of

[1] World Bank. Local Economic Development: Investment in Soft Infrastructure. Accessed March 12, 2007 from: http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTURBANDEVELOPMENT/EXTLED/0,,contentMDK:20198974~menuPK:404390~pagePK:148956~piPK:216618~theSitePK:341139,00.html

social enterprises; more importantly, these regions are environments which consciously encourage the social economy and its agents. In other words, behind each of these regional successes is a web of supports, or infrastructure, to assist the growth of the social economy, through promoting and advocating for an enabling policy environment, the development of effective financing systems, opportunities for education and training, the development of new tools for evaluation and monitoring, and building networks. Without this web, each initiative is alone in facing the significant challenges of reaching success and sustainability in the global economy.

Moulaert and Ailenei (2005) consider the emergence and re-emergence of the social economy throughout history to determine what historical lessons are relevant today. These authors suggest that one of the key lessons from the 19th century history of the social economy regards the importance of infrastructure, including own funding schemes, and supra-local governance dynamics. The previous Liberal Government of Canada began to recognize the importance of infrastructure for the social economy as well. As stated by the Honourable Eleni Bakapanos, then Parliamentary Secretary to the Minister of Social Development with special emphasis on the Social Economy, "…there is ample room to increase our knowledge and build the networks and infrastructure to make the social economy an active and sustainable sector of the Canadian economy" (pg I. Government of Canada 2005). Whether based on historical experiences of social economy or of present day successes, infrastructure and the ability to scale-up a web of supports is an important element to the growth and development of the social economy. The following section will consider three key components of this web of supports: development finance, policy environment and interventions, and leadership, entrepreneurship and capacity building.

2. Infrastructure for the Social Economy

2.1 Development Finance

2.1.1 Overview

One of the main problems facing social enterprise is access to finance, especially start-up capital (Lyons and Passey 2006). Public capital markets and traditional financial intermediaries such as banks overlook or are structurally biased against non-traditional investments (Strandberg and Plant 2004). Whereas traditional financing focuses entirely on financial returns, alternative financing seeks social and/or environmental returns. Strandberg and Plant (2004) describe community investing as alternative financial investment for the purposes of addressing deep-seated needs of local communities. Community needs may include poverty alleviation, community and cooperative development, and environmental regeneration (Strandberg and Plant 2004). There are many different types of investing (or financing methods) that exist within the broad concept of community investing, as well as different types of alternative financial institutions that may provide development capital for prospective social entrepreneurs. The purpose of this section is to identify development finance methods and organizations that are part of the infrastructure of the social economy, and consider what the literature has to say about the factors that have enabled or hindered their growth.

2.1.2 Existing financing methods

2.1.2.1 Sustainable/community venture capital investing

Different types of investing fall into the category of community investing including economically targeted investing and sustainable venture capital investing. Sustainable venture capital refers to the sub-sector within the venture capital industry that proactively invests in social and environmental technologies, processes and enterprises within professionally managed venture capital portfolios (Strandberg and Plant 2004). Since this is a high-risk investment area, most investment is at expansion stage not start-up.

Whereas sustainable venture capital has a significant environmental focus, Van Doorselaer (2004) discusses venture capital specifically for local social entrepreneurs, drawing on the experience of Social Capital Partners of Toronto (a venture capital organization). Another example in Canada is the Capital Regional et Coopérative Desjardins (CRCD), created in 2001. CRCD is a venture capital fund created by the Desjardins movement with the help of a provincial tax credit. Individual investors can buy up to $3500 a year in shares, and through this investment CRCD provides capital, expertise and access to networks for businesses and cooperatives in all Québec's regions (Hebb et al. 2006). In Canada, Labour-sponsored investment funds (discussed in section 2.1.2.4) have also played a role in providing venture capital funds for locally-based business development. In the US, a network of community development venture capital (CDVC) funds has developed. These funds make equity investments in businesses with potential to create jobs and wealth that benefit low income people and distressed communities, and particularly focus their investments in areas that traditional venture capital funds have overlooked (Hebb et al. 2006).

2.1.2.2 Socially responsible investing

The Canadian Association for Socially Responsible Investment defines socially responsible investing (SRI) as the integration of environmental, social and governance factors in the selection and management of investments.[2] While many SRI funds exist in Canada, only two offer a community investment component to focus investment locally: Meritas Fund and Acuity Fund. This minor amount of community investing from the SRI sector in Canada stands in contrast to the US where the SRI industry invests more in community investment vehicles (Hebb et al. 2006, Strandberg and Plant 2004).

One suggested possibility for increasing the field of socially responsible investing is to create capital markets that channel capital to social purpose businesses. The New Economics Foundation in the UK has recently undertaken a study to explore the possibility for developing a social equity capital market. After interviewing key stakeholders, the authors identify practical recommendations for overcoming the barriers to a publicly traded market that can address the specific needs of social entrepreneurs (Campanale et al. 2006).

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[2] Canadian Association for Socially Responsible Investment. Invest Responsibly. Accessed April 7, 2007 from: http://www.socialinvestment.ca/SRIdefinition.htm

2.1.2.3 Economically targeted investing

Community investing by pension funds and other institutional investors is often referred to as economically targeted investment (ETI) (Strandberg and Plant 2004). ETI may be regarded as a sub-category of SRI that seeks to support specific economic activities with a social purpose. Examples of ETI in Canada include Fondaction, established in 1966 by the second largest labour federation in Québec. Fondaction has many different specialty funds that focus on coops, nonprofits, off reserve natives, etc. (Strandberg and Plant 2004). Labour-sponsored investing, discussed in the next section, has played a significant role in developing economically targeted investment programs in Canada.

2.1.2.4 Labour sponsored investing

Starting in the early 80s in Québec, provincial labour-sponsored investment funds emerged in Canada with the intention of creating and sustaining employment. Through investing in these funds, workers and community members allow their money to be reinvested in local businesses, anchoring capital, saving jobs and promoting a wider process of community regeneration while providing competitive returns for shareholders (Lincoln 2000). Individuals who purchase fund shares are eligible to receive a 30% income tax credit on their investment, a 15% provincial credit matched by a 15% federal government credit, providing incentive to invest in these funds (Lincoln 2000, Strandberg and Plant 2004).

Most of these funds seek to combine a competitive return for investors with wider social and economic goals including: the Québec Solidarity Fund, the Working Opportunity Fund in BC, the Crocus Investment Fund in Manitoba and the Workers Investment Fund in New Brunswick. However, in Ontario the experience has been slightly different, with problems emerging due to the lack of specific rules regarding the role unions should play in funds operations (Lincoln 2000). Rapid proliferation of funds occurred in Ontario in the mid-1990s, however most of these are what Lincoln (2000) refers to as “rent-a-union funds”. In these cases investment firms pay an annual fee in return for a union sponsoring their fund and they get access to income tax benefits. Most of the funds in this category do not consider alternative criteria, such as local business development and job creation, in their investments (Lincoln 2000). In response to the problems in Ontario, labour-sponsored funds have formed the Canadian Labour-Sponsored Investment Fund Alliance committed to job creation, retention and regional development (Lincoln 2000). As of 2004, Strandberg and Plant reported that labour-sponsored investment funds control more than 50 percent of the available venture capital market in Canada. However, it is not clear to what extent the “rent-a-union funds” contribute to this market.

2.1.2.5 Program grants

Both federal and provincial governments in Canada provide funding grants for social economy organizations. For example, the federal government provides access to capital for social economy enterprises through its Regional Development Agencies: Atlantic Canada Opportunities Agency (ACOA), Canada Economic Development for Québec (DEC), Federal Government Initiative for Northern Ontario and Rural Communities (FedNOR), and Western Economic Diversification (WED) (Hebb et al. 2006). These bodies fund the Canada Futures Development Program that provides seed capital for local Community Futures Development Corporations (CFDCs) in Canada (Hebb et al. 2006). Each provincial government in Canada also supplies capital through targeted grants and contributions. It is estimated that most financing for the social economy in Canada comes from provincial and territorial governments (though often underpinned by transfers from the federal government) (Hebb et al. 2006).

Many social economy organizations recognize the need to diversify their funding and reduce their dependence on grants if they are to remain financially healthy (Nye and Glickman 2000, Juillet et al. 2001). Van Doorselaer (2004) suggests that government funding be used as a spring-board to create new financial vehicles that will attract other non-government investors to the sector and meet the unique capital needs of social enterprises. The role of government in funding social economy organizations and the resulting impact on the organizations themselves is a current issue of debate in the literature and will be explored further in section 2.1.4 below.

2.1.3 Existing actors

Identifying the actors in the area of development finance for the social economy is a significant challenge due to the diversity of institutional types and approaches. As a result, different labels and classification groupings have emerged. Lewis (2006) refers to organizations whose mandates include assisting others to build non-profit or co-operative enterprises as Social Enterprise Developers and includes the following types of institutions: Community Futures Development Corporations, some credit unions, co-op developers, aboriginal development corporations, United Way operations, and other organizations who are both owners of social enterprise and developers. Other terminology common in the academic literature refers to Community Development Financial Institutions (CDFIs). CDFIs are private-sector, financial intermediaries with community development as their primary mission (Neamtan and Downing 2005). Neamtan and Downing (2005) suggest there are six basic types of CDFIs: community development banks, community development loan funds, community development credit unions, micro-enterprise funds, community development corporation-based lenders and investors, and community development venture funds. All of these are market-driven, locally-controlled, non-governmental organizations. Finally, Hebb et al. (2006) cast their net slightly wider and created a typology of sources of capital for social economy enterprises (See Appendix B, Table 1) stemming from government grants to institutional investors (such as pension funds). Their categorization has attempted to group together some actors (such as credit unions, cooperatives, cooperative banks and charity banks) and also includes sources of on-going capital as opposed to development finance (for example consumers who pay a fee-for-service).

While the above classifications have been used to guide the literature search and organization, the types of actors identified here have largely been selected due to the availability of literature on the particular institutional form. This is not to say that other actors are not also contributing to the development finance infrastructure for the social economy, just that these actors may not be as well researched. Benjamin et al. (2004) suggest that the role and effectiveness of development finance actors has not been well analyzed in the literature partially due to the considerable diversity of entities and wide range of activities they are engaged in. The development finance actors considered here include: Community Futures/Economic Development Corporations (Canada), Community Development Corporations (US), Credit Unions, Coop Developers, Aboriginal Development Corporations, Foundations and Trusts, Community Development Banks (US), and Micro-enterprise Organizations.

2.1.3.1 Community Futures/Economic Development Corporations (Canada)

In 1987, the Canadian government recognized the need for community based economic planning by establishing Community Futures Development Corporations (CFDCs), non-profit organizations, committed to developing community capacity (Mendell 2006). CFDCs provide services including technical assistance, training and development loans, initiate strategic planning processes, research and feasibility studies, implement CED projects, and play an important leveraging role enabling communities to access additional economic resources (Mendell 2006). An informal Pan-Canadian Group of CFDCs was established in 2000 that provides a network for the 268 CFDCs across the country. Increasingly other capital pools such as the Business Development Bank of Canada, the B.C. Credit Union System, and labour-sponsored investment funds are forming partnerships with and investing in CFDCs (Hebb et al. 2006).

There is a different and longer history of development corporations in Québec where Community Economic Development Corporations (CEDC) were initiated in the 1980s with support from government, labour and business (Mendell 2006). In Québec, these non-profit, citizen-based development organizations have been the birthplace of some of the most innovative and successful social economy initiatives, such as Montreal based Regroupement pour la relance économique et sociale du Sud-Ouest (RESO). Experience with RESO helped inspire a similar development corporation to emerge in Winnipeg’s North End (Colussi and Perry 2002). Similar models have developed over more recent years in other Canadian cities (Neamtan and Downing 2005).

2.1.3.2 Community Development Corporations (US)

Community Development Corporations (CDCs) in the US were first created in the late 1960s and early 1970s and offered direct financing for small businesses. However, more recently the CDC movement has focused on housing development instead of providing financing (Benjamin et al. 2004). The narrow scope of most present CDCs in the US may be one significant difference from CFDCs and CEDCs in Canada.

As the CDC movement has evolved to focus heavily on housing development, CDCs have interacted with other community development finance institutions (CDFI) in the US in several interesting ways. First, other CDFIs have worked to make CDCs viable borrowers in the eyes of mainstream lenders. In addition, they have helped CDCs to develop sound financial and accounting practices, identify and manage developers for their projects, address management issues, and generally become more professional in their real estate development (Benjamin et al. 2004). Despite this more recent relationship with CDFIs, Rohe and Bratt (2003) report increasing numbers of failures, downsizings and mergers among CDCs in the US. Based on case studies of six CDCs they have identified contextual and organizational factors that may have led to this decline. These factors may provide insight to the kinds of challenges faced by development finance actors more generally. This issue is examined more in section 2.1.4.

2.1.3.3 Credit Unions

Credit unions are co-operative financial institutions, where credit union members enjoy equal rights to vote and participate in decisions without regard to the size of their deposits. Fuller and Jonas (2002) distinguish *community* credit unions as financial co-operatives which are owned and operated by their members who are usually drawn from a common bond area defined by place of residence and/or work, and within which savings are pooled and low-cost loans provided. In the US, liberalization of the common bond and membership regulations for credit unions has created an opportunity to extend membership and credit unions have grown accordingly (Goddard et al. 2002). The credit union movement in the UK has also grown in recent years in part due to regulatory changes (Fuller and Jonas 2002).

In Canada, credit unions have a long history of financing cooperative and non-profit enterprises, and today play a vital role in providing access to capital for social economy enterprises, mostly in the form of loans (Hebb et al. 2006). In Québec especially the caisses populaires movement has deep historical roots tracing back 1900 when the first credit union was founded under the leadership of Alphonse Desjardins (Fairbairn et al. 1990). In British Columbia, Vancity has become a key figure in financing social economy enterprises throughout Greater Vancouver, the Fraser Valley and Victoria. Vancity, and its Vancity Community Foundation, has developed a number of financial grants, programs and partnerships to meet the needs of the non-profit sector and support new areas of the economy such as social and environmental enterprises (Hebb et al. 2006). Other Canadian credit unions involved in financing social economy enterprises include Coast Capital Savings, Saskatoon Credit Union, Manitoba's Assiniboine Credit Union, and Ontario's Alterna Savings and Credit Union. For more detailed information on financing programs for the social economy sector offered through these credit unions see Hebb et al. (2006).

2.1.3.4 Coop Developers

The largest scale and perhaps most successful example of a coop developer is the Mondragón Corporación Cooperativa (MCC) based in Spain. MCC is composed of more than 100 independent cooperatives that have come together voluntarily (and that own the corporation), and 150 businesses. It employs over 70,000 people, and is active in 65 countries (Forcadell 2005). The MCC has achieved a level of integration and service portfolio that is unmatched in the worldwide co-operative movement. It includes a cooperative development bank solely focused on financing and providing technical assistance to create and preserve cooperative firms (Whyte 1995). Research and development institutions within the MCC have also assisted in devising new cooperative structures for consumer cooperatives and agricultural cooperatives (Whyte 1995). In the UK where cooperatives have had a long history, the first fund to provide loan finance for cooperatives was the Industrial Common Ownership Fund established in 1973 (Affleck and Mellor 2006).

In Canada, some labour-sponsored investment funds could also fall under the category of coop developers. For example, Fondaction, established in 1966 by the second largest labour federation in Québec, has a specialty fund focusing on financing cooperatives (Strandberg and Plant 2004). In addition, the Nova Scotia Cooperative Council (NSCC) is a unique type of coop developer that facilitates the process of successful cooperatives sponsoring new cooperatives (Perry 2003). The sponsoring cooperative receives a fee-for-services and a percentage of profits as the initial manager of the coop, and provides financial and technical assistance until the workers are ready to take over full administration (Perry 2003).

2.1.3.5 Aboriginal Development Corporations

A large concentration of community-based organizations that are directly involved in CED activities can be found in Aboriginal communities that are supported by Indian and Northern Affairs Canada Community Economic Development Program (Neamtan and Downing 2005). Anderson et al. (2006) demonstrate the ways in which Aboriginal Development Corporations (ADC) fit with the concept of social entrepreneurship. While social purpose is the primary driver of activities of ADCs, this is achieved through entrepreneurship business development. Surplus is reinvested for the long-term benefit of the community, constituents are democratically involved and there is accountability to the community at large (Anderson et al. 2006). Anderson et al. (2006) provide examples of the success of these corporations in improving socio-economic circumstances for community members. Examples include the Inuvialuit Regional Corporation, the Osoyoos Indian Band Development Corporation, and the Kitsaki Development Corporation of the Lac La Ronge First Nation.

2.1.3.6 Foundations and Trusts

Traditional grant-making from philanthropic agencies and donors continues to provide access to capital for Canadian social economy enterprises (Hebb et al. 2006). This funding is most often focused toward capacity-building. For example, the Ontario Trillium Foundation (funded by the province's charity casino initiative) funds CED capacity-building that in turn supports emerging social economy enterprises (Hebb et al. 2006). Other examples of foundations that play a key role in capacity-building for CED and by extension social economy enterprises include: the Vancouver Foundation, the Maytree Foundation, the Endswell Foundation, the Tides Foundation and the McConnell Foundation (Hebb et al. 2006). While Canadian foundations are focused on grant-making, in the US there is a growing trend on the part of foundations and endowments to invest in social economy enterprises with the aim of both generating investment returns and positive social impacts (Hebb et al. 2006).

Ecotrust is a unique Canadian example of development financing for the social economy sector with a specifically environmental focus. Ecotrust provides non-bank, higher-risk loans to entrepreneurs, cooperatives, First Nations and non-profit groups that incorporate ecological values and promote jobs and diversification in rural and Aboriginal communities (Hebb et al. 2006). Ecotrust provides long term patient capital through collaboration with Vancity Credit Union and the federal government's Western Economic Diversification. Ecotrust also raises funds through grants and donations from private donors, foundations, endowments, and corporations. Of particular note is their Small Business Conservation Finance Program designed to foster growth, create jobs and support business expansion which delivers products or services that enhance conservation and environmental sustainability (Hebb et al. 2006).

2.1.3.7 Community Development Banks (US)

In the US Community Development Banks have emerged as a result of the *Community Reinvestment Act* (CRA). These banks are wholly owned subsidiaries of conventional banks that focus exclusively on CRA-eligible financing activities. They have become much more prevalent since the early 1990s, as regulated lenders have sought to comply with CRA requirements and compete for the growing business opportunities in what had been largely untapped lower-income markets. (Benjamin et al. 2004). In Canada, where there is no equivalent to the CRA to provide a catalyst for involvement by the traditional banking sector, this source of financing for the social economy is very small (Hebb et al.

2006). For example, Royal Bank is developing a variety of programs in community lending that includes women entrepreneurs and aboriginal communities. However, much of this capital is aimed at securing mortgages for affordable housing (Hebb et al. 2006).

2.1.3.8 Micro-enterprise Organizations

The micro-enterprise field in the US was initiated in the mid-1980s, sparked by success of micro-enterprise in the developing world, particularly the Grameen Bank of Bangladesh (Benjamin et al. 2004). Also sometimes referred to as micro-credit or micro-finance, this sector has also emerged in the UK (Affleck and Mellor 2006) and to an extent in Canada (Hebb et al. 2006). The broadly defined target market is low and moderate income people who have difficulty accessing traditional sources of capital and technical assistance. Most micro-enterprise programs provide business training and loans ($35000 or less) to businesses with 5 or fewer employees (Servon 2006). While loans are a component of activities, more recently the vast majority of clients seek business and financial training (Benjamin et al. 2004). A Canadian micro-enterprise example is the B.C. Circle of Habondia Lending Society which provides loans up to $1000 to women (Hebb et al. 2006). While micro-enterprise has received high praises for its success in the developing world, Schreiner and Woller (2003) have argued that successful micro-enterprise development is much more difficult in the US. Presently the micro-enterprise field in the US is facing serious challenges such as: fragmentation, insufficient data, lack of accreditation and regulation, narrow product lines, and inconsistent or unreliable funding streams (Servon 2006).

2.1.4 Comparison and evaluation of different financing methods and actors

While academics, practitioners, and policy advocates have begun to describe and document development finance initiatives and opportunities for the social economy, the role and effectiveness of the great diversity of approaches to development finance has not been well analyzed in the literature (Benjamin et al. 2004, Fuller and Jonas 2002). This is especially true with regards to comparative analyses of different types of financing methods and actors, suggesting that further research in this area would be a useful contribution of a social economy research alliance such as BALTA. Further to this, Strandberg and Plant (2004) suggest that a statistical picture of community investing programs is currently lacking, and could be used for comparing impacts.

However, researchers have begun to discuss barriers and challenges faced by various actors and methods, and through this process of evaluation make recommendations for improvement and sustainability, since the viability of many development finance institutions is in itself a critical problem (Affleck and Mellor 2003). While the role of government policy in enabling the development finance sector is clearly an important consideration, in order to avoid repetition the comparative and evaluative literature on this topic will be covered in section 2.2.3 (Evaluating and Comparing Policy Environments). This section has been organized around key challenges identified from the literature: problems with government funding; lack of accreditation, regulation and standardized assessment procedures; lack of support organizations and intermediaries; lack of capacity; and maintaining context specific innovations in the face of imposed models. For each of these challenges, opportunities for change and improvement identified in the literature will also be discussed.

Problems with government funding

One issue prevalent in the literature is the challenges and problems associated with social economy organizations relying on government funds, and the changing environment of government funding. Government funding tends to be short term and have high administrative burdens (Amin et al. 1999). Amin et al. (1999) in a study based on 60 UK social economy initiatives, suggest that financing via program grants makes it difficult to do long-term financial planning and build social capital, and suggest that changing these requirements for funding could have a positive effect on success of social economy initiatives. For example, the availability of most funds is only on an annual basis, there are problems with changing criteria for eligibility and there are onerous administrative and supervision requirements (Amin et al. 1999).

In Canada governments at all levels have been the primary source of capital for social economy enterprises in the form of subsidies, grants and contributions although they are increasingly being reduced or targeted to project and program delivery (Hebb et al. 2006). Juillet et al. (2001) argue that while the changes in the funding environment (mainly cutbacks, and a shift from core funding to project funding) for Canadian nonprofits has impacted their organizational development (their mission, governance, approach to program delivery), these impacts are not as significant as hypothesized by some academics, and nonprofits have demonstrated their resilience and ability to maintain their mission in the face of these changes. Many organizations responded to the loss of government funding, by successfully diversifying their revenue sources (Juillet et al. 2001). Dart and Zimmerman (2000) provide two examples of "enterprising" nonprofits from Ontario that have turned to commercial activities as a result of decreased funding from government sources. Some of these activities may include charging a fee-for-service to consumers. Hebb et al. (2006) suggest that there is a lack of information on consumer fee-for-service as a potential revenue stream for social economy organizations. For example, Hebb et al. (2006) suggest key questions on this topic might include: how are consumer rights protected in the social economy? What is the impact on small and medium size enterprises generally when social economy enterprises compete for business? And what are the implications for the tax treatments of social economy enterprises when they compete commercially?

Where government funding is not available or reduced, the growing community development finance sector is hypothesized to fill the gap. However, other challenges have been identified for community development finance institutions such as lack of accreditation, regulation and standardized assessment procedures, lack of support organizations and intermediaries, and lack of capacity. Further research is required to assess the extent to which these problems with government funding are present in Canada, and whether they affect particular actors or sectors of the social economy.

Lack of accreditation, regulation and standardized assessment procedures

In comparison with the US, the community investing sector in Canada is very small. While US government legislation and programming are key drivers of the success in the US, Strandberg and Plant (2004) identify other barriers to community investing in Canada including challenges in conducting due diligence. More specifically, the sector lacks standardized assessment procedures and has no established pricing benchmarks. This results in high transaction costs and challenges for investors and financial advisors. In an evaluation of micro-enterprise organizations in the US, Servon (2006) also identified lack of accreditation and standardization as a key challenge. Furthermore, it is suggested that this issue is not unique to micro-enterprise and is shared more broadly by community development finance institutions (Servon 2006). While these challenges are significant, there are also many opportunities for improvement. For instance, Strandberg and Plant (2004) suggest that researchers, practitioners and intermediary groups can be involved in establishing benchmarks, standards, training, 'how-to' manual, best practices, due diligence requirements, and education and awareness programs for investors. In fact, providing accreditation has been identified as an important role for intermediary and trade organizations (Servon 2006). However, organizations providing accreditation for the social economy sector may currently be lacking. This suggests that SERC 3's research on evaluation, analysis and monitoring should extend beyond questions of what to measure in the social economy, to questions of who should do the measuring.

Lack of Support Organizations and Intermediaries

Rohe and Bratt (2003) report that there are increasing numbers of failures, downsizings and mergers among Community Development Corporations in the US. These authors identify lack of CDC support organizations and intermediaries as a key contextual factor leading to this decline. For instance, Rohe and Bratt (2003) suggest that two types of support organizations are important for CDCs success. One would be composed of representatives from key public, private and nonprofit organizations and is designed to foster communication and collaboration among members. A second would consist of representatives of all CDCs in a city and should be designed to help share knowledge, coordinate activities and influence local public policy. These types of networking and support organizations would likely prove beneficial to development finance institutions more broadly. Fuller and Jonas (2002) also suggest networking organizations have an important role to play in the credit union movement in the UK. A key challenge in which these types of organizations could increasingly be involved is attempts to influence the national policy and regulatory landscape. MacLeod (1998) in discussing community investment funds in Canada suggests that a mutually supporting complex of organizations is necessary for success in CED. Finally, Lewis (2006) suggests that a new generation of sector-led support organizations have emerged in Canada and are helping communities and citizen's groups create a diverse array of ventures.

Another challenge identified in the literature, lack of social capital, may be related to the lack of intermediaries and other broader support organizations. Both Schreiner and Woller (2003) in discussing micro-enterprise institutions in the US, and Rohe and Bratt (2003) discussing CDCs, suggest that lack of social capital or trust is a key problem. Lack of social capital may also affect the success of other development finance institutions, and would certainly play a role in other aspects of infrastructure for the social economy such as creating partnerships with government and networking among social economy actors. A key focus should be developing collaborative relationships and creating open lines of communication (Rohe and Bratt 2003). Another argument for greater collaboration at the community level relates to the tremendous amount of waste that occurs because community groups build isolated operations in the name of autonomy (MacLeod 1998). MacLeod (1998) suggests that groups need to reconsider pooling resources, joint venturing and creating linkages and interlocking boards with other like-minded groups, and provides several examples from the east coast of Canada of communities pooling capital, creating community business development conglomerates and successfully challenging the conventional system. Servon (2006) also suggests that micro-enterprises should consider mergers and partnerships as a way to remain viable and improve communication between different institutions in the field. These observations raise an important set of empirical questions for the BALTA mapping exercise; are social economy actors involved in networking, collaborative projects, sharing or pooling resources and other actions designed to build mutually supportive arrangements?

Lack of Capacity

One of the organizational factors identified by Rohe and Bratt (2003) as important in the failure, downsizing or merger of CDCs in the US is lack of staff or board capacity. Underlying reasons for this include frequent leadership changes, lack of resources to recruit and retain experienced personnel, and the use of consultants and contract employees which has led to a failure to build in-house capacity and credibility (Rohe and Bratt 2003). Rohe and Bratt (2003) highlight the importance of executive directors to the success of these organizations and suggest that research needs to be done on the skill sets that executive directors of Community Development Corporations need to be effective. In addition, other internal management problems have also led to declines, such as problems with organizational planning and decision-making, financial accounting, and staff development and supervision (Rohe and Bratt 2003). In relation to the community investing sector more generally, Strandberg and Plant (2004) identify lack of capacity, including under-skilled staff and directors, undercapitalization, and lack of consistent operating support, as a major barrier to growth of the sector in Canada. More specifically, Canadian community investment funds are small, under-skilled with a modest track record and limited regional focus. These funds lack reporting infrastructure and customer service capacity, leaving them unprepared to deal with the due diligence demands of institutional investors (Strandberg and Plant 2004).

Juillet et al. (2001) suggest that government financial support for day-to-day operations and capacity-building has been decreasing in Canada, as more funding opportunities are program or project focused. While there is some indication that foundations in Canada play a role in funding capacity-building, more research needs to be done on the roles of foundations in financing social economy enterprises (Hebb et al. 2006). Other opportunities for capacity-building are discussed in section 2.3.2. However, the extent to which these capacity building funds and opportunities have been directed towards supporting development finance institutions is uncertain, indicating an opportunity for research on capacity building for development finance actors. For instance, what capacity building needs do development finance institutions have, what opportunities for capacity building exist, and what supports might be necessary to fill the gaps?

Maintaining context specific innovations in the face of imposed models

One of the main challenges facing the credit union movement in Britain is diverging visions of credit union models, and concerns about how local development trajectories will (or will not) continue to influence the movement (Fuller and Jonas 2002). Fuller and Jonas (2002) argue that the credit union movement in Britain is facing the potential top-down imposition of a “right way” to develop and operate locally. These authors highlight advantages to seeing the credit union movement as community-based rather than nationally determined, and recommend that the credit union movement in Britain harness the local capacities available under CED initiatives.

The top-down model being advocated in the UK would see credit unions become more commercialized. The issue of the degree of connection of credit unions with mainstream financial institutions has also been identified in the US (Benjamin et al. 2004). Changes in the regulatory framework and specific policy initiatives in both the US and UK have led to increases in credit unions and more partnerships with mainstream financial institutions. While this may be leading to growth in the credit union sector, there is concern that the legitimacy and financial stability of the credit union movement may be to the detriment of social inclusiveness (Fuller and Jonas 2002). A relevant area for consideration may be the extent to which other development finance actors are facing these same challenges; and the relationship between social inclusiveness and mainstream legitimacy as development finance actors “scale-up”.

2.2 Policy Environment and Interventions

2.2.1 Overview

While the social economy is described as being in the domain of civil society, researchers point to the important role the state must play in providing capacity and commitment to promote new forms of economic organization (Amin et al. 1999, Smith 2005, Gerometta et al. 2005, Mendell 2006). Amin et al. (1999) suggest that increased and more quality government involvement at all levels could have a significant positive effect on the social economy. More specifically the state can ease the financial and administrative burdens of social economy organizations through the reform of legislation and the creative use of new policy measures (Amin et al. 1999). Overall, the state can help to change the terms on which different institutions compete in a market that currently favors profit maximizing organizations (Smith 2005). However, for successful policy to emerge government must also play a role in supporting social economy actors to define their priorities, and to negotiate the nature and scope of government interventions: co-production of public policy is a key to success (Neamtan and Downing 2005).

In Canada and abroad, more and more policy makers are becoming aware of the potential of the social economy for redefining relations between the state, the market and civil society (Neamtan and Downing 2005). The purpose of this section is to review the literature on different policy environments that either support or hinder the development of the social economy and to consider what can be learned from these experiences. The following policy environments are covered: United Kingdom, United States, Canada, Québec, Manitoba, Nova Scotia, and a general section on municipal and regional policy environments[3]. In each section, an attempt was made to touch on the following aspects of a policy environment: enabling legislation, committed government staff and resources, policy planning and co-ordination, government programming, and government purchasing from the social economy sector.

2.2.2 Existing policy environments

2.2.2.1 United Kingdom

Although other initiatives exist in European countries[4], the most comprehensive social enterprise strategy is now in place in the United Kingdom (UK), and has been well-reported and discussed in the academic literature. According to Lyons and Passey (2006), the UK has implemented 27 policy initiatives between 1997 and 2004 which have led to an increased emphasis on the third sector at all levels of government. Of these initiatives, twelve involve increased funding of existing programs, the launch and funding of new initiatives, or increased funding of government functions designed to support the voluntary and community sector. Five involve legislation or changes in regulatory responsibilities, and the remainder involve reviews, strategy papers, or major consultations (See Appendix B, Table 2). While initiatives have been on-going since the late 1990s, the UK adopted a

[3] The policy environment selection is based on availability of English-language literature and a Canadian focus.
[4] Neamtan and Downing (2005) briefly discuss initiatives in France and Belgium.

comprehensive social enterprise strategy in 2002 (Neamtan and Downing 2005). The goal of the strategy is to create an enabling environment through legal and regulatory issues, public procurement, business support and training, finance and funding (Neamtan and Downing 2005).

Two new legislative initiatives, the *Industrial and Provident Societies Act (2002)*, and the *Cooperatives and Community Benefit Societies Act (2003)* have been part of this comprehensive approach. Both are updates to existing legislation that aim to ensure assets remain in members' ownership and, as a result, make demutualization more difficult (Lyons and Passey 2006). More specifically, changes to the *Industrial and Provident Societies Act* put credit unions on the same footing as banks and under the regulatory umbrella of the Financial Services Authority (FSA). However, outstanding issues related to these changes include: the level of fees payable to the FSA compared to those paid by other financial institutions; and how the FSA will be sensitive to weaker credit unions if they have a potentially viable future (Fuller and Jonas 2002). While these changes may address the UK Credit Union Task Force's emphasis on the need for effective regulation and enforcement as means of protecting depositors, and ensuring confidence and quality services, further changes, specifically to the *Credit Union Act* (1979), are recommended (Fuller and Jonas 2002).

In addition to the above legislative reforms, the UK government introduced a Community Investment Tax Credit in 2001. It provides tax relief to corporations and individuals that invest in CDFIs (Neamtan and Downing 2005). Finally, the Community Interest Company (CIC) is a new legal structure created for those wishing to establish social enterprises. It is considered an addition to existing forms such as cooperatives and traditional associations; however it includes the option of issuing shares that pay a dividend to investors. CICs are required to report to an independent regulator on how they are delivering for the community and involving stakeholders in their activities (Neamtan and Downing 2005)

Early initiatives that led to committed government staff and resources working on social economy and community economic development issues were established under the National Strategy for Neighborhood Renewal in 1998. Under this strategy eighteen Policy Action Teams (PATs) were created and several have influenced the policy environment for the social economy in the UK. For example, PAT 14 has a particular emphasis on widening access to financial services and has played a role in the changes to the laws governing credit unions (Fuller and Jonas 2002). In addition, PAT 3 led to the Pheonix fund, a new approach to encouraging entrepreneurship in disadvantaged areas. In conjunction with the development of the recent comprehensive social enterprise strategy, a Social Enterprise Unit was established in the Department of Trade and Industry in 2001. This unit is responsible for coordinating social enterprise initiatives across government, working with and supporting practitioners, intermediaries and other key stakeholders, and carrying out specific tasks (Neamtan and Downing 2005).

At the time the Social Enterprise Unit was established, the government also partially funded the Social Enterprise Coalition made up of stakeholders from the banking, CDFI and social enterprise sectors (Affleck and Mellor 2006). The government has also supported the creation of an intermediary organization, the Social Enterprise Coalition (SEC), which acts as UK's national body for social enterprise. SEC acts as the voice of the sector, providing a national platform for influencing policy in order to create an enabling environment for social enterprise (Neamtan and Downing 2005). In addition to these efforts to improve policy planning and co-ordination, the UK has established government and voluntary sector governance partnerships called "Compacts" in four major jurisdictions (England, Wales, Scotland and Northern Ireland) (Fyfe 2005). The four Compact documents were published in 1998. In several of the home countries there are also plans for internet developments to inform voluntary organizations on best practice both in organizing themselves and in discharging their consultation role (Morison 2000).

With specific regard to developing the social economy, Lyons and Passey (2006) suggest that innovations in government funding programs were key within UK policy initiatives. For example, the Department of Trade and Industry's Phoenix Fund, set up within the Small Business Service in 1999 comprises: a Development Fund to support enterprises in deprived areas; a Challenge Fund which helps to resource CDFIs; loan guarantees to encourage commercial and charitable lending to CDFIs, and a mentor network for startups through the Business Mentors Association (Affleck and Mellor 2006, Hebb et al. 2006). Another funding program launched by the Home Office in 2002 is the Adventure Capital Fund. This fund offers social venture capital through long-term loans or equity investment (Affleck and Mellor 2006). The UK government also set up a publicly financed investment fund, Futurebuilders, which explicitly seeks to expand the capacity of the not-for-profit sector to meet public service needs (Affleck and Mellor 2006). Other initiatives include the Active Communities Initiative, designed to increase the role of volunteering in community life, and the New Deal for Communities, focused on involving community organizations in the regeneration of deprived neighborhoods (Fyfe 2005).

Finally, Neamtan and Downing (2005) outline three strategies the UK government has taken to develop pro-active procurement practices by national or local governments: 1. passing laws allowing or obliging social or environmental criteria in the government procurement process; 2. informing local authorities about the ways to include these criteria in procurement processes; and 3. setting quantitative objectives for the percentage of public purchasing with social or environmental benefits. A National Procurement Strategy for Local Government has been established to help meet economic, social and environmental objectives set out in community plans (Neamtan and Downing 2005).

2.2.2.2 United States

In the US the policy environment related to community economic development and the social economy is heavily focused on development finance. One of the key legislative initiatives in the development finance area is the *Community Reinvestment Act* enacted by Congress in 1977. This act requires that an institution's record in helping meet the credit needs of its entire customer base be evaluated periodically. The record is then taken into account in considering an institution's application for deposit facilities, including mergers and acquisitions (Neamtan and Downing 2005). In effect, this puts obligations on banks to provide financial services to disadvantaged areas (Benjamin et al. 2004).

Regulatory changes to US credit union legislation since the 1970s have also led to new opportunities for growth and merger of credit unions (Goddard et al. 2002). While credit unions in the US have grown, it is uncertain to what extent this growth has led to further development finance infrastructure for the social economy, and debates continue as to the appropriate degree of connection of credit unions with mainstream financial institutions (Benjamin et al. 2004). An additional legislative change was the enactment of the New Markets Tax Credit in the *Community Renewal Tax Relief Act* (2000). Approved Community Development Entities (CDEs) apply annually for New Markets Credits. CDEs can then sell the credits for cash to individual investors and use the proceeds to support their community revitalization efforts (Neamtan and Downing 2005)

In addition to these regulatory and legislative changes, the federal Community Development Financial Institutions (CDFI) Fund has been a major support program for development finance infrastructure in the US. Created in 1994 and administered by the Department of the Treasury, this fund uses federal resources to invest in and build the capacity of CDFIs to serve low-income people and communities lacking adequate access to affordable financial products and services (Hebb et al. 2006, Neamtan and Downing 2005). The CDFIs in most cases must match federal funds with non-federal funds to receive financial assistance. Through its Bank Enterprise Award Program, the fund also provides incentive for banks to make investments in CDFIs (Neamtan and Downing 2005). The focus of many community development efforts and CDFI financing activities in the US has historically been the creation and/or rehabilitation of housing (Benjamin et al. 2004). Several CDFIs successfully pushed for the creation of the Low Income Housing Tax Credit implemented in 1986, enabling investors to obtain a federal tax credit for investing monies in low-income housing developments (Benjamin et al. 2004).

The US has also used procurement policy as a means to support small business. Three major programs are in place: the Small Business Administration, the Minority Business Program, and the HUBZones program. The Small Business Administration sets aside certain parts of federal contracts for small business, allows exclusive access to small contracts, and a guarantee of access to a percentage of larger government sub-contracts (Neamtan and Downing 2005). The Minority Business Program helps small businesses owned by, and mostly employing, ethic minority groups, women, disabled, veterans, disabled veterans, and lesbian/gay, to obtain federal contracts (Neamtan and Downing 2005). Finally, the HUBZones program uses federal contracts to help disadvantaged communities by encouraging development in zones that have been neglected by business (Neamtan and Downing 2005). Overall, between 20% and 23% of federal agency contracts are given to small business, including 5% to women-owned businesses, 3% to veterans and 3% to HUBZones (Neamtan and Downing 2005).

2.2.2.3 Canada

Canada’s former Liberal government began to implement policy towards creating an enabling environment for the social economy with announcement of the Social Economy Pilot Initiatives in the 2004 budget. The 2004 Budget announced three measures in this regard: $17 million over two years for capacity-building; $100 million over five years for the creation of patient capital funds for financing social economy enterprises; and $15 million over five years for community-university research related to the social economy (Leviten-Reid and Torjman 2006, Neamtan and Downing 2005). In addition, the government announced a review of federal programs that assist small and medium-sized enterprises to ensure that these programs are accessible to social economy enterprises (Leviten-Reid and Torjman 2006). Neamtan and Downing (2005) consider the creation of patient capital instruments and opening up of small and medium-sized enterprise programs to social economy enterprises as a good illustration of enabling public policy for the social economy.

Prior to the Social Economy Pilot Initiatives, a survey conducted by CCEDNet in 2003 identified five federal government departments with commitment to community economic development. The federal government also provides access to capital for social economy enterprises through its Regional Development Agencies which fund the Canada Futures Development Program (Hebb et al. 2006). In addition, the Business Development Bank of Canada recently indicated development of a new strategy for the social economy is underway in accordance with the federal government’s objective of encouraging the development of this sector (Hebb et al. 2006).

While both new and old policy initiatives indicate movement on the part of the federal government to create an enabling policy environment, presently Canada has made no movement on enabling legislation. An exception may be a 15% federal income tax credit for individuals investing in labour-sponsored investment funds, which is matched by provincial governments (Lincoln 2000). One regulatory problem mentioned in the literature is the need for a suitable legal basis for co-operatives and a fair position in taxation (Fairbairn 1990). Another problem mentioned is the inability of Canadian charities to participate in "political advocacy" (Jiwani 2000). The Canada Customs and Revenue Agency stipulates that a charity must spend no more than 10 percent of all its resources, financial, human and physical, on public policy advocacy (Phillips 2003). Regulation of advocacy has ceased to be an issue in the UK and most other democratic countries where advocacy is recognized as an important and necessary part of charities work with positive effects on public policy (Phillips 2003).

While the current tax regulations make it difficult for charities to advocate for public policy changes, other initiatives have attempted to improve policy and planning coordination between the federal government and social economy organizations. A Social Economy Roundtable has been established to provide input to the government around the unfolding Social Economy Initiative. Though this forum, civil society leaders and government can align their understanding of the social economy and link their respective contributions (Leviten-Reid and Torjman 2006). Prior to the roundtable, a Voluntary Sector Initiative (VSI) was launched in June 2001, a unique Joint Table process to which the federal government committed almost $95 million over 5 years. The VSI is a multi-faceted strategy that includes: support for a framework agreement that will guide the establishment of a stronger relationship between the federal government and voluntary sector; research and information gathering on the sector; capacity-building through skills and technology development; regulatory reform; promotion of volunteerism; and support for engaging voluntary organizations in more effective ways in the development of departmental policies and programs (Phillips 2003). Phillips (2003) argues that the VSI is an important first step in improving the government-voluntary sector relationship, but much could be learned from the UK Compacts experience to further this positive start.

Canada is lagging far behind in the area of government procurement policies when compared to the UK and US. However, a recent Task Force on Government-Wide Review of Procurement opens the door to the possibility of using procurement policy as a means to support the social economy in Canada (Neamtan and Downing 2005). Jiwani (2000) also highlights some of the current problems with government contracting to non-profits in Canada.

2.2.2.4 Québec

Recognized as an integral part of the province's socio-economic infrastructure since 1996, Québec is the only province in Canada that has specifically adopted and implemented policy in favor of the social economy, including various sectoral, territorial and generic policies (Neamtan and Downing 2005). This policy environment has developed as a result of the specific historical context in Québec and a longstanding tradition of support for collective entrepreneurship, in both cooperative and non-profit modes (Neamtan and Downing 2005). These collective enterprises have resulted in the creation of thousands of new jobs in Québec while responding to social, environmental and cultural needs in communities (Neamtan and Downing 2005). Mendell (2002) provides a review of the historical context for the development and expansion of the social economy in Québec.

Enabling legislation has been a component of the supportive policy environment in Québec. The Québec government recently passed legislation to create a new cooperative model, the solidarity cooperative, inspired by European experiences (Neamtan and Downing 2005). The solidarity cooperative includes not only producers and/or consumers but also citizens who are involved in these cooperatives or affected by the services offered (Mendell 2002). This new form of cooperative is a valuable way for communities to incorporate the cooperative model into local development strategies.

(Neamtan and Downing 2005). The Québec government also passed legislation permitting its investment agency, le société de développment industriel, to provide loan guarantees for non-profit enterprises for the first time, including community enterprises (Mendell 2002).

As a result of this new legislation permitting loan guaranties, new funding programs have been implemented as part of the strategy in Québec. Investissement Québec administers the Collective Entrepreneurship Program, as well as a program to support the capitalization of social economy companies. Both of these programs offer loans to cooperative and non-profit businesses (Neamtan and Downing 2005). Régime d'investissement cooperative is a fiscal measure that offers a tax credit to members of worker cooperatives, production cooperatives and worker-investor cooperatives with the goal of improving capitalization of cooperative enterprises (Neamtan and Downing 2005). The government also provides funding for regional networks for the social economy, an important component of infrastructure. For example, specific funding exists for the Regional Development Cooperatives, which are technical resource groups who support the development of new cooperatives on a regional level (Neamtan and Downing 2005). They are funded according to the number of jobs created or consolidated (Neamtan and Downing 2005).

Québec has also offered financial support and political recognition to the Chantier de l'économie sociale, a non-profit organization uniting a wide range of networks of collective enterprises, local and regional development organizations, and social movements. For example the Réseau d'investissement social du Québec (RISQ) was created in 1997 by the Chantier de l'économie sociale. RISQ offers non-guaranteed loans, loan guarantees or participatory loans up to $50,000 for collective enterprises, and additional small technical assistance loans up to $5,000 (Hebb et al. 2006). Though the concept and initiative to create RISQ came from the Chantier de l'économie social, with private partners, the government of Québec agreed to match each dollar raised in the private sector. In addition, until 2003, RISQ's operative costs were partially funded by the Ministry for Economic Development (Hebb et al. 2006). In addition to financial support, the Chantier has received political recognition through formal partnership agreements with the Ministry of Economic Development (most recently in 2004). The Chantier has become a legitimate representative of the social economy, and the government has committed to collaborating on policy development (Neamtan and Downing 2005). In fact, Neamtan and Downing (2005) suggest that in the Québec, each new policy initiative in the field of the social economy has been inspired by proposals from civil society actors. Another example of policy and planning coordination relates to legislation on cooperatives in Québec. All legislative changes must receive the approval of the Conseil de la coopération du Québec as the representative of the cooperative movement in the province (Neamtan and Downing 2005).

While Québec is clearly the most advanced province in Canada in relation to a supportive policy environment for the social economy and established policy and planning coordination, there have been some changes more recently, including the clear choice to limit the role of civil society in favor of local elected officials (Neamtan and Downing 2005, Mendell 2006). Despite this, the culture of involvement by civil society in local development has been preserved in many communities and CED corporations continue to receive provincial support (Neamtan and Downing 2005).

2.2.2.5 Manitoba

Manitoba has developed a comprehensive policy environment for supporting CED, but lacks the sector based approaches that exist in Québec (Neamtan and Downing 2005). To implement this comprehensive approach, the Community and Economic Development Committee of Cabinet (CEDC) was established, and coordinates all government initiatives in this area, specifically the Community Economic Development Policy Framework. This framework is considered a key component of Manitoba's economic strategy intended to develop a provincial economy that is more inclusive, equitable and sustainable (Neamtan and Downing 2005). The CED goals outlined in the framework include: 1. building greater community capacity; 2. nurturing individual and community pride, self-reliance and leadership; 3. enhancing knowledge and skills; 4. developing businesses that are responsive to social, economic and environmental needs; and 5. fostering balanced, equitable and sustainable economic development. The CED Lens, passed by cabinet in 2000, is intended to help departments apply CED principles to their policy and program areas. The CED Lens includes ten key CED principles to help departments re-evaluate their initiatives to ensure that support for CED is strategic, effective and clearly defined (Neamtan and Downing 2005). The ten key principles are: local employment; local ownership and decision-making; local economic linkages; re-investment of profits in communities; local knowledge and skill development; positive environmental impact; health and well-being; neighbourhood stability and community cohesion; human dignity; and interdepartmental and intergovernmental collaboration.

More specific programs implemented under the CED framework and lens include Neighbourhoods Alive! coordinated by Manitoba Intergovernmental Affairs. Neighbourhoods Alive! is a long-term strategy to support community-driven revitalization efforts in specific urban neighbourhoods. It includes a Neighbourhood Renewal Fund, the Neighbourhood Development Assistance Program, and Neighbourhood Housing Assistance (Neamtan and Downing 2005). The Neighbourhood Development Assistance Program is essentially an agreement between the province and communities to work together on locally directed, locally controlled, multifaceted community development strategies (Loewen 2005).

In addition to the above programs, Manitoba has established a provincial Community Enterprise Development Tax Credit. This credit is a non-refundable, 30% personal income tax credit for resident investors. There are two types of qualifying investments, specific community enterprises, and community development investment pools; eligibility is determined by the Department of Intergovernmental Affairs (Neamtan and Downing 2005). All of these government initiatives, and the comprehensive framework and lens within which they are embedded have led to many successes in CED in Manitoba (Loewen 2004). However, Loewen (2004) also highlights the important role the CED sector has had in advocating for government support and in the actual implementation of CED programs.

2.2.2.6 Nova Scotia

Nova Scotia has had a long history of cooperatives and credit unions, and is home to two of the founding organizations of the modern CED movement in Canada: the Human Resources Development Agency in Halifax, and New Dawn Enterprises in Sydney (Neamtan and Downing 2005). Today, the province also has a strong policy environment for CED including a "comprehensive support system" introduced in 1993. One key element of this support system is the Regional Development Authorities (RDA), enabled by the *Regional Community Development Act: An Act to Encourage and Facilitate Community-based Planning for Economic, Social and Institutional Change*. RDAs act to integrate and coordinate the activities of local development groups and may undertake initiatives themselves to accomplish common objectives within a region (Neamtan and Downing 2005). They are funded by, and collaborate with, all three levels of government and the private sector. Additional support for RDAs is part of the Community Economic Development Program, which assists with staff training and capacity-building. Another innovative program in Nova Scotia has been the Co-operative Employee Partnership Program, which since 1998 has led to the establishment of fishing and other cooperatives in the province (Perry 2003).

Capital financing incentives and loan loss guarantees are also apart of the Nova Scotia strategy. The Nova Scotia Equity Tax Credit Program, established under the *Equity Tax Credit Act*, was introduced in 1993. Similar to the Manitoba program, a personal income tax credit is offered to individuals investing in eligible businesses, cooperatives, and CED organizations. In addition, the formation and equity ownership of Community Economic Development Investment Funds (CEDIF) was permitted following amendments to both the *Equity Tax Credit Act* and the Nova Scotia Securities Commission. Investment in CEDIFs is partially guaranteed by the province, and CEDIFs are considered pre-approved holdings for self-directed RRSPs.

While in both Manitoba and Nova Scotia capacity-building funds for CED are supplemented by capital financing incentives (tax credits) and loan loss guarantees to support investment in community enterprises, it is relevant to note that there are no financing mechanisms that are specifically targeted to social enterprises run by non-profit organizations (Neamtan and Downing 2005). Although Québec, Manitoba and Nova Scotia were highlighted in this review, most provinces and territories have some initiatives related to the social economy. Neamtan and Downing (2005), and Hebb et al. (2006) provide a more comprehensive review.

2.2.2.7 Municipal and Regional Policy Environments

Local governments are increasingly aware of the potential of the social economy to support communities, and researchers have considered the role that municipalities can play in developing components of the social economy infrastructure. Rohe and Bratt (2003) suggest that a key role for municipalities is to coordinate support organizations composed of major public, private and non-profit funders and technical assistance providers. In addition, city policy makers should assess the impact of proposed policy changes on social economy organizations and involve them in decision-making, fostering the level of trust (Rohe and Bratt 2003). Researchers studying community development corporations in the US suggest that if municipal governments rely on CDCs to implement their CED strategies, then they must also take a proactive role in making sure that CDCs are serving the public interest (Reingold and Johnson 2003). Reingold and Johnson (2003) urge practitioners and policy makers to consider how it is that community development organizations are accountable to the public. These authors suggest that it is the role of municipalities to assess the financial and managerial performance to provide proper oversight and monitoring. Also recommended is the establishment of a memorandum of understanding between the municipal government and its community development sector to achieve a clear understanding of roles and risks involved (Reingold and Johnson 2003).

Finally, research has highlighted the important role played by senior public managers in local governments in setting the tone of relationships with government and social entrepreneurs. Support from local government was found to have a perceived positive effect on social entrepreneurship, both its amount and quality (Korosec and Berman 2006). Senior public managers and other staff can be involved in activities such as: helping social entrepreneurs apply for grants, bringing social entrepreneurs together to collaborate, providing them with information about social conditions that can lead to support used in grant applications, and helping social entrepreneurs to develop new programs (Korosec and Berman 2006). More research is needed with regard to local policy environments for enabling the social economy (Korosec and Berman 2006).

2.2.3 Comparison and evaluation of different policy environments

The literature comparing and evaluating different policy environments for the social economy is for the most part just emerging. In addition, literature in this regard can focus on a multitude of different aspects of government policy, due to the broad nature of the social economy concept and the myriad of components that can fit under the term policy environment. However, in an attempt to organize insights from the available literature, this next section is structured according to the following key themes: enabling legislation and policies for market instruments; support for networking of social economy actors; concerns about inclusion and co-optation; and strong government leadership.

Enabling legislation and policies for market instruments

The US is far ahead of any other jurisdiction in providing significant sources of capital for social economy enterprises, specifically through the innovative use of market instruments (Hebb et al. 2006, Moulaert and Ailenei 2005). Of particular importance are the *Community Reinvestment Act* and the New Market Tax Credit Program. The *Community Reinvestment Act* alone has generated private sector investment in community development equivalent to $1.7 trillion (Hebb et al. 2006). CDFIs are responsible for the delivery of this investment in the community, and therefore Hebb et al. (2006) compare US, UK, and Canadian CDFIs asset sizes and demonstrate the significant advancement of this type of financing institution in the US. The UK is trying to adapt much of the US approach to development finance, and have developed a number of instruments already (Hebb et al. 2006). One area identified for further research is how the US regulatory and legislative approach to development finance can be adapted and applied elsewhere (Moulaert and Ailenei 2005, Affleck and Mellor 2006). However, a note of caution with regard to the US approach comes from the recent evidence of failures and downsizings among CDCs (Rohe and Bratt 2003) and historical evidence from similar approaches used in the past, namely the US Minority Enterprise Small Business Investment Company (MESBIC) program started in 1969 (Bates 2000). For instance, history suggests that the majority of MESBICs chartered since 1969 had similar missions to today’s CDFIs and went out of business, due to a strategy of risky small-business investing (Bates 2000). In considering the application of the US development finance approach elsewhere, one aspect for further research may be the long-term viability of US CDFIs which are the backbone of the US approach.

In Canada, the provincial governments in Québec, Manitoba and Nova Scotia have implemented different types of tax credits to encourage investment in the social economy. Particularly Nova Scotia has taken a consistent and comprehensive approach to supporting CED, going a step further than Manitoba in terms of legislated devolution of power and resources for CED to regional authorities (Neamtan and Downing 2005). However, Nova Scotia lacks elements of the long-term funding programs for community organizations found in Québec and Manitoba (Neamtan and Downing 2005).

At the federal government level in Canada, legal and normative structures of capital markets are barriers to growth of the social economy (Hebb et al. 2006). Neamtan and Downing (2005) make several recommendations for fiscal measures and other means at the federal level to encourage private investment in social economy initiatives. First, it is recommended that the federal government establish a new federal tax credit and guarantee of capital attached to financial instruments issued by community investment funds. Second, the federal government should create an opening for RRSP eligibility for debt and equity investments in community investment funds. Third, a new fiscal measure directly adapted to the cooperative enterprise model should be developed with the cooperative sector. Fourth, obstacles preventing pension funds from carrying out economically targeted investments should be identified and removed. Finally, charitable tax credits should be extended to CED or other intermediary organizations dedicated to not-for-profit activities (Neamtan and Downing 2005).

It is suggested that the success in the US is due to a leadership role by the federal government (including a favourable tax and regulatory regime, operating and capital programs, and other supports), and strengthened industrial infrastructure (such as intermediaries, networks, product standardization, investor education and awareness) (Strandberg and Plant 2004). However, in addition to the federal government, state governments have also influenced the development finance field. For example, in the US there are both state-chartered and federally-chartered credit unions. While different states have different regulatory policies governing credit unions, in general they are more liberal then federal regulations (Goddard et al. 2002). This has allowed for more significant growth of larger state-chartered credit unions, within the limits of state lines. In the Canadian context, credit unions are regulated provincially, whereas banks are federally regulated. There is a clear need for research on the role of different governments in the development finance sector and how their particular policy environments interact.

Support for Networking of Social Economy Actors

In comparing the social economy in Québec and other provinces, Mendell (2006) suggests that part of the reason why the social economy movement is more advanced in Québec is due to the strong presence of social movements and to the networking of actors so that they are able to negotiate with government with a single voice. Phillips (2003) reiterates networking of actors as an important factor of success in the UK experience with collaborative policy-making and planning. These researchers suggest that the government has a role to play in supporting the development of these networks. In Québec it is the institutionalization of some of these larger networks within the governance framework that has allowed the social economy movement to successfully integrate both the territorial and enterprise aspects (Mendell 2002). Finally, Lyons and Passey (2006) in a comparison of the UK and Australia, consider the presence of third sector representative bodies and strong leadership in the UK as one of the key reasons why a policy environment for the third sector has developed.

Intermediary organizations that do exist at the national, provincial and regional levels in Canada play an important role in providing technical assistance, peer learning, policy analysis and developments support (Neamtan and Downing 2005). However, these functions are largely unsupported by the federal government, yet are critical to replicating effective practices and achieving outcomes (Neamtan and Downing 2005). Neamtan and Downing (2005) recommend that the Government of Canada invest in the development and consolidation of networking among civil society actors at the regional and national levels, and support these networks in their work to disseminate Canadian knowledge abroad and learn from experiences in other countries. While the major focus here is on the national and regional scales, Korosec and Berman (2006) also suggest that local governments have a role to play in supporting local networks of social economy actors.

While there appears to be agreement on the need for government involvement in the development of intermediary organizations and networks, the UK experience has also revealed criticisms about the purpose and outcome of this involvement. For example with regard to the UK "Compacts" experience, Morison (2000) argues that while the impetus for government is to establish a commitment to codes of best practice, the focus for the sector is recognition of their independence and autonomy. In the Canadian context, Phillips (2003) suggests that the federal government should move towards giving voluntary organizations the policy tools they need to build communities of support and develop self-governance. Further research is required to identify how governments can support the development of these networks and intermediary institutions in a way that allows for independent self-definition.

Concerns about Co-optation and Social Inclusion

As was considered briefly in the development finance section there is a significant tension regarding the degree to which social economy organizations are "mainstreamed", and what effect this has on social inclusion. In the context of policy environments for the social economy, criticisms exist regarding the degree to which community organizations are required to fit the economism and managerial approach of the state, especially in the UK experience (Fyfe 2005, Morison 2000). For instance, academics have critiqued the UK "compacts" approach to government-voluntary sector partnerships, arguing that through bureaucratization and professionalisation of the voluntary sector, the bureaucrat-client relationship characteristic of government organizations is reproduced and disempowers citizens (Fyfe 2005, Morison 2000). In contrast to these critiques, other researchers have suggested the UK experience has been a positive movement forward for voluntary sector-government relationships (Phillips 2003, Lyons and Passey 2006). Phillips (2003) suggests that Canada could learn from the UK experience, especially with regard to implementation and monitoring of partnership agreements. While there is no consensus on this issue in the literature, the effects of government intervention on social economy organizations' missions, modes of operation, and organizational structure is an important current topic of discussion and a potential research focus for alliances such as BALTA. There is also a gap in the literature with regards to the relationship between other sources of development finance and social economy enterprises' mission, modes of operation, and organizational structure.

In addition to the potential effects of government intervention on social economy organizations themselves, there is concern about how this, in turn, affects the organizations' ability to incorporate and reach out to marginalized groups of citizens. One weakness of the UK approach may be the resulting marginalization of citizens who were the initial targets for financial inclusion and untapped entrepreneurialism under "third way" policies (Fyfe 2005). In the Canadian context, Neamtan and Downing (2005) have argued that more attention needs to be paid to the creation of social inclusion within CED and social economy models. The issue of social inclusion with different types and levels of government involvement as well as with increasing attempts to "scale-up" the social economy sector may be an important question for researchers to consider. For example, the possibilities of targeted social economy and labour-force policies for marginalized groups should be examined (Neamtan and Downing 2005). Relevant research questions include: how does government intervention affect social inclusion in the social economy? And how can social inclusion be increased and maintained as initiatives are "scaled-up"?

Strong Government Leadership

The UK's Policy Action Team (PAT) approach to the National Strategy for Neighbourhood Renewal is billed as the biggest example to date of an integrated approach to policy making, representing a significant departure from usual policy making models (Neamtan and Downing 2005). One of the key reasons for the development of this strategic approach in the UK is due to support from the highest level of political leadership (Lyons and Passey 2005). In the case of Manitoba's success in CED, factors leading to this success story included the presence of high-ranking officials and other government staff convinced of the importance of CED and committed to its practical application (Loewen 2004). Perry (2003) highlights several lessons learned from the Cooperative Employee Partnership Program in Nova Scotia including the importance of partnership between different government agencies and jurisdictions, and the key role played by champions, including those inside government. Neamtan and Downing (2005) suggest that in order to address the full range of opportunities for the social economy, a horizontal structure with significant political leadership is needed to engage and educate government staff and agencies. While the next section considers leadership and capacity-building for social economy actors, in order for government to play a significant role in creating an enabling environment for the social economy to grow, government leadership and capacity-building may be another element of infrastructure to consider.

2.3 Leadership, Entrepreneurship, and Capacity-building

2.3.1 Overview

Opportunities for training, education and leadership development constitute an important aspect of infrastructure for the social economy. In addition, leadership is considered to be at the crux of efforts to scale-up innovations and achieve demonstrable results (Lewis 2000). There are broadly five areas for capacity-building: human resource development (leadership and skill and knowledge development); research and advocacy; information access, use and dissemination; organizational development (networking, building alliances and coalitions); and financial sustainability[5]. The purpose of this section is to consider what literature exists on capacity-building and leadership development, including entrepreneurship, for social economy actors. However, it should be noted that this component of infrastructure for the social economy was covered the least in the literature surveyed. This in itself could be a useful finding of this review, since it could potentially be an important area of future investigation for research alliances such as BALTA.

2.3.2 Opportunities for capacity-building

Initially this section was meant to address leadership and capacity-building in the formal education system (primary, secondary, post-secondary) as well as informal education and training opportunities for actors within the social economy. However, almost no literature was found on the formal education system. Fitzgerald (1997, 1999) reports on high school entrepreneurship programs in the US including the challenges of getting CED into these programs due to legislative and curriculum requirements, and the potential role for community-based organizations in these programs. Likewise no literature was found on post-secondary social entrepreneurship education, although institutions as traditional as the Harvard Business school now include social enterprise as an important subject for research and teaching (Neamtan and Downing 2005). As a result the following section focuses solely on capacity-building opportunities outside of formal education and has been organized into three sections: role of intermediary institutions, role of development finance institutions, and partnerships with business.

Role of Intermediary Institutions

Nye and Glickman (2000) consider what role local intermediaries (called "community development partnerships" in their article) play in capacity-building for community development corporations

[5] Global Development Research Centre. Defining Capacity-building. Accessed April 5, 2007 from www.gdrc.org/uem/capacity-define.html

(CDC) in the US. Interviews and structured focus groups were conducted with CDC and local intermediary representatives in cities across the US, and five capacity-building areas were identified: resource capacity, organizational capacity, networking capacity, programmatic capacity, and political capacity. Representatives of CDCs were concerned with increasing the number and qualifications of staff in both technical and support roles, adapting technology to make themselves more efficient, and improving their financial management and accounting systems (See Appendix B, Table 3). While overall Nye and Glickman (2000) conclude that local intermediaries are having a positive effect on capacity-building in CDCs, they also suggest that intermediaries need to develop better benchmarking and performance-measurement systems to evaluate the results of their investments in CDCs (Nye and Glickman 2000). These authors provide a set of suggested measures for evaluating successful capacity-building programs organized according to the five capacity-building areas defined above (See Appendix B, Table 4).

In Canada, Perry (2003) has documented the role of the Nova Scotia Cooperative Council in assisting with the development of new worker co-ops under the Cooperative Employee Partnership Program. In this program, one or another successful co-op sponsors the development of the new co-op, receives a fee-for-service (and a percentage of the profit) as the initial manager of the business, and provides financial and business expertise until the workers feel ready to take over full administrative responsibility (Perry 2003). Another example of intermediary institutions playing a role in capacity-building is the Regional Development Cooperatives in Québec which act as technical resource groups for new cooperatives (Neamtan and Downing 2005).

Role of Development Finance Organizations

Many CDFIs are playing a significant role in providing education and training opportunities in addition to financing. The majority of this capacity-building is technical training on business management, marketing, accounting, and writing business plans and proposals (Benjamin et al. 2004). Micro-enterprise or micro-loan funds in particular provide training to entrepreneurial individuals. Some labour-sponsored investment funds are also playing a unique role in training and education. For instance, the Québec Solidarity Fund requires, as a precondition for investment, that potential investee firms jointly finance a series of workshops to educate employees. The training is carried out by the funds own Economic Education and Training Foundation. Various courses are offered with the goal of increasing employee awareness of economic issues generally and that relate specifically to their workplace, encouraging them to become involved in an open management structure (Lincoln 2000).

Finally, an innovative approach to capacity-building and entrepreneurship training comes from the Mondragón Corporación Cooperativa (MCC) in Spain. In 1959, three years after establishing the first cooperatives, the founder of Mondragón set up a cooperative bank, Caja Labor Popular. As it expanded it came to include an entrepreneurial division that provides consultation and support for the development of new cooperatives (White 1995). Outside of the Caja Labor Popular, educational foundations of the cooperative movement were also promoted at Mondragón through the Escuela Politecnica. Later, research and development units were created and a new institution, Otalora, for training in research, management, and entrepreneurship (White 1995). Equally important to these concrete initiatives within Mondragón was the establishment of the tradition of linking education with development through establishing a social process of studying and discussing before taking actions (White 1995).

Partnerships with Business

Loza (2004) makes a case for the potential of business-community partnerships to improve the capacity of community organizations while moving business towards more sustainable practices. A company can offer a variety of capacity-building services to the community organization such as: governance and management advice, information technology infrastructures, skill and leadership development, information, e-commerce facilities, intranets, and interactive facilities and courses for website development. The business benefits to these partnerships are now convincing some companies to make this commitment and form partnerships based on dialogue, consultation and collaboration with the community services sector (Loza 2004). One way of doing this could be by supporting their employees to sit on the boards of community organizations (Loza 2004).

These types of partnerships can be effective vehicles for sustaining a vibrant civil society, and ultimately, sustainable business practice (Loza 2004). However, in order for these partnerships to succeed, sufficient time and commitment is necessary. In addition, the success of many capacity-building interventions is highly dependent on the context. Therefore, there must be a systematic and rigorous analysis of the specific context in which the community organization is operating (Loza 2004). Evaluation and monitoring are also important factors in capacity-building programs, yet they have been relatively neglected (Loza 2004).

2.3.3 Insights for successful capacity-building

Literature comparing and evaluating the results and impact of different capacity-building and leadership development opportunities for social economy actors is also lacking. However, within the literature reviewed, researchers have made attempts to make recommendations on capacity-building programs more generally. One key recommendation made for any type of capacity-building is that initiatives must be context specific. The specific economic, political, and social context must be taken into account and capacity-building interventions must be tailored to fit with the cultural, political, historical and economic context of the individual organization (Loza 2004). Alongside this recommendation fits the idea that any training programs must attempt to be as specifically relevant as possible to the priorities and issues that have naturally emerged from the organization (Colussi and Perry 2002). Furthermore, technical assistance should not be offered in disembodied training or workshops, but as an integrated whole that is relevant to particular, current problems (Colussi and Perry 2002). Recent advances in the notion of capacity-building beyond focusing solely on technical and financial assistance also fit in with a more integrated approach; capacity-building is increasingly viewed as a holistic or systematic long-term program that incorporates diverse activities across multiple settings (Loza 2004).

Another important factor in capacity-building success is awareness of models, whether they are technical practices or organizational structures. In the case of Winnipeg's North End Community Renewal Corporation (WNECRC), the executive director of a model organization in Montreal was brought to Winnipeg to talk to government, business, community organizations and residents (Colussi and Perry 2002). In addition to this type of networking learning strategy, reaching out to get technical and organizational assistance from those knowledgeable in CED was an important success factor for WNECRC (Colussi and Perry 2003). However, Colussi and Perry (2002) also point out that assistance is more than the application of expertise from outsiders, it is also the application of expertise that is readily available locally but until now was not recognized or mobilized.

The lack of research-based literature on leadership, entrepreneurship, capacity building and training for the social economy is a major finding of this literature review. Although it has been noted that training does and should form part of the wider system of supports, and that finance and other intermediary organizations can play this role, clearly this is a topic requiring additional research attention. How do social economy actors in BC and Alberta train their employees, what are the life-trajectories of key leaders and individual social entrepreneurs in the region, and what supports should be put in place to support this vital activity?

3. SERC 3 Cross-cutting issues, gaps, opportunities, barriers

3.1 Cross-cutting themes

One striking overlap in all three of the aspects of infrastructure for the social economy covered in this review is that the precise nature and content of the infrastructure supports is less important that the organization of those supports. Thus the literature identifies the important role of intermediary institutions and other support organizations. While intermediary organizations can take on many different forms and functions, three stand out from this review. First, there are organizations composed of key public, private and social economy representatives designed to foster communication, collaboration and trust among these different actors. These organizations can exist at local, regional, provincial and national levels. Along with this type of multi-stakeholder approach comes the need to have effective and transparent communication mechanisms with the constituents that are being represented. Second, in order for the social economy representatives to achieve legitimacy within this first type of organization, intermediary organizations that consist of representatives from social economy enterprises are necessary. These networks help to share knowledge, coordinate activities and influence public policy through acting as a strong single voice. These networks may be important for different segments of the social economy, such as different types of development finance organizations, different sectors, or different institutional forms. However, in order for them to be effective at provincial and national levels, they may need to become a network of networks, such as the Chantier de l'économie social in Québec. Third, the literature recognizes the role of support organizations that are dedicated to specific aspects of capacity-building and/or financing, such as the Centre for Community Enterprise in British Columbia or the Nova Scotia Coop Development Council. Government needs to play an important role in this aspect of infrastructure, both by participating in organizations creating hybrid institutional forms, providing legitimacy for social economy networks, and by creating an enabling policy environment for networks and support organizations to emerge.

The review also identified leadership as an important gap in the literature which was mentioned with regards to all three of the infrastructure components discussed. The lack of knowledge about important leadership characteristics for directors of development finance institutions was highlighted, along with the role of leadership within government to champion the development of enabling policy environments. Finally, leadership is a key theme in relation to the above discussion on intermediary institutions and networking. At the center of success in cross-sectoral and cross-jurisdictional network building is strong leadership. However, the literature provides little insight with regards to where these leaders come from, what supports and capacity building opportunities they need, and what skills and abilities they have that make them successful.

A final cross-cutting theme relates to the clear opportunities to learn from progress in different jurisdictions, despite gaps in the literature. The US experience provides insights with regards to fostering an expansive development finance sector, and has the most comprehensive literature on the challenges faced by development finance institutions. Both the UK and Québec provide opportunities to learn from attempts to build partnerships and hybrid institutional settings with government and the social economy sector. Finally, Manitoba and Nova Scotia are also providing some lessons with regards to building comprehensive policy frameworks and getting government leaders on board.

3.2 Relationship of SE infrastructure to CED infrastructure

While both seek to undertake key social and economic tasks, CED has a specific territorial emphasis, whereas social economy organizations have an enterprise focus (Lewis 2006). However, as Lewis (2006) describes, “the social enterprise development focus is complementary to the CED approach where the emphasis is on the development of a specific territory”. By working together, these approaches can address and interconnect the social and economic tasks that are important to local communities as well as any “communities of interest” that may be the focus of any social enterprise (Lewis 2006). In Québec, the spatial and socio-economic aspects of the social economy came together through the collaboration of social movements with territorially based community organizations (Mendell 2002). In addition, long-standing federal and provincial investment in various forms of community development infrastructure in Québec has proven effective at supporting the growth of the social economy (Leviten-Reid and Torjman 2006). Among the most dramatic examples of integrated CED and social enterprise is RESO, a community economic development corporation in Montreal that was forged to tackle multi-faceted social and economic challenges. RESO has become a major inspiration for the Government of Canada’s social economy initiative (Neamtan and Downing 2005).

While CED has been central to the emergence and consolidation of social economy enterprises in all regions of Canada, outside of Québec, the primary focus of this movement has remained on place-based initiatives (Neamtan and Downing 2005). Supports developed through this territorial approach may provide useful capacity for other aspects of the social economy. For example, Fuller and Jonas (2002) recommend that the credit union movement harness the local capacities available under CED initiatives in the UK. However, additional support and measures may be required to provide a consistent approach to both territorial and enterprise components of the social economy. In Canada, an overarching issue at the federal level remains the lack of a consistent policy framework that recognizes the interrelationship of social, economic and environmental issues and the need to support integrated community action (Neamtan and Downing 2005). For example, recommended improvements to the policy framework for Community Futures might include diversification of programs and tools to include supports for social enterprises (Neamtan and Downing 2005).

The literature has just begun to identify the need to co-ordinate CED and social economy approaches and the relationship between CED infrastructure and social economy infrastructure remains a fruitful area for research. On the one hand the literature suggests that policy environments, which are more or less territorial but not at the community level, are important for growing the social economy, yet so many of the organizations in the sector appear to derive their meaning and their action context at the community level. These observations lead to the question of what are the appropriate scales at which to provide different levels of supports? However, there is likely no one single best level of intervention. Gerometta et al. (2005) suggest that for local social innovation to occur a key condition is the intermediation of different spatial scales to prevent putting local social innovation at risk through developments and actions at higher spatial scales. The need for intermediation of different spatial scales points back to the importance of a network of supporting organizations that can facilitate communication and coordination at different levels.

4. Potential contribution of social economy research alliances

A 2005 policy research initiative report from the Government of Canada, entitled "What we need to know about the social economy: a guide for policy research" identifies research priorities for helping governments to better support the social economy and for social economy enterprises to operate more effectively. All of the priority areas identified relate to infrastructure for the social economy: descriptive research and data development on the social economy, regulatory frameworks, when and how governments should fund the social economy, tools for measuring the impact of social economy enterprises, and best practices for both governments and social economy organizations (Government of Canada 2005). While these topic areas arise from a specific applied policy context they overlap significantly with research gaps identified in the academic literature.

With regards to development finance for the social economy, more research energy needs to be focused on comparing the impacts of different financing methods and organizations (Benjamin et al. 2004, Fuller and Jonas 2002). While some research has focused on evaluating particular methods, very little academic literature to date is comparative in focus, and even less is related to the Canadian context, suggesting that further research in this area would be a useful contribution of a social economy research alliance such as BALTA. Further to this, Strandberg and Plant (2004) suggest that a statistical picture of community investing programs is currently lacking, and could be used for comparing impacts.
A specific example of a gap in this area is the lack of attention towards the roles of foundations in financing the social economy in Canada. Questions remain regarding the impact of consumers on the social economy, for example, in relation to fee-for-services as a potential revenue stream for social economy organizations (Hebb et al. 2006). In addition, further research is required to assess the extent to which problems with government funding are present in Canada, and whether they affect particular actors or sectors of the social economy. In relation to this, there is also a need for research on the role of different governments (local, provincial, federal) in the development finance sector and how their particular policy environments interact. Finally, the UK experience suggests a need for research on the relationship between social inclusiveness and mainstream legitimacy for development finance actors.

With regards to policy environments for the social economy, it is suggested that research energy be put towards understanding how the US regulatory and legislative approach to development finance may be adapted and applied elsewhere (Moulaert and Ailenei 2005, Hebb et al. 2006). One aspect for further research in this area may be the long-term viability of US CDFIs which are the backbone of the US approach. More research is also needed with regard to local policy environments for enabling the social economy (Korosec and Berman 2006). More broadly, the effects of government intervention on social economy organizations' missions, modes of operation, and organizational structure is an important current topic of discussion and a potential research focus for alliances such as BALTA. One aspect of this may be how different types and levels of government intervention affect social inclusion and how social inclusion can be increased or maintained as initiatives are "scaled up" (Fuller and Jonas 2002, Gerometta et al. 2005). Finally, some researchers identify a concern that past activities of both social economy organizations (before they were labeled as part of the "social economy") and government interventions with regards to civil society based initiatives are being ignored (Bates 2000, Moulaert and Ailenei 2005), suggesting the need for further research into lessons learned from past initiatives.

A significant insight to come out of this literature review is the lack of research related to capacity-building and leadership aspects of infrastructure for the social economy. While many lessons could potentially be drawn from capacity-building literature in other contexts, research on this topic specific to the social economy could be a useful contribution of a social economy research alliance. Research is needed on the skills sets and life-trajectories of different leaders within social economy organizations, government and development finance institutions. Furthermore, what supports are needed to encourage the development of leaders and social entrepreneurs? In addition, how are employees within social economy organizations trained and supported? There is a need to extend capacity-building considerations to the development finance sector, since lack of capacity has been identified as a barrier to success and sustainability in many of these institutions. Finally, there is an identified need for further research on evaluating and monitoring capacity-building programs (Loza 2004).

Although this topic was excluded in this particular literature review, tools for evaluation and analysis remain an important component of infrastructure for the social economy. While there is a large and growing literature on evaluation and social indicators that can be used to develop tools for the social economy, more research is necessary in addressing this challenge (Neamtan and Downing 2005). Strandberg and Plant (2004) suggest researchers can be involved in establishing benchmarks, standards, training, ‘how-to’ manual, best practices, due diligence requirements, and education and awareness programs for investors. Intermediary and trade organizations may also have an important role to play in this regard. Research on evaluation, analysis and monitoring should also consider the question of who should do the measuring and evaluation.

Finally, given the cross-cutting emphasis on the role of intermediary institutions and networking organizations in all aspects of infrastructure for the social economy, perhaps an important area to focus research is on the development and functioning of these types of networking and collaborative governance structures. To what extent are social economy actors involved in networking, collaborative projects, sharing or pooling resources and other actions designed to build mutually supportive arrangements? What is, or should be, the role of government in supporting networking and intermediary institutions? These questions highlight the ever-present tension between local innovation and the need to co-ordinate at higher spatial scales. How can networking and intermediary organizations effectively intermediate these scales, while preventing a situation where developments and actions at higher spatial scales put local social innovations at risk? The role of networks and intermediaries is a key area for research, emphasized by the importance of these organizations to all components of infrastructure for the social economy. Overall, an essential research question is: what are the appropriate levels and mixes of infrastructure co-ordination networks that are required to support the social economy?

Appendix 1: Annotated Bibliography

Affleck, A., and Mellor, M. 2006. Community development finance: a neo-market solution to social exclusion? Journal of Social Policy 35: 303 – 319.

This paper is an excellent reference for understanding the links between the social economy, community development finance (CDF), and the "Third Way" policy environment in the UK. Affleck and Mellor suggest that the key tie between different community development finance institutions is that they attempt to fill a financial exclusion 'gap' whereby individuals, potentially viable businesses and social enterprises are unable to access conventional bank finance. In the UK, New Labour government's interest in CDF is based on the assumption that there is an untapped source of entrepreneurship in disadvantaged communities. Key social enterprise policy initiatives in the UK include: the Social Investment Task Force, Phoenix Fund, Social Enterprise Unit within the Department of Trade and Industry, and the Futurebuilders Fund. These authors highlight two key ways that community development finance interacts with the social economy: first, they suggest that many community development financial institutions (CDFIs) are themselves social enterprises, and second, that loan funding from CDFIs will enable social enterprises to become more financially viable and build up a history of credit worthiness that will enable them to borrow from the mainstream. Overall, the community development finance movement in the UK is well-supported by the government. CDF investments are seen as building future self-funding capacity as opposed to public provisions to meet immediate social need. The proponents argue that a loan-based system rather than grant-based would be more flexible, less bureaucratized and more responsive at the local level and directly to users. Affleck and Mellor conclude that one of the critical problems is the viability of the CDFIs themselves, and whether they can build into a viable sector that is an alternative to the market rather than merely a bridge to it.

Amin, A., Cameron, A., and Hudson, R. 1999. Welfare as work? The potential of the UK social economy. Environment and Planning A 31: 2033 – 2051.

This article ties together the financing problems facing the social economy to the broader policy environment in the UK. Amin et al. identify factors currently inhibiting the development of effective local social economy projects in the UK through drawing on material from 60 case studies. They are particularly focused on evaluating whether social economy initiatives in practice meet the claims frequently made about them: that they are empowering and democratizing, economically sustainable via self-financing, and capable of providing a real alternative to the "mainstream" public and private sector economies. The authors suggest there are opportunities for expansion of the social economy in the areas of green industry, social services (low capital) and non-monetarized systems of exchange. Barriers to this expansion include dependency on short-term and restrictive public funding arrangements, a lack of access to credit and private investment capital, limited perceived or attainable activities, and problems of intractable 'localism'. The authors suggest that trying to identify "best practices" for social enterprise is not useful because the particular relationships and processes that link social economy organizations to their institutional environment and to their client populations are highly specific, territorially embedded and very complex. Instead, policy needs to be sensitive to the particular processes by which projects have come to be successful. In addition, public financing needs to be reformed to allow for long-term planning and the accumulation of social capital, and governments need to consider the role that legislation could play in providing incentives or guarantees for banks to invest in the social economy. Finally, governments at all levels must recognize that to realize the potential of social economy initiatives more government involvement and an improved quality of involvement is required, instead of simply passing the buck to the local level. This involvement may include easing the financial and administrative burdens on social economy initiatives through reform of existing legislation and creative use of new measures.

Anderson, R.B., Dana, L.P., and Dana, T.E. 2006. Indigenous land rights, entrepreneurship, and economic development in Canada: "Opting-in" to the global economy. Journal of World Business 41: 45 – 55.

Anderson et al. make the argument that the development activities of indigenous peoples in Canada are consistent with the concept of social entrepreneurship. They compare key characteristics of social enterprise to the activities and stated goals of three aboriginal development corporations: the Inuvialuit Regional Corporation, the Osoyoos Indian Band Development Corporation, and the Kitsaki Development Corporation of the Lac La Ronge First Nation. Key characteristics of social entrepreneurship include: social purpose as the principal driver of activity; organizational sustainability as a core objective; social purpose achieved primarily through entrepreneurship; surplus reinvested for the long-term benefit of the community; constituents democratically involved; and accountability. The authors also note that the Aboriginal development corporations use alternative criteria in the identification of suitable opportunities including the extent of fit with the capabilities and aspirations (including lifestyle preferences) of community members. This article also highlights key events leading to comprehensive land claims agreements and treaty processes, such as the Calder case in 1973 and the Mackenzie Valley Pipeline Inquiry. The authors state that increased rights and title over traditional lands and resources is an important factor in successful aboriginal socio-economic development.

Anielski, M. 2002. A sustainability accounting system for Canada: an assessment of the state of sustainable development accounting and indicator reporting at the national, provincial, municipal-community and corporate level. Report for the National Round Table on the Environment and the Economy. Calgary, Canada: Pembina Institute.

Effective stewardship and management of the common-wealth requires practical accounting and management systems that can monitor and assess the "conditions of well-being" that contribute to quality of life and ensure nature's capital is maintained. Anielski examines the potential of a made-in-Canada sustainability accounting and reporting system that would link government, community and corporate sustainability measurement. The study compares the sustainability frameworks, methods, and indicators being adopted by the federal government, provincial governments, municipal governments, community sustainability reporting initiatives, and Canadian businesses. The author suggests there are opportunities to integrate measurement systems from different initiatives so that sustainability can be measured and monitored at various scales in an integrated sustainability information system. The framework for a Canadian Sustainability Accounting system is proposed. For the purposes of this paper, Anielski's review of accounting systems is a useful starting point for work on the evaluation, analysis and monitoring component of infrastructure for the social economy.

Bates, T. 2000. Financing the development of urban minority communities: lessons of history. Economic Development Quarterly 14(3): 227 – 241.

Bates examines the history and success of the US Minority Enterprise Small Business Investment Company (MESBIC) program started in 1969 in the US. This program created several 100 privately owned firms that finance inner city-situated and/or minority-owned small businesses. The author argues that today's Community Development Financial Institutions (CDFIs) and their proponents typically ignore the rich history of the forerunners of today's Community Development Corporations, micro-enterprise loan funds, community development banks, etc. This history suggests that the majority of MESBICs chartered since 1969 had similar missions to today's CDFIs and went out of business, due to a strategy of risky small-business investing. Bates argues that the insistence of government sponsors that CDFIs actively fund high-risk, high-cost loans is a recipe for disaster. However, failure can be avoided by permitting the CDFIs to operate with sufficient flexibility to minimize the financing activities that consistently lose money.

Benjamin, L., Rubin, J.S., and Zielenbach, S. 2004. Community Development Financial Institutions: current issues and future prospects. Journal of Urban Affairs 26(2): 177 – 195.

Benjamin et al. provide a review of the activities and impact of Community Development Financial Institutions (CDFIs) in the US. They define CDFIs to include community development banks, credit unions, business and micro-enterprise loan funds, and venture capital funds. However, instead of comparing institutional structures of different CDFIs, Benjamin et al. choose to consider financing activities of CDFIs including basic financial provisions, housing finance (single-family and multi-family), business debt and equity provision, business development loans funds, community development venture capital funds, and micro-loan funds. This article includes many useful insights into the impact of legislation (*Community Reinvestment Act*), tax incentives (Low Income Housing Tax Credit), government funding programs (Community Development Financial Institutions Fund) and other policy initiatives on the ability of CDFIs to expand and successfully support CED. It also highlights the significant role CDFIs are playing in business training, including financial management, marketing, writing business plans and proposals, etc. The authors identify three critical issues affecting the potential ability of these institutions to address the capital needs of low-income communities: the strengths and limitations of CDFIs institutional diversity; the relationship between CDFIs and conventional financial institutions; and the impact that these alternative lenders can realistically hope to achieve. An interesting comparison was made between regulated and non-regulated CDFIs and the kinds of activities and impacts that can result. Finally, the gap in research in the areas of the impact of CDFIs is emphasized, especially in the context of changing political and economic contexts.

Campanale, M., Reddings, T., Brown, J., Middleton, C., Thomas, W., Koch Weser, M., Jethi, P., O'Malley, C., Schwartz, R., and Stearnes, S. 2006. Developing a social equity capital market. London, UK: New Economics Foundation.

This study undertaken by the New Economics Foundation in the UK aims to find practical measures to overcome the challenge of developing capital markets that can serve social entrepreneurs. The authors interviewed key stakeholders such as entrepreneurs, investors and financial intermediaries. The result is a set of recommendations for trying to close the gap between social entrepreneurs and equity investors. After identifying specific needs of social purposes businesses in the equity listing process (such as maintaining control over ownership), and the concerns of investors interested in social investment opportunities, the authors suggest a range of practical requirements for a social equity capital market. These requirements include: regular reporting and transparency; minimization of speculation; limitation on ownership and takeover; a critical mass of investment-ready social purpose businesses; investment intermediaries and advisers for the social sector; accreditation process; equity research coverage; social audit process; nominated advisors to support equity offers and carry out due diligence; and enhanced investor awareness of social investment alternatives.

Colussi, M. and Perry, S.E. 2002. From this earth: North End Community Renewal Corporation and the evolution of a development system in Winnipeg's North. Making Waves 13(1): 20-37.

Colussi and Perry tell the story of the development of the North End Community Renewal Corporation (NECRC) in Winnipeg as an example of a powerful structure for implementing CED. Highlights of NECRC's work include: commercial and housing development, training and employment services, tax reduction on local properties, community safety provisions, and a solid base of business and resident associations. The authors outline the three major stages in NECRC's development: building a community base of support; constructing the community development corporation itself; and designing and carrying out the initial concrete programs and projects that can prove the organization's potential. One factor that helped create the conditions for the initiation of NECRC was awareness of a model organization (RESO in Montreal). The executive director of RESO was brought to Winnipeg to talk to government, business, community organizations and residents about their model and its successes. This type of networking strategy was combined with a strong outreach the many organizations already existing in Winnipeg's North End to create a development system or web of supports for NECRC. In addition, reaching out to get technical and organization assistance from those knowledgeable in CED was an important success factor in this case. Capacity building occurred through networking with other CED organizations and intermediaries, and drawing upon their experience. This is a useful case study that highlights the ways a broader infrastructure for CED impacts the development of a new initiative.

Dart, R., and Zimmerman, B. 2000. After government cuts: insights from two Ontario "enterprising nonprofits". In K.G. Banting (Ed.), *The nonprofit sector in Canada: roles and relationships*. Montreal, Canada: McGill-Queen's University Press.

Decreasing government funds combined with increasing demand for the programs or services of nonprofits leads to financial stress. One novel response to the revenue shortfall has been the initiation of "business ventures" or "business-like ventures" by nonprofit organizations. Dart and Zimmerman use an in-depth qualitative case study method to consider the internal and external consequences of the development of commercial activities by two Ontario nonprofits. The authors organized the effects into four dimensions: responsiveness, resources, relationships, and reputation. Results indicate that commercial activities undertaken by both organizations were financially challenging and organizationally difficult. In addition, reasons for undertaking commercial activities were varied and include: generating revenue to fund organization's mission fulfilling programs; generating revenue for administration or to keep professional staff by providing a salary top-up; and as mission fulfilling activities themselves. Origins of nonprofit commercialization include financial scarcity, ideology (wanting to be more like a business), and improved program effectiveness. These case studies also highlighted a continuum between nonprofit/for-profit and charitable/commercial modes of organizing.

Fairbairn, B. 1990. Co-operatives as politics: membership, citizenship and democracy. In M. E. Fulton (Ed.), *Cooperative organizations and Canadian society: popular institutions and the dilemmas of change*. Toronto, Canada: University of Toronto Press.

Fairbairn considers the history of co-operatives in Canada and elsewhere with regard to political activism. In Canada, the early farmer's cooperatives were anti-partisan. However, Fairbairn argues that when faced by organized challenges to their essential interests in the political arena, cooperatives have turned to political solutions. Co-operatives can represent the informed opinions of large groups of committed and active individuals. However, it is difficult for co-operatives to act as a lobby by virtue of their association with democratic participation. They are compelled to involve large groups of members in major decisions, and therefore expose deliberations and divisions. While co-operatives by definition look inwards for solutions, they must operate within a framework created and preserved by a political presence of some kind. This framework must include a suitable legal basis for co-operatives, a fair position in taxation, and room for reasonable consideration in private and government economic planning. This article provides insight on the tensions involved in defining a policy environment for co-operatives.

Fairbairn, B., Axworthy, C.S., Fulton, M., Ketilson, L.H., and Laycock, D. 1990. Co-operative institutions: five disciplinary perspectives. In M. E. Fulton (Ed.), *Co-operative organizations and Canadian society: popular institutions and the dilemmas of change*. Toronto, Canada: University of Toronto Press.

Fairbairn et al. consider the question, "what are co-operatives?" from the perspective of law, history, economics, management, and political science. The authors uncover the common theme of flexible institutions that can serve different social and political goals in different contexts. History reveals that the co-operative movement has taken on many different forms in a multitude of sectors, beginning in the mid-nineteenth century, and has been highly dependent on external factors, such as political and economic contexts. Several reasons for this strong external influence include: heterogeneity of co-operatives; blending of new ideas with models copied from private firms; nature as coalitions; and stakeholder model of pluralistic decision-making. This article provides useful insight into the historical political, economic and social contexts that influenced the development of cooperative movements and the policy environments that ensued, with a focus on Canada and Britain.

Fitzgerald, J. 1999. Promoting entrepreneurship among inner-city high school students: does it improve student outcomes? Urban Education 34: 155 – 180.

Fitzgerald presents an evaluation of the Youth Enterprise Network (YEN) program, an entrepreneurship and community economic development initiative implemented in three Chicago public high schools. Organization and implementation assistance was provided by a nationally based education advocacy organization, a community development organization, and several community organizations. The organizations agreed that a key element of the YEN approach would be to advance entrepreneurship, not as a ticket out of inner-city neighborhoods but as a means of developing the community by providing needed goods and services. Types of student run businesses included snack shops, cafés, a youth credit union branch, print and copy centre, clothing store, etc. The project was evaluated based on performance data, focus groups and interviews with students and teachers. Fitzgerald found that the YEN project did not significantly increase student awareness of CED issues, partially due to the many demands teachers had in developing the curriculum. CED issues were introduced only through workshops and sessions with presenters from outside the schools, and the focus groups with students revealed that they did not have much understanding of their neighborhood economies, nor remember covering issues of local versus non-local ownership, local income, sources of capital, or other CED issues. However, the assistance provided by the YEN partners to the schools did increase their capacity to deliver an entrepreneurship curriculum. Overall factors in the success of the YEN program are: teachers' commitment to change; enthusiasm and dedication of administration and staff; flexibility and contributions of support organizations; willingness to delegate; and a team approach emphasizing shared information and mutual problem-solving. Some of the barriers to success include policy and funding changes, staff turnover and lack of commitment. This experience suggests that community-based organizations have the potential for creating reform in educational practice. However, Fitzgerald recommends an assessment of schools ability to sustain a program when choosing schools to participate in programs such as YEN.

Fitzgerald, J. 1997. Linking school-to-work programs to community economic development in urban schools. Urban Education 32: 489 – 511.

Two pieces of federal legislation in the US (*School-to-Work Opportunities Act* 1994, and *Carl. D. Perkins Vocational and Applied Technology Education Act* 1990) define school-to-work programs as labour-force development strategies and provide funding for innovations and initiatives. As CED has re-emerged there is interest in connecting CED with School-to-Work programs. Fitzgerald presents four case studies of these types of integrated programs in US urban contexts (Project Simeon 2000, Edge Up School-to-Work program, Ringe School, and Youth Enterprise Network). The author argues that the involvement of CBOs as partners can improve the quality and relevance of School-to-work programs. CBOs can take some of the burden off of schools and employers, and offer opportunities for students to identify community problems and engage in projects leading to their solution. Fitzgerald considers some of the challenges to success of these partnerships including: hesitation of teachers due to inconsistent government funding, time required to build new relationships, and differing goals between schools and CBOs. As a result of insight gained from these cases, four rules for developing partnerships are presented: 1. set realistic time lines for planning and implementation; 2. build on established programs and partnerships rather than trying to create completely new entities for implementation; 3. make sure that all participants are in agreement on program goals and outcomes and on the role of all partners in achieving them; 4. expect some conflict, and commit time to maintaining good relationships and resolving conflict. These recommendations provide useful insight for incorporating the aspects of social enterprise into school programs by linking to CBOs. This article presents many of the aspects of the US policy framework for educational opportunities for CED in secondary schools, and suggests the importance of comparing the policy framework in Canada.

Forcadell, F.J. 2005. Democracy, cooperation and business success: the case of Mondragón Corporación Cooperativa. Journal of Business Ethics 56: 255-274.

Mondragón Corporación Cooperative (MCC) is composed of more than 100 independent cooperatives that have come together voluntarily (and that own the corporation), and 150 businesses. It employs over 70,000 people, and is active in 65 countries. In this article, Forcadell looks at the MCC's own Management Model and a case study of Irizar (a successful MCC cooperative), and identifies some key factors of success and recommendations for introducing democracy into organizations. Forcadell suggests that key factors in the success of Irizar are: democratic corporate culture; replacement of a functional structure with one based on processes and work teams; and shared (participative) leadership.

While this article does not focus on the financial aspects of Mondragón, either in support of new cooperatives or in the managing of its credit union, it does provide a recent overview of the organizational structure of a large-scale and successful cooperative conglomerate, and insight into scaling up cooperative organizations while maintaining democratic values.

Fuller, D., and Jonas, A.E.G. 2002. Institutionalizing future geographies of financial inclusion: national legitimacy versus local autonomy in the British credit union movement. Antipode 34(1): 85 – 110.

Fuller and Jonas consider the extent to which the increasing political legitimacy of credit unions in Britain compromises their role as stand-alone providers of credit to individuals in particular localities. They identify three main challenges facing the credit union movement in Britain: diverging visions of credit union models (old model vs. new more commercialized model); attempts to influence the national policy and regulatory landscape (especially through the Credit Union Task Force); and how local development trajectories will influence the movement. One major theme within this discussion is the extent to which credit unions should be or could be connected with mainstream financial institutions (an issue also discussed in Benjamin et al. 2004). Fuller and Jonas describe the recent policy environment for credit unions in Britain focusing on strategies the government is employing in order to increase the presence of credit unions. These strategies include a Credit Union Task Force, a new Central Services Organization, a dedicated Social Exclusion Unit focusing on widening access to financial services, funding increases from national and European Union level, and legislative reforms to the Credit Union Act (1979). The authors suggest that the credit union movement in Britain is facing the potential top-down imposition of a “right way” to develop and operate locally, and argue there are advantages to seeing the credit union movement as community-based rather than nationally determined. The authors recommend that the credit union movement in Britain harness the local capacities available under CED initiatives. This article makes significant contributions to the understanding of the effects of national level changes in the policy environment on localized community credit unions and the credit union movement in general.

Fyfe, N.R. 2005. Making space for “neo-communitarianism”? The third sector, state and civil society in the UK. Antipode 37(3): 536 – 557.

The aim of this article is to examine the relationship between the third sector and the state in the UK, and the wider implications of this relationship for civil society. Fyfe traces the development of the “Third Way” political philosophy in the UK: a neo-liberal emphasis on the market, choice and competition, in combination with a neo-communitarian stance that stresses the strategic importance of the third sector for social cohesion and economic vitality. The Third Way approach stresses the importance of the state as an enabling force for the third sector. The author considers the policy initiatives and soft infrastructure implemented by the Labour government to foster the third sector, including the “Compacts” (government and voluntary sector governance partnerships). More specifically, a case study of the Compact in Glasgow is used to consider the contribution of the neo-communitarian approach to social capital and active citizenship. As a result, concerns about neo-liberal economic rationality subjugating traditional voluntary ethos are highlighted. Bureaucratization and professionalisation can disempower citizens by reproducing the bureaucrat-client relationship characteristic of government organizations. This paper is particularly relevant for the policy environment and interventions aspect of infrastructure for the social economy. The experience in the

UK has evolved to the extent that different policy approaches are being critiqued, such as the development of the "Compacts" as discussed in this paper.

Gerometta, J., Haussermann, H., and Longo, G. 2005. Social innovation and civil society in urban governance: strategies for an inclusive city. Urban Studies 42 (11): 2007-2021.

Gerometta et al. consider the role of civil society in social innovation initiative and organization, and in countering social exclusion at the spatial scale of cities and neighborhoods in a European context. They consider the effects of current neo-liberal political-economic trends on the organization of civil society movements and their effectiveness at achieving inclusion and empowerment, and identify some general conditions needed for local social innovation to occur. A key condition is the intermediation of different spatial scales and welfare regimes to prevent putting local social innovation at risk through developments and actions at higher spatial scales. In addition, the authors recommend that the deliberation of issues needs to be anti-exclusionary and thus truly public and that the local social economy experiences need welfare state support. The challenge is for contemporary welfare states to assist in the provision of an alleviating third sector social economy, in which the unemployed can engage, receive recognition and material recompense and, thus, integration. This will only happen when new links need to be established between excluded and integrated segments of local society and when the public sphere is enriched by the participation of the formerly excluded social groups. They end by suggesting a gap in understanding about how to reconstruct social relations to create an inclusive civil society. They conclude that an inclusive civil society could be the basis of new forms of a social economy, which could overcome the fragmentations and divisions imposed by the global, post-Fordist economy.

Goddard, J.A., McKillop, D.G., and Wilson, J.O.S. 2002. The growth of US credit unions. Journal of Banking and Finance 26: 2327 – 2356.

In the US, regulatory changes since the 1970s have had a significant effect on the products and services credit unions are allowed to provide, and their financial and operational management. Deregulation measures such as relaxing the bond requirements for membership led to new opportunities for growth and merger. Although credit unions share a common co-operative philosophy, differences exist across a range of operational and structural characteristics. Goddard et al. use univariate and multivariate analyses to determine the relationship between institutional size and other factors with the growth of credit unions in the US during the 1990s. The variables they consider in the growth of US credit unions are: federally chartered vs. state chartered; type of bond (occupational, associational or residential); single or multiple bonds; age of institutions; size of potential membership; and a range of financial structure and performance measures. Goddard et al. conclude that following liberalization of the common bond and membership regulations, many credit unions took advantage of the opportunity to extend membership and grew accordingly. Larger credit unions grew faster than smaller credit unions during the 1990s. However, the authors argue that this relationship is ultimately reflective of the underlying structural and operational factors which are to some extent correlated with credit union size. The regulatory or policy environment was demonstrated to have a significant impact on the growth of credit unions in the US. However, this paper does not provide any insight as to contribution of the growing US credit union sector towards meeting multiple values and providing development finance for the social economy.

Government of Canada. 2005. What we need to know about the social economy: a guide for policy research. Policy Research Initiative Project: new approaches for addressing poverty and exclusion. Ottawa: Government of Canada.

This policy paper from the Government of Canada intends to provide background on the social economy, identify research issues regarding the development of policies and programs for the social economy, and provide suggestions for how this research might be conducted. Five key research areas are identified: 1. descriptive research and data development; 2. regulatory frameworks; 3. when and how governments should fund the social economy; 4. tools for measuring the impact of social economy enterprises; and 5. best practices for governments and social economy enterprises. In each of these areas a brief overview of literature is presented followed by a series of key questions for researchers. This document provides a useful insight on the current policy concerns of the federal government as it embarks on a social economy initiative.

Hebb, T., Wortsman, A., Mendell, M., Neamtan, N., and Rouzier, R. 2006. Financing social economy enterprises: final report. Ottawa, Canada: Carleton Centre for Community Innovation.

The primary goal of this study was to gain a better understanding of the financing available for social economy enterprises by reviewing current financing options in Canada, US, UK, Europe and Australia. Hebb et al. conducted a literature review of recent (1998-2005) published reports and documents on the theoretical and empirical issues associated with financing social enterprises. In addition they interviewed six key informants from the sector. A review of existing financing options resulted in a typology of eleven types of financing activity undertaken in support of social economy enterprises (Appendix B, Table 1). In comparing financing in different regions, the authors conclude that the US has the most development financing for social economy enterprises. While the UK has come a long way in adopting the US model, most social economy enterprises in Canada are still heavily reliant on government funding through various programs. This paper provides a comprehensive review of the types of government programs in Canada that provide funds for social economy enterprises both federally and provincially. The authors suggest that current legal and normative structures of capital markets are barriers to social economy enterprises growth. This paper was not only useful in identifying key actors and methods in development finance but also did an excellent job at tying those different approaches to the policy context in which they have either proliferated or faced major challenges.

Jiwani, I. 2000. Globalization at the level of the nation-state: the case of Canada's third sector. Innovations: A Journal of Politics 3: 27-46.

The aim of this article is to examine the effects of globalization and neo-liberal ideology on the third sector in Canada. Jiwani argues that these combined forces are resulting in the co-optation of the third sector into a quasi-autonomous government body to deliver public services (echoing similar critiques by Fyfe 2005, and Morison 2000 in the UK). In addition, the democratic sphere of Canadians is being reduced as the state attempts to free itself from interest group politics while taking the opportunity to redefine the third sector as public service institutions. Jiwani identifies methods the Canadian government has used to co-opt the third sector, reducing their freedom to act independently, including: the use of purchase-of-service agreements; conditions attached to funding; use of the market model of accountability; reduced funding; and competition with the private sector for public service contracts. The example of Ontario's Community Care Access Centres is used to illustrate the problems with the market model of competition in which profit and non-profit compete. For example, where non-profits do not used a market model of provision of services they may be accused of being ineffective or inefficient. However, using the measure of a "business bottom-line" does not work in measuring care, empathy and human services. Jiwani's critique of neo-liberal policies impact on the third sector suggest a significant policy shift is needed that strengthens the role of the third sector as an intermediary between market, state, and civil society.

Juillet, L., Andrew, C., Aubry, T., and Mrenica, J. 2001. The impact of changes in the funding environment on nonprofit organizations. In K.L. Brock, and K.G. Banting (Eds.), *The nonprofit sector and government in a new century*. Montreal, Canada: McGill-Queen's University Press.

The government funding environment for nonprofit organizations in Canada has changed in recent years, mainly through cutbacks and a shift from core funding to project funding requiring detailed contracts. Juillet et al. use case studies of eight Canadian national nonprofits to consider the impacts of a changing funding environment on organizational development, specifically, mission, governance and program delivery. Their findings suggest that organizations have demonstrated a significant degree of resilience in adapting to changes in the funding environment while maintaining their missions. The authors suggest that the dramatic view of a significantly transformed third sector due to a changing funding environment is overstated. Many of the nonprofits examined successfully diversified their revenue sources, including taking on more commercial activities in order to maintain other key programs. This paper provides insight into the declining reliance on government grants as a funding source, and the changing policy context in which nonprofits and other organizations are functioning in Canada.

Korosec, R.L., and Berman, E.M. 2006. Municipal support for social entrepreneurship. Public Administration Review 66(3): 448 – 462.

Korosec and Berman survey senior municipal managers in American cities to examine activities through which municipalities support social entrepreneurship in their communities and to what extent these activities had an effect on local efforts. Raising awareness, assisting in resource acquisition, and assisting in coordination and implementation are three categories of activities in which municipalities most often offer support. Within these categories the authors found that certain activities were frequently mentioned as having considerable impact including: helping social entrepreneurs to apply for grants; bringing social entrepreneurs together to collaborate; providing them with information about social conditions that can lead to or be used in grant applications; and helping social entrepreneurs develop new programs. The authors found a strong statistically significant association between municipal support and the perceived prevalence of social entrepreneurship. Furthermore, they found a strong relationship exists between the level of social entrepreneurship and its perceived quality. The important role of senior public managers is highlighted. The authors suggest that for municipal support of social entrepreneurship to expand, municipalities need to learn from other jurisdictions and address legal and ethical matters. This paper begins to address a gap in understanding the policy environment for the social economy at the scale of local governments. While the discussion and suggestions are useful and relevant it should be kept in mind that the results are based on the perceived level and success of social entrepreneurship activities in municipalities and are not based on any independent data. Having said that, the authors indicate there is need for measurement and evaluation both of social entrepreneurship activities and of the effects of jurisdictional support.

Leviten-Reid, E., and Torjman, S. 2006. Evaluation framework for federal investment in the social economy: a discussion paper. Ottawa, Canada: Caledon Institute of Social Policy.

The aim of this paper is to support Social Development Canada and its government and community partners in developing a horizontal Results Based Accountability Framework for the Social Economy Pilot Initiatives announced in the 2004 federal Budget. The intention is for the framework to help create a shared understanding among participants about the goals they are pursuing and an overall evaluation methodology. The authors begin by describing major challenges involved with evaluating the social economy, and argue that a learning-oriented approach to evaluation is vital to the success of social economy initiatives. Leviten-Reid and Trojman proceed to present a social economy logic model that includes four categories: societal objectives, inputs, activities and structures and results. The inputs identified in their model correspond closely with the components of infrastructure identified in this literature review: financial capital, knowledge/research, opportunities for learning, enabling policies, partnerships and infrastructure. The authors attempt to match objectives and results with different indicators that can be used for evaluation. They conclude by suggesting different types of data collection methods. The need for a wide range of stakeholders to be engaged in the learning process and the importance of consistent and meaningful communication of findings is highlighted. This paper provides some useful background on the current Canadian federal government policy environment for the social economy and would be a useful resource on the evaluation and analysis aspect of social economy infrastructure.

Lewis, M. 2006. Building community wealth: a resource for social enterprise development. Port Alberni, Canada: Canadian Centre for Community Renewal & Centre for Community Enterprise.

Building Community Wealth acts as an accessible guide book for those interested in developing social enterprise in their community. It demonstrates the diversity of experiences of the social economy sector in chapter 1 through examples of successful social enterprises. In chapter 2 it considers both the web of supports needed for a successful social enterprise to develop; this network of infrastructure includes support organizations at local, regional and provincial levels as well as a strong policy framework in order to thrive. Chapter 3 outlines the 25 top entrepreneurial characteristics, and presents a profile for assessing yourself and your organization as a potential social entrepreneur/enterprise. Chapter 4 deals with the enterprise development process, including opportunity identification, enterprise selection criteria, conducting research, and evaluating your options. Chapter 5 outlines the four phases in social enterprise development and introduced the Development Wheel as a tool for planning and implementing community economic development and provides checklists for different phases in the development process. Chapter 6 provides further resources.

Lewis, M. 2000. The ecology of success: the problem of scaling up what works in CED. Making Waves 10(1): 12 – 16.

One of the greatest challenges for CED is to expand successful community-based initiatives so that they have a greater impact. Lewis argues that in our efforts to "scale-up" we need put significant energy towards influencing the private and public systems that block successful replication. Lewis then reviews major lessons from the work of Lisbeth Schorr, *Common Purpose: Strengthening Families and Neighborhoods to Rebuild America* (1997) to shed light on scaling-up challenges and potential solutions. Schorr identifies key factors in successfully scaling up, positive functions outsiders can play, as well as cautions about when replication doesn't work. At the crux of the replication problem is that effective replication requires the program people and funders to develop the strategies, make the investments, take the risks, and support the disruptions of the status quo that large-scale change entails. The major tension is between constraints (government rules and regulations) and local effectiveness. This tension becomes more significant as the scale of the effort becomes larger. Lewis concludes that there is no single best model of successful de-bureaucratization, and it is the challenge for those involved to build on lessons learned and create new models. This article provides a very useful discussion of the challenges of scaling up community initiatives while at the same time recognizing their success often lies in their context-specific evolution. Schorr's lessons learned are an important underpinning for attempts to expand the social economy in Canada.

Lincoln, A. 2000. Working for regional development? The case of Canadian labour-sponsored investment funds. Regional Studies 34(8): 727 – 737.

Starting in the early 80s in Québec, provincial labour-sponsored investment funds emerged in Canada with the intention of creating and sustaining employment. Through investing in these funds, workers and community members allow their money to be reinvested in local businesses; anchoring capital, saving jobs and promoting a wider process of community regeneration while providing competitive returns for shareholders. While conceived by trade unions, these funds were developed in partnership with provincial and federal governments allowing for special fiscal benefits to be written into tax legislation. Research suggests that the governments' costs are quickly recovered through the positive economic impact of fund investments. Lincoln focuses in on the workings of the Québec Solidarity Fund and the Crocus Investment Fund in Manitoba. The unique investment criteria used to determine who will receive funds are highlighted such as the requirements to involve employees in decisions and provide training opportunities for workers. Lincoln also highlights some of the problems that have occurred in Ontario where many investment firms pay an annual fee in return for a union sponsoring their fund, providing access to income tax benefits. More recent developments include attempts to devolve investment decisions to a more local level through a series of local, regional and specialized funds. The author argues that certain American labour organizations have already begun to draw upon the experiences of their Canadian counterparts and urges the British trade union movement to do the same. This article overall speaks very highly of the Canadian labour-sponsored investment funds experience. The positive role of provincial and federal governments in providing tax incentives, and the innovation of the trade unions in developing investment criteria that reflect their social values, is emphasized.

Loewen, G. 2004. The good news from Manitoba: how one provincial government has evolved into a leader in CED policy and programming. Making Waves 15(2): 26 – 29.

Loewen reviews the history of support for CED from the government of Manitoba dating back to the 1950s. A significant step was the 1971 *Communities Economic Development Fund Act* passed to address the difficulties faced by remote and Northern communities in accessing capital. The author then reviews the current government programming initiatives in Manitoba including: the Neighborhood Development Assistance Program, Neighborhoods Alive!, the CED tax credit, and the Community Choices Program. Loewen identifies several factors leading to the "good news" story in Manitoba CED so far. One critical component of success in government support for CED in Manitoba has been the tenacious advocacy of the CED sector. Additionally significant has been the presence of high-ranking officials and other government staff convinced of the importance of CED and committed to its practical application. Strong relationships between community practitioners, bureaucrats and elected officials have also made a tremendous difference and innovation has thrived in this environment of strong interaction between stakeholders. Finally, the emergence of key leaders from within government, academia and community practitioners has helped the CED movement considerably.

Loza, J. 2004. Business-community partnerships: the case for community organization capacity-building. Journal of Business Ethics 53(3): 297 – 311.

Loza makes a case for the potential of business-community partnerships to improve the capacity of community organizations while moving business towards more sustainable practices. A company can offer a variety of capacity-building services to the community organization such as: governance and management advice, information technology infrastructures, skill and leadership development, e-commerce facilities, intranets, and interactive facilities and courses for website development. In order for these partnerships to succeed, sufficient time and commitment is necessary. However, Loza argues that the business benefits to these partnerships are now convincing some companies to make this commitment and form partnerships based on dialogue, consultation and collaboration with the community services sector. An Australian example, the Cisco Systems – Smith Family partnership is used to demonstrate a successful business-community partnership focused on capacity-building. A set of evaluative questions are identified determining success of the relationship. Overall, Loza suggests these types of partnerships can be effective vehicles for sustaining a vibrant civil society, and ultimately, sustainable business practice. This article adds a new possibility to capacity building options for social economy enterprises, and suggests that the incentives are there for these types of partnerships to play a larger role.

Lyons, M. and Passey, A. 2006. Need public policy ignore the third sector? Government policy in Australia and the United Kingdom. Australian Journal of Public Administration 65(3): 90 – 102.

The difference between the policy approaches to the third sector in Australia and the UK are explored in this article. In particular, the authors outline the key policy initiatives in the UK that have led to an increased emphasis on the third sector at all levels of government. Included is a useful table that summarizes 27 policy initiatives implemented between 1997 and 2004 (Appendix B, Table 2). Of these initiatives twelve involve increased funding of existing programs, the launch and funding of new initiatives, or increased funding of government functions designed to support the voluntary and community sector. Five involve legislation or changes in regulatory responsibilities and the remainder involve reviews, strategy papers, or major consultations. While the authors do not provide an evaluation of these initiatives, the description and illustrations are useful for surveying the UK policy framework for the social economy. With specific regard to developing the social economy, Lyons and Passey suggest that innovations in funding (i.e. micro credit funds, Community Investment Tax Relief, and Community Development Venture Fund), and updates to legislation to make demutualization more difficult and ensure assets remain in members' ownership were key factors in the UK. Four reasons are identified for why policy initiatives have been made to encourage the third sector in the UK and not in Australia: 1. recognition of the third sector, education and consciousness-raising; 2. emergence of third sector representative bodies and strong leadership; 3. influence of progressive think tanks; and 4. support from the highest level of political leadership. The comparison between the history and development of policy environments for the third sector in the UK and Australia is especially interesting given that there is a good deal of policy borrowing between the two countries.

MacLeod, G. 1998. Breaking the rules: strategies for the survival of small investment funds. Making Waves 9(3): 20-22.

MacLeod suggests that there are two fundamental pillars needed for success in CED: a financial investment pool and a mutually supporting complex of organizations. MacLeod urges that in order to create these pillars people must think unconventionally, and draws on the example of BCA holdings, a community investment fund in Cape Breton, that has used imagination and flexibility to generate local jobs. MacLeod argues that a tremendous amount of waste occurs because community groups build isolated operations in the name of autonomy. These groups need to reconsider pooling resources, joint venturing, and creating linkages and interlocking boards with other like-minded groups. MacLeod highlights several examples from the east coast of Canada of communities pooling capital, creating community business conglomerates and successfully challenging the conventional system.

Mancino, A., and Thomas, A. 2005. An Italian pattern of social enterprise: the social cooperative. Nonprofit Management and Leadership 15(3): 357 – 371.

Mancino and Thomas describe how the social cooperative has become instrumental in the expansion of the social economy in Italy. Social cooperatives, unlike other co-ops in Italy, follow the managerial patterns of private enterprise and compete in part in the open market, but their aim is to go beyond profit generation and satisfy a widespread demand for communal services. Both the Italian and French governments have created specific legislation for the unique structure of the social cooperative. The authors suggest this may be relevant to other countries, but they caution that adequate protection of specific laws is required. Some of the challenges include difficulties in competing for social service contracts with for-profit enterprises (also highlighted by Jiwani 2000), and lack of competencies essential for managing economic instruments such as accountability, financial planning, or fundraising.

Mendell, M. 2002. The social economy in Québec: discourses and strategies. In A.B. Bakan and E. MacDonald (Eds.), *Critical political studies: debates and dialogues from the left.* Montreal, Canada: McGill-Queen's University Press.

Mendell traces the historical context of the development and expansion of the social economy in Québec. Highlighted is the creation of political space for social movements who had previously been subverted or contained. These movements have helped the social economy in Québec move beyond the spatial considerations linked to territory. The author argues that one of the greatest achievements thus far is expanding the definition of the social economy to include social enterprises and partnerships with the private and public sector. The emergence of more inclusive networks of governance has shifted the debate beyond the role of government to questions of social justice, citizenship, and democracy. The Québec government recently passed legislation to create solidarity cooperatives to include not only producers and/or consumers but citizens involved in these cooperatives. Additional legislation has provided for government loan guarantees for nonprofit enterprises for the first time, complementing a community sector that has essentially established an alternative capital market, complete with diversified funds. While the achievements of the social economy movement in Québec have been significant, Mendell highlights the particular social, political, and economic contexts through history that have shaped its evolution. While the details of this historical context could only briefly be mentioned in this review, Mendell's article is an excellent point of reference for understanding the unique Québec situation, and contrasting this to the state of the social economy in other regions.

Mendell, M. 2006. Empowerment: what's in a word? Reflections on empowerment in Canada with particular emphasis on Québec. Keynote address presented at the Canadian Association for Studies in Co-operation Annual General Meeting and Conference, Toronto, May 30 – June 2, 2006.

Mendell reviews the broader context for the movement towards greater deliberative democracy and participatory governance through the empowerment of citizens. She argues that for these new public spaces and collective action to influence public policy they must be coordinated into structured and hybrid institutional settings. There is opportunity for greater experimentation and social learning by citizens and state authorities through combining decentralized "empowered deliberation" with centralized coordination and feedback in a co-regulation scheme. In a review of citizen empowerment and democratic renewal in Canada, Mendell highlights comprehensive community initiatives such as the Community Futures Development Organizations, Vibrant Communities Project, and Community Economic Development Corporations in Québec, as well as their attempts to network creating both horizontal and vertical linkages through organizations such as CCEDNet, Inter-CDEC, Regroupement des CDEC du Québec, and Chantier de l'économie social. The chosen examples were used to distinguish citizen engagement from comprehensive community initiatives as sources of empowerment. Furthermore, the author suggests that there is a critical need for networking, for creating learning environments, for participatory action research, for policy innovation and institutional change, and for governments to act as partners in this evolving institutional transformation.

Morison, J. 2000. The government – voluntary sector compacts: governance, governmentality and civil society. Journal of Law and Society 27(1): 98-132.

Morison uses a "governmentality" framework to evaluate the language and purpose of the Compacts – agreements between government and the voluntary sector in the 4 countries of the UK. The compacts act as guides to good practice between the voluntary sector and government. While the impetus for government is to establish a commitment to codes of best practice, the focus for the sector is recognition of their independence and autonomy. The result is a shift in the traditional welfarist ethos of the voluntary sector towards a more managerial or economist one as they perform functions that at one time were considered the direct responsibility of government bureaucracy. The four compact documents were published in 1998 and since then movements have been made to develop local compacts, to establish official codes of practice in key areas, and in several of the home countries there are plans for internet developments to inform voluntary organizations on best practice both in organizing themselves and in discharging their consultation role. While Morison's approach is critical and highlights the government's attempt to create a more managerial driven programme by influencing, allying with and co-opting the voluntary sector as a resource that they do not directly control, he also suggests that this process goes in both directions as the government too is being changed as it responds to networks of civil society. Ultimately he suggests that new space has been created through these partnerships where issues of power are being worked out. This paper provides some insights into attempts made to scale-up and organize the third sector in the UK, through new movements and approaches in government policy.

Moulaert, F., and Ailenei, O. 2005. Social economy, third sector and solidarity relations: a conceptual synthesis from history to present. Urban Studies 42(11):2037-2053.

The authors consider the emergence and re-emergence of the social economy throughout history to determine what historical lessons are relevant today. The social economy has been and is still a way to respond to the alienation and non-satisfaction of needs by the traditional private sector or the public sector in times of socioeconomic crisis, and it has gone through several cycles in our history. The authors then attempt to conceptualize the concept of social economy as it exists and is developing today through considering three 'operational' definitions of the social economy, one in the UK, one at the EU level and one in France. These definitions focus on production agents, what they produce and their modes of organization; explicit links between the social economy and local development; the values of reciprocity and solidarity; and explicit concern about higher levels of governance institutions that will guarantee the positive impact of the social economy and provide the instruments needed to make the social economy work. These 'lessons from practice' are then compared with lessons from history and two major differences are noted. The authors suggest that the history of the 19th century social economy shows the evolution of small local initiatives to national, and argue that today's new social economy initiatives, despite their concerns about scaling up their governance, are not well organized at higher spatial scales, cannot benefit from proper legal instruments guaranteeing their sustainability and show a grand amateurism regarding their financial structure. They argue this is due to reactions to the crisis of Fordism in the 1970s and a focus on local development. The second lesson from history regards the importance of material infrastructure, a dimension which remains neglected today. History suggests that the social economy needs its own funding schemes, temporalities and supra-local governance dynamics. It is suggested that the long-standing tradition of non-profit organizations in the US offers a much sounder financial basis for social economy initiatives than the idealist contemporary constructions in continental Europe today.

Neamtan, N. and Downing, R. 2005. Social economy and community economic development in Canada: next steps for public policy. Montreal, Canada: Chantier de l'économie sociale.

This report provides the most comprehensive information on the public policy environment for the social economy in Canada (both federally and provincially). Neamtan and Downing identify key policy challenges in the area of the social economy: 1. co-production of public policy, 2. re-defining a new approach to social and economic development, 3. flexible, bottom-up approach to policy development, 4. combined jurisdiction and a wide variety of institutions, and 5. creating precedents and supporting innovation. Given these challenges as a basis the authors examine policy initiatives and identify "best practices" both in Canada and internationally. Included is a detailed appendix summarizing policy initiatives federally and provincially that are organized according to four key policy categories: 1. territorial policy, 2. generic tools for development, 3. sectoral policies, and 4. policies in favour of target populations. This is an incredible resource that goes far beyond what could be covered in the policy environment section of this paper. The paper concludes with a set of 11 recommendations for improving the policy environment for the social economy in Canada based on an evaluation of successful initiatives is several Canadian provinces and from international experience. The authors suggest that policy initiatives should: 1. be based on clear understanding of the new paradigm; 2. rooted in an integrated approach; 3. offer long-term support; 4. take into account the realities of urban and rural communities; 5. target emerging markets and needs; 6. be directed at helping marginalized groups; 7. establish preferential procurement policies; 8. encourage private investment through fiscal measures, 9. support social innovation, research and development; 10. target women, people with disabilities, recent immigrants and First Nations; and, 11. support intermediary organizations.

Nye, N. and Glickman, N.J. 2000. Working together: building capacity for community development. Housing Policy Debate 11(1): 163 – 198.

Nye and Glickman consider what role local intermediaries (called “community development partnerships” in their article) play in capacity-building for community development corporations (CDC) in the US. Interviews and structured focus groups were conducted with CDC and local intermediary representatives in cities across the US. Five capacity-building areas were identified: resource capacity, organizational capacity, networking capacity, programmatic capacity, and political capacity. The authors evaluate the efforts of intermediary organizations in helping CDCs increase their capacity in each of these areas. CDC representatives are concerned with increasing the number and qualifications of staff in both technical and support roles, adapting technology to make themselves more efficient, and improving their financial management and accounting systems (Appendix B, Table 2). While overall the authors indicated that local intermediaries are having a positive effect on capacity building in CDCs, they also suggest that intermediaries need to develop better benchmarking and performance-measurement systems to evaluate the results of their investments in CDCs. This paper was most successful at highlighting the capacity-building needs of CDCs from the perspective of representatives working in these organizations. There is likely overlap in terms of the capacity-building needs of other CED and social economy organizations. However, it is relevant to note that for the most part CDCs in the US are focused on housing development. Table 1 in their article summarizes the capacity-building needs of CDCs next to the services offered by intermediaries (Appendix B, Table 3). Table 2 outlines suggested measures for evaluating success in capacity-building programs (Appendix B, Table 4).

Perry, S.E. 2003. Team players: good news from Nova Scotia about the role of government in CED. Making Waves 14(2): 30-33.

Perry provides a case study of a government program to support the development of co-operatives for those in need of jobs in Nova Scotia. This program started with one fishing co-operative in the community of Guysborough. Initiation of a task force team made up of representatives from different federal and provincial departments made the funding necessary for this co-operative possible. Following this experience, key government staff recognized the potential of developing other co-operatives to empower those receiving employment assistance. The Co-operative Employee Partnership Program launched its first business in 1998. This program was successful partially through collaboration with a key staff member at the Nova Scotia Co-operative Council. The author highlights several lessons learned from this case study including the importance of partnership between different government agencies and jurisdictions, and the key role played by champions both inside government and non-government organizations, and at the local community level. This case study provides insight into an enabling policy environment for the development of a new program to support social enterprise. It also provides an example of training and education of new co-operative workers and managers by those already successful in the co-operative sector.

Phillips, S.D. 2003. Voluntary sector-government relationships in transition: learning from international experience for the Canadian context. In K.L. Brock and K.G. Banting (Eds.), *The nonprofit sector in interesting times.* Montreal, Canada: McGill-Queen's University Press.

In Canada, the relationship between the voluntary sector and the national state is undergoing fundamental change, due to extensive state downloading, a new governance model that includes governments working collaboratively with other governments and voluntary and private partners, and a renewed interest in promoting civil society. In addition, the voluntary sector itself is evolving from one based on charity to one based on civil society. As a result of these changes, in June 2001, the Voluntary Sector Initiative (VSI) was launched in Canada to re-define the relationship. Philips identifies five central dimensions to any government-sector relationship: mutual expectations, public policy participation and dialogue, accountability, support and capacity building, and service delivery. The author considers movement in each of these dimensions in Canada and compares this to international experience, with a particular focus on the UK. Phillips determines that the VSI is an important first step in improving the relationship, but much could be learned from the UK experience to further this positive start. The federal government could move beyond merely regulating the voluntary sector and providing financial support, to creating spaces for advocacy and deliberative democracy, encouraging active citizenship, promote self-governance, and give voluntary organizations the policy tools they need to build communities of support. This chapter provides a useful consideration of UK policy initiatives from a uniquely Canadian perspective.

Quarter, J., Richmond, B.J., Sousa, J., and Thompson, S. 2001. An analytic framework for classifying the organizations of the social economy. In K.L. Brock, and K.G. Banting (Eds.), *The nonprofit sector and government in a new century.* Montreal, Canada: McGill-Queen's University Press.

In order to develop a classification system for the social economy, 212 nonprofits and cooperatives in Ontario were surveyed using structured telephone interviews. The authors use five dimensions as a framework for analyzing the data: social objectives, relationship to the state, relationship to the market, democratic decision making, and volunteer participation. From empirical analysis of the five dimensions, the results revealed six clusters or categories of organizations in the social economy. The three largest categories are described as volunteer, publicly-oriented, and market-based, while the three smallest are volunteer-social, volunteer-democratic, and commercial-nonprofit. The authors argue that a multidimensional approach to classifying the organizations in the social economy is more useful than focusing on form of incorporation or type of service. However, they also caution that due to the complexity of the data, there is a tendency to focus on the most salient characteristics and downplay others. In addition, because the study only includes social organizations it tends to highlight the heterogeneity and downplay the unifying dimensions. This study provides an alternative, empirically based approach to classification and conceptualization of the social economy.

Reingold, D.A., and Johnson, C.L. 2003. The rise and fall of Eastside Community Investments, Inc.: the life of an extraordinary community development corporation. Journal of Urban Affairs 25(5): 527 – 549

This article presents a case study of Eastside Community Investments (ECI) of Indianapolis, Indiana. ECI was one of the largest, best known, and highly regarded community development corporations (CDC) in the US. The authors argue that given the unique position of ECI as a leading CDC that failed, it's failure has important implication for public sector institutions that have become increasingly dependent on community-based organizations to deliver basic human services, while fostering economic and community development. One significant factor in failure of ECI was the lack of oversight and monitoring on the part of the municipality and other funders. It is argued that CED organizations are becoming increasingly embedded in the organizational architecture of municipal governance, and as such, municipalities in combination with other funders need to take greater responsibility for assessing financial and managerial performance of CED organizations and ensuring that they serve the public interest. This case study highlights concerns about accountability of CED organizations in the face of increasing collaboration with local governments.

Restakis, J. 2005. Defining the social economy: the BC context. Prepared for the BC Social Economy Round Table. Vancouver, Canada: British Columbia Co-operative Association.

Restakis provides an overview of the history of the social economy, where the term has come from and what its precursors are, and an introduction to the current context in Canada and British Columbia specifically. Restakis outlines two fundamental viewpoints in philosophy that underlie different definitions of the social economy: the Le Play conception and Civil Economy conception. Reviewing the arguments for more clearly defining the social economy, the author considers some different definitions used in the literature, by governments and by practitioners and finds common ground. Restakis suggests the concept of *reciprocity* as an economic principle is a powerful key to distinguish what is essential and constant about the social economy from what is secondary and transitory. The second key is social control over capital. From these two concepts the following definition emerges: social economy organizations are those organizations whose members are animated by the principle of reciprocity for the pursuit of mutual economic or social goals, often through the social control of capital. Restakis suggests this definition would include all co-operatives and credit unions, non-profits and volunteer organizations, charities and foundations, service associations, community enterprises, and social enterprises that use market mechanisms to pursue explicit social objectives.

Rohe, W.M., and Bratt, R.G. 2003. Failures, downsizings, and mergers among community development corporations. Housing Policy Debate 14(1-2): 1 – 46.

Over the past 30 years community development corporations (CDCs) in the US have been increasingly important actors in low and moderate income communities. However, Rohe and Bratt suggest that many CDCs are currently facing serious challenges to their long-term viability and many are responding by going out of business, downsizing or merging with other organizations. By analyzing six case studies of CDCs, the authors attempt to uncover the contextual and organizational factors that led to failures, downsizings or mergers. Contextual factors include: 1. market forces; 2. increased competition for resources; 3. role of intermediaries and other funders; 4. lack of CDC support organizations; and 5. level of trust. Organizational factors include: 1. breadth of organizational mission; 2. over-reliance on single funding source; 3. internal management problems; 4. lack of staff or board capacity; 5. communication problems with support organizations; and 6. lack of community support. While these authors are specifically referring to factors affecting CDCs, their results are potentially applicable to development finance institutions more broadly. The authors conclude with a set of recommendations for CDCs including: strategic planning in coordination with support communities; diversifying activities, geographic area and funding sources; and developing collaborative relationships and open lines of communication. A strong emphasis is placed on the importance of support organizations in the success of CDCs. This paper also offers some useful insights regarding the role of municipalities in local development finance institutions as well as the importance of strong leadership within organizations.

Schreiner, M., and Woller, G. 2003. Microenterprise development programs in the United States and in the developing world. World Development 31(9): 1567 – 1580.

Schreiner and Woller argue that micro-enterprise to help the poor in the US is much more difficult than in developing countries. They suggest that while micro-enterprise may be a good choice for a few extraordinary people, generally, wage jobs, additional education, and job training are more common means to alleviate poverty. These authors suggest that more abundant wage jobs and an effective public safety net in the US decrease the desirability for self-employment. In addition, the lack of social capital in the US makes it difficult to make loans through groups, a common strategy in developing countries. Furthermore, running a small business in the US is more complex due to a more enforced and intact government structure, and due to the challenges of competing with more large-scale business and global marketplaces. These authors suggest that in the US it is more costly and difficult to build the human capital required for entrepreneurship. Schreiner and Woller urge micro-enterprise organizations to be more modest about the benefits of their programs and more realistic about the costs. They are in agreement with Servon (2006) that loans and training should be pursued separately, and suggest that perhaps traditional financial institutions play a larger role than recognized in small loans through the widespread use of credit cards. This paper made a strong case that perhaps micro-enterprise programs are not the most suited to the context of the United States and therefore the success experiences in developing countries can not be expected.

Servon, L.J. 2006. Microenterprise development in the United States: current challenges and new directions. Economic Development Quarterly 20: 351 – 367

The US micro-enterprise field was initiated in the mid-1980s. The broadly defined target market is low and moderate income people who have difficulty accessing traditional sources of capital and technical assistance. Most micro-enterprise programs provide business training and loans ($35000 or less) to businesses with 5 or fewer employees. Servon used a literature review and 35 interviews with individuals involved in the micro-enterprise field (practitioners, funders, leaders, researchers, and other field experts) to determine the key challenges facing the field today. Results suggest that key challenges include fragmentation, insufficient data, lack of accreditation and regulation, narrow product lines, and inconsistent or unreliable funding streams. The author suggests that these issues are not unique to micro-enterprise and are shared more broadly by community development finance institutions. Several recommendations are made: 1. increase mergers and partnerships, 2. separate training from lending, 3. expand product lines, 4. increase use of technology, 5. standardization, and 6. accreditation. Servon highlights the important role of funders, intermediaries and trade organizations in moving these recommendations forward, and emphasizes the benefits of more communication between different institutions involved in the community development finance field. It is interesting to note the comparison between the recommendations made here and those of Rohe and Bratt (2003) with regard to community development corporations in the US.

Sharp, J.S., Agnitsch, K., Ryan, V., and Flora, J. 2002. Social infrastructure and community economic development strategies: the case of self-development and industrial recruitment in rural Iowa. Journal of Rural Studies 18: 405 – 417.

Sharp et al. aim to examine the extent to which community social infrastructure contributes to the pursuit of two contrasting development strategies, industrial recruitment and self development. Data from key informant surveys of local institutional and organizational leaders, local residents surveys and Census of Population are used from 99 communities in rural Iowa. The results indicate that a community's social infrastructure can be a resource for development, and has a stronger impact on self-development than industrial recruitment. The authors found that extra-local community linkages, active community organizations, and business committed to supporting local activities all influence self-development activities. It is suggested that the challenge for communities is the long-term realities of building social infrastructure. These results may provide insight into the role of social infrastructure on the development of social enterprises as well.

Smith, G. 2005. Green citizenship and the social economy. Environmental Politics 14(2): 273 – 289.

Smith focuses on the ethos and structure of social economy organizations to explore the extent to which organizations within the social economy can promote green citizenship. He argues that in addition to the explicit expression of social and environmental values, the participatory structure of governance arrangements in social economy organizations makes them particularly conducive to developing the skills necessary for active political engagement and autonomous judgment. In addition, the orientation of social economy organizations towards mutual, common and general interests helps orient people involved towards a disposition of cooperation and fosters a sense of empowerment or efficacy. Smith concludes that there are many opportunities within the social economy to improve green citizenship, but questions how the social economy can be expanded. He suggests the need for active engagement of the state as a regulator of provision, ensuring (social and environmental) standards of services and democratic functioning within social economy organizations. In addition, the state must facilitate alternate modes of association or change the terms on which different institutions compete in a market that currently favors profit maximizing organizations. Smith concludes that the social economy holds promise as a context in which green citizenship can be cultivated and expressed, especially where the state has the capacity and commitment to promote new forms of economic organization.

Strandberg, C., and Plant, B. 2004. Scan of the community investment sector in Canada. Report for the National Round Table on the Environment and the Economy. Burnaby & Montreal, Canada: Strandberg/Plant Consulting.

This overview of the Community Investing (CI) sector in North America analyses the significant disparity between Canadian growth and opportunity compared to the US picture. These authors define community investing as investment for the purposes of financing deep-seated needs of local communities not addressed by mainstream finance, including poverty alleviation, community and cooperative development and environmental regenerations, and include economically targeted investing and sustainable venture capital as community investing strategies. The analysis was conducted by reviewing recent Canadian and US literature in the field and conducting interviews with US and Canadian academic and industry leaders. The report provides an overview of key players in both the US and Canadian sectors, and summarizes major barriers and opportunities to growing the CI sector in Canada. CI barriers include lack of capacity (under-skilled, undercapitalized, and lack consistent operating support); tax and regulatory barriers (charity structure, non-RRSP eligible, lack of regulatory framework); challenges in conducting due diligence (lack of standardized assessment procedures, high transaction costs, no established pricing benchmarks); lack of compensation scheme for financial advisors; and lack of product knowledge. Key opportunities include government support programs that could be modeled after US federal and state programs; favorable tax and regulatory scheme following the lead of Nova Scotia's community reinvestment regulations; national networks and intermediaries to assist with rating systems, benchmarks, standards, training, 'how-to' manuals, best practice and due diligence issues; and education and awareness for investors improved through modeling after US based campaigns.

Whyte, W.F. 1995. Learning from the Mondragón cooperative experience. Studies in Comparative International Development 30(2): 58 – 67.

Whyte argues that Mondragón has overcome the supposed weaknesses of workers cooperatives, and suggest ideas of how other cooperative movements can learn from the Mondragón experience. Specifically, Whyte highlights a set of innovations that have contributed to the success of Mondragón and could be applied elsewhere: capital accounts for financing and control; a cooperative development bank for financing and technical assistance in creating and preserving cooperative firms; educational foundations of cooperative development; creating social councils to represent the members as workers; and devising new cooperative structures. This article emphasizes the extraordinary vision and leadership of the founder of Mondragón as a key to its success. There is a short discussion of the development of the Caja Labour Popular as a cooperative bank including an entrepreneurial division to provide consultation and support for the development of new cooperatives. The lessons learned in this article are based on 20 years of the authors experience studying Mondragón, and provide relevant insight for new or expanding cooperatives and cooperative developers.

Van Doorselaer, S. 2004. Venture capital for social enterprise: SCP's approach to the social capital market. Making Waves 15(3): 10 – 13.

Van Doorselaer is the director of Social Capital Partners (SCP) in Toronto. Started in 2001, SCP is a venture capital company dedicated to investing in the social economy. Van Doorselaer describes the five step process SCP uses to make investment decisions. After reviewing the concept and business plan, SCP ensures that the management team is up to the task of starting a social enterprise. In addition, the most crucial issue is whether alignment exists between the business and social goals of SCP and those of the portfolio organization. Once alignment is assured and a deal structure created, the investment and on-going working relationship begins. The author identifies key challenges facing SCP and the social enterprise sector including: attracting committed and skilled social entrepreneurs; developing sophisticated business models; and diversifying sources of capital for social enterprises. Van Doorselaer argues that there must be a full spectrum of financial vehicles available to social enterprises and CED initiatives. Finally, it is suggested that government funding be used as a spring-board to create new financial vehicles that will attract other non-government investors to the sector and meet the unique capital needs of social enterprises.

Appendix B: Relevant tables from literature

Table 1. Key Sources of Capital for Social Economy Enterprises
Source: Hebb et al. 2006

Table1: Key Sources of Capital for Social Economy Enterprises

	Sources of Capital for SEEs
1	**Government Programs (at all levels)**
2	**Aboriginal CED**
3	**Philanthropy**
4	**Community Finance Development Corporations**
5	**Consumers (fee for service)**
6	**Credit Unions and Co-operatives, Co-operative Banks, Charity Banks**
7	**Banks**
8	**Socially Responsible Investment Mutual Funds**
9	**Labour Sponsored Investment Funds and other Tax Credit Investment Funds**
10	**Angel investors**
11	**Institutional Investors (pension funds, insurance)**

Source: Hebb, 2006 and Strandberg and Plant 2004

Table 2. Post 1997 UK policy initiatives intended to emphasize role of third sector
Source: Lyons and Passey (2006)

Table1: Timeline of initiatives post 1997

	Philanthropy	V&C sector	Social enterprise
1998		• Compact (Codes rolled out through 2003)	
1999	• Review of Charity Taxation • DfeS MV - Millennium Volunteers		• PAT 3 'Enterprise and Social Exclusion' HMT • Phoenix Fund
2000	• The Giving Campaign • Budget tax reforms for giving, volunteering		• Enterprising Communities: Wealth Beyond Welfare, Social Investment Taskforce
2001	• The Experience Corps		• The Coops Commission (No. 10)
2002	• 'Next Steps on Volunteering and Giving in the UK' • Budget: gifts on land/buildings; new tax credits • Private Action, Public Benefit. A Review of Charities and the Wider Not-for-Profit Sector	• Budget: amateur sports clubs • The Role of the Voluntary and Community Sector in Service Delivery: A cross-cutting review • Private Action, Public Benefit. A Review of Charities and the Wider Not-for-Profit Sector	• Adventure Capital Fund (ACF) • Budget: CITC and CDVF • Social Enterprise: A strategy for success • Private Action, Public Benefit. A Review of Charities and the Wider Not-for-Profit Sector • FSA takes over regulation of credit unions • UnLtd • Industrial and Provident Societies Act
2003	• Charities and Not-for-profits: A modern legal framework. • Guidestar UK	• Home Office infrastructure: Active Communities Division comprising three new units (Active Community Unit; Charities Unit; and Civil Renewal Unit) • Extra Home Office funding (£93 million from 2003 to 2006) • Charities and Not-for-profits: A modern legal framework • Futurebuilders, Proposals for Consultation • Charities and Not-for-profits: A modern legal framework	• Charities and Not-for-profits: A modern legal framework • SITF progress report • Enterprise for Communities: Proposals for a Community Interest Company • The Financing of Social Enterprises: A special report by the Bank of England • Cooperatives and Community Benefit Societies Act 2003
2004/5	• Charities Bill	• Charities Bill	• Charities Bill

Table 3. The capacity building needs of CDCs and the provided support from community development partnerships
Source: Nye and Glickman (2000)

Table 1. **Working Together: The Relationship between CDPs and CDCs**

Type of Capacity	What CDCs Need	What CDCs Provide
Resource	• Stable, long-term operating support • New funding sources • Fees from projects • Better fund-raising skills	• Multiyear operating support • Fund-raising assistance from local and national funders in addition to the CDP • Help in attracting new donors to community development • Coordination of local funders • Assistance with bank commitments for CDC housing loans
Organizational	• Managerial support and training • Ability to attract and retain skilled staff • Well-developed personnel policies • Competitive compensation and benefits • Staff and board training • Leadership and board development • Financial and internal management systems	• Organizational benchmarks to promote best practices • Organizational assessments and strategic planning • Staff and board training • Performance-based funding for businesslike operations • Financial management systems and training • Support for CDC consolidation/mergers
Networking	• Networks with other CDCs and nonprofits • Networks with firms and training organizations in the region • Joint development projects with for-profits • Expansion of board networks in the community	• Networking help among CDCs and between CDCs and for-profits and nonprofits • Community development education for funders
Programmatic	• Housing development and management • Economic development and retail trade • New programs in workforce development and finding jobs for local residents • More active efforts in community organizing	• Limited amounts of predevelopment risk capital • Support and training for housing and other asset management • Limited support for community organizing • Growing support of economic development projects and workforce development programs • Establishment of community standards for production • Technical consultants for housing production and preservation
Political	• Greater recognition and support of community development by city government • More responsive public agencies and city development programs • More activity on the part of CDPs in promoting reforms with the city • Better public relations and communications strategies	• Liaison with downtown interests • Behind-the-scenes negotiations with governments and private investors • Support for CDC trade associations • Increase in public awareness of neighborhood-based development

Table 4. Measures for evaluating success in capacity building programs
Source: Nye and Glickman (2000)

Table 2. **Suggested Measures of Capacity Building**

Type of Capacity	Measures
Resource	• Measures of fiscal strength, such as growth in unrestricted reserves, assets, and income • Businesslike operations and business plan; strong financial and management systems • Diversity of funding sources and revenues • Ability to attract more bank financing to the neighborhood
Organizational	• Well-trained, experienced executive director who is a public spokesperson for the neighborhood's vision • Competent staff paid competitive wages • Appropriate job descriptions and professional development opportunities (e.g., job ladders) • Strategic plan that addresses community needs • Well-trained board members who live in the community • Up-to-date computer hardware and software (especially management aids)
Networking	• Extent of collaboration with other CDCs and social service organizations • Contracting with other organizations for specialized services • Number and size of joint ventures with both for-profits and nonprofits
Programmatic	• Number of new and rehabilitated housing units • Speed of project completion • Number of units and other assets under management • Number of neighborhood people trained and new businesses and jobs created
Political	• Measures of community participation and accountability (number, attendance at public meetings, voter registration) • Neighborhood leadership development (number of community leaders and public speakers) • CDC committees that involve residents • Public money spent in the neighborhood • Funding for the community development industry as a whole
Quality of life	• Increased property values, fewer vacant houses/lots • Reduction in crime • Increase in community pride and identification • Improvements in public services • Number of residents with full-time jobs, union apprenticeships