



## Scaling Innovation for Sustainability (SIS) Project

### **Draft Mandate and Role of the Finance Research Cluster (FRC)**

#### **BALTA Partnership Development Project**

### **Scaling Innovation for Sustainability (SIS)**

#### **Overall Goal for the SIS Project**

The goal is to focus expertise on developing a theoretical and methodological framework for studying the scaling up and scaling out of innovations that re-localize the economy and strengthen the resilience and sustainability of communities and regions.

#### **Objectives relevant to the Finance Research Cluster FRC (based on the SIS proposal)**

**Objective 1 – (from the proposal)** To engage in an analysis of existing theory, practices and research findings – by BALTA and other researchers –that will contribute to setting the research agenda and framework of the five year research program.

The FRC will need to pay early attention to scoping what are the most important components of finance to scaling (out and up) innovations that have proven themselves. What is set out immediately below is grist for the mill.

An important starting point for the SIS project is the research of BALTA done under the social economy research program, in particular in the book, *The Resilience Imperative: Cooperative Transitions to a Steady State Economy*. Though not the only BALTA research relevant to the SIS project, it documents several of the innovations that motivated our interest in this project, in particular, in the food, shelter and energy sectors. Many of these had additional innovations embedded in them, land tenure (community land trusts) and innovations related to localizing and democratizing ownership being two cross-cutting themes. However, the single ingredient cutting across all the innovations is finance. The role of finance in proven innovations and in their scaling is thus a very key strategic area that holds prominence within the SIS project.

Distilling what kinds of finance (type, rate and term) are critical, whether there are distinct features in their structure and delivery, how the capital is mobilized and assembled and from whom; all are important to not only the basic needs innovations<sup>1</sup> but also the issues of how to scale out and up the innovations in finance themselves.

Another issue is the financing of the mezzo level intermediary infrastructure that the literature and practical experience suggest is critical to diffusing and scaling innovation. What do we know of the blend of financing tools supporting the varied functions intermediaries play and to what extent are they being successfully structured to be self-sustaining, or are they? And if not, what on-going sources of financing are being accessed?

The discussion of scaling financial innovations will inevitably lead us to discussions of the macro issues in finance and investment that all too often thwart the scaling of proven innovations that could accelerate efforts to construct low carbon local and regional economies.

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<sup>1</sup> Reference to basic needs innovations in this document refers to food, shelter and energy

**Objective 2 (from the proposal)** – To synthesize research findings focused on mezzo- and micro-levels with macro-level modelling of transitioning to a steady state economy by leading ecological economists from the UK and Canada. Through identifying the intersections between contexts, innovations and enabling factors at these different levels, including BALTA's practice-based research, the synthesis will contribute to defining research to be incorporated into design of the future research program. The UK-based New Economics Foundation (NEF) is a partner in this proposal and the director of its 'Great Transition' steady state economic modelling program is a collaborator. The UK work has three aspects: analysis of environmental limits, defining output measures in 'well-being' terms, and design of a finance system focused on well-being outputs within environmental limits.

Objective 2 is directly linked to two research clusters, the FRC and the cluster seeking to clarify the micro, mezzo, macro linkages and dynamics that shape and impact on efforts to scale innovation. From the perspective of the finance research cluster the intersection between the wide range of micro/mezzo finance innovations BALTA explored and the extent to which macro system characteristics support or thwart their scaling up is a central interest. More generally, there is a need to clarify the macro issues that are both driving the need for innovation and blocking progress in scaling up proven innovations

### **Role of FRC**

The research cluster's role is framed by the goal and objective 1. Our job is to plan a research program. Research we undertake, issues we set as the priority for discussion and debate and the seminars we have all have one goal – to help us design a coherent contribution to an integrated 5 year research program focused on scaling innovations for sustainability.

### **Most Relevant Content from BALTA 1 for the Scaling Innovation for Sustainability project**

As already noted, *The Resilience Imperative* book is one strategic point of departure for the FRC. Other BALTA research generally relevant to the FRC is a review of the social purpose capital markets, an analysis of the Nova Scotia cooperative development system of which finance is one important component and the research summarizing innovations in the Quebec social economy context along with a few other finance related projects that may be useful. (Please refer to the research index of BALTA selected as having possible relevance to the SIS project. It is included at the end of this mandate document).

We also are very aware that collaborators and partners on the finance research cluster will introduce other research and practice based experience to the dialogue. It would be appreciated if you would identify the most important references you would like to be put on the FRC review list.

There are several areas that could be explored by the FRC and an early decision will be to scope what is most important as we journey towards defining what the most important financing factors are in scaling innovation in various sectors. Examples are noted below.

- ✓ The evolution of the Slow Money movement in the U.S. is an example of innovation and 'scaling' that is in process. It relates directly to designing financial tools and mobilizing investment capital to finance the difficult task of rebuilding local and regional food systems.
- ✓ The adoption and adaptation of the U.S. based Community Development Finance Institution model and the Community Land Trust model into the U.K. and the financing of its subsequent scaling is an important case for exploration.
- ✓ The Unleashing Local Capital project in Alberta is a scaling up project in process.

- ✓ The huge progress in renewable energy production in certain jurisdictions (e.g. Germany and Denmark) has led to a decentralized and broad based ownership of the energy production and distribution system. Understanding the financing features of this progress and the macro-micro linkages is seen as important.
- ✓ Equally important is energy conservation. Financing and delivery is crucial to achieving scale of impact. What kind of finance is being brought to bear on successful strategies to radically reduce carbon emissions in the built environment?
- ✓ Related to the macro modelling project being undertaken by nef and the parallel project by Peter Victor and Tim Jackson, what are central findings of the model, and in particular, what is the intersection between investment in transition required from a macro policy point of view, on the one hand, and the range of the finance innovations emerging in local, regional levels and in effective intermediary institutions, including the credit union system.
- ✓ Is co-operative capital a viable alternative to short-term extractive capital? How might ideas being developed in the USA and Canada for co-op capital systems be developed for meeting basic needs locally and regionally?
- ✓ What factors would support (or thwart) the spreading and scaling of local currency systems, in particular by using the negative interest ideas of Silvio Gesell and Worgl that are currently in resurgence in southern Germany and spreading elsewhere in Germany? Why are social and co-operative banks like Triodos and GLS Bank supporting the spread of this innovation and how? Is this something we should consider in Canada and why?
- ✓ Monetary reform that restores the issuing of debt free money supply, practiced in Canada for over 30 years, is beginning to be discussed more broadly. Given the very important capital needed to invest in transition and carbon reduction in a way that enhances equity, what are the theoretical and practical issues that need to be considered? (Note – James Robertson, a founder of new economics foundation, and a well known financial guru in the U.K. has just published a new book on the topic. There is a growing campaign in the UK called Positive Money that is developing this case and these reforms for 100% money (debt-free) were backed in the 1930s by Professor Irving Fisher and a broad range of economists in the USA. There are similar discussions emerging in Canada and the US.
- ✓ What are the critical issues that need to be thought through to move finance from a growth paradigm to a steady state or even de-growth paradigm

### **Priority Tasks to get the Research Cluster's work Underway**

It is proposed that the first meeting of the Finance Research Cluster (FRC) will take place within the first two weeks of December. A doodle poll will be sent out. A draft agenda for what will be a two hour tele-conference is set out below, though it will be without doubt subject to some change.

1. Introductions and Review of the Mandate and Role of the Committee
2. Introduction of Research Cluster members to each other
3. Review of possible topics for research cluster discussion and initial discussion of priorities for cluster examination as relevant to the long term research plan.
4. Identification of interest in taking leadership around specific issues/topics
5. Priority materials for review
6. Preliminary identification of possible webinars, etc., relevant to the FRC advancing its work

Given the limited time frame, recommendations for getting the work started may be prepared just to get the process moving

## **Role of Knowledge Mobilization in Meeting FRC Objectives**

In addition to examining and discussing existing research findings as part of the feed in to the design of the research program, other means of enabling broader engagement in key issues was contemplated. One specifically identified was tele-seminars/ webinars to introduce and clarify content and to assist in identification and discussion of related research issues. Summaries of the results will be prepared and posted on an interactive website and used in the research design.

Some of the examples elevated in the preceding section could be the subject of a webinar.. A successful webinar would feed the research design, extend interest in SIS, lead to potential opportunities for mobilizing new resources, etc. For example, the founder of the Slow Money movement in the U.S. could be recruited to provide a national webinar that could be of wide interest to people in the local food movement, social investors, the credit union movement, etc .

Two specific examples of webinars that could be of direct importance to the finance research cluster would be Pat Conaty (nef) and Cliff Rosenthal (former CEO of the National Federation of Community Development Credit Unions in the U.S.) on the development and scaling up of innovations related to development finance. Another could be John Fullerton, President and CEO of Capital Institute in the U.S., that is grappling with ways and means to foster systems change towards resilience. As a former managing director of JP Morgan, he has a unique vantage point to speak of the critical forces supporting or thwarting such a transition. We will be having one for sure with Tim Jenkins, the director of the modelling program at the new economics foundation.

These examples are suggestive only. We must make this an early agenda item as the number of webinars that can be designed, promoted, delivered and documented are limited.

## **Members of the Finance Research Cluster**

Some of the proposed members below are signed up for more than one research cluster. It is suggested that on review of this document people confirm with Mike Lewis whether you intend to stay with this cluster or not.

1. Practitioner Co-Chair: Mike Lewis, Lead Investigator, co-author of the *Resilience Imperative* book and E.D. of the Canadian Center for Community Renewal (CCCR)– Vancouver
2. University Co-Chair: James Tansey Director of ISIS (Institute for Social Innovation in Sustainability) at the University of BC Sauder School of Business, former advisor to World Economic Forum and founder of Offsetters
3. Pat Conaty - Co-Investigator – Senior Fellow of new economics foundation, Co-ops U.K and University of Salford; co-author of *the Resilience Imperative* book – U.K.
4. Paul Cabaj - Coop Developer with Alberta Community and Co-operative Association - Edmonton
5. Margie Mendell - economist at Concordia university in Quebec, CED and social economy finance expert, co-founder of the Karl Polanyi Institute
6. Stewart Perry – Associate of the CCCR - Seattle
7. Martin Garber-Conrad – CEO of the Edmonton Community Foundation
8. Mark Roseland - Director of the Centre for Sustainable Community Development at Simon Fraser University. Vancouver
9. Roger Boyd... in discussion – Executive in major Canadian Bank – Eastern Canada – currently doing graduate program

## **Tentative Time Frame**

Time is short. The overall research plan and related documents must be submitted by February 2014. Research clusters must do most of their formative work by July of 2013. This will be synthesized into a resource for a symposium in late September/early October of 2013 that will facilitate discussion and debate to design the long term research program. Final refining will take place in the six weeks or so following the symposium.

Meetings of the FRC will be scheduled for every 4- 6 weeks starting in early December. However, Dr. James Tansey and Michael Lewis have discussed options for raising some money to support one or two intensive in person sessions as a possibly more productive alternative.

In addition, webinars, etc., will be scheduled over the period from December to June of next year (the realistic number that can be effectively done has not yet been assessed). These will all feed into the work of one or more clusters.

Michael Lewis and Dr. James Tansey will co-chair the work of the FRC.



## **Previous BALTA Research and Related Work that is Relevant to the SIS Project**

***The Resilience Imperative: Co-operative Transitions to a Steady State Economy*** – This book is the culmination of several years of BALTA supported research and reflection. With our communities confronted by major sustainability challenges, many linked to the impact of climate change, it argues for replacing the paradigm of limitless economic growth with a more decentralized, co-operative, steady-state economy. It examines case studies of success in energy sufficiency, local food systems, low-cost community based financing, affordable housing and land reform. For further information, see:

- The book: <http://www.newsociety.com/Books/R/The-Resilience-Imperative>
- “Fossil-Fuel-Free Kristianstad” - <http://communityrenewal.ca/kristianstad>
- “Kirklees, UK: An area-based approach to energy efficiency, housing affordability, and jobs” - <http://communityrenewal.ca/kirklees-uk>
- “Sweden's JAK Bank: Liberating Community Finance from the Ball and Chain of Compound Interest” - <http://communityrenewal.ca/swedens-jak-bank>
- “Affordability Locked In: Community land trusts – good news for households, communities, & taxpayers” - <http://communityrenewal.ca/affordability-locked-in>
- “The Best of Three Worlds: Mutual Home Ownership combines housing affordability with equity and fairness” - <http://communityrenewal.ca/mhos>
- “The Co-operative Land Bank: A Solution in Search of a Home” - <http://communityrenewal.ca/co-op-landbanks>
- “The Housing Treadmill: What it's costing us - How we get off” - <http://communityrenewal.ca/housing-treadmill>

**Municipal Government Support for the Social Economy Sector** – Based on a survey of larger, medium sized and smaller municipalities in BC, Alberta, Saskatchewan, Manitoba and Northwestern Ontario, this report documents various ways that municipal governments are working with and supporting the social economy sector to address sustainable development challenges. For the report see: <http://auspace.athabascau.ca/handle/2149/2813>

**Community Land Trusts (CLTs) and Affordable Housing** – Initial research looked broadly at community land trusts. Subsequent research applied the CLT model to housing affordability (report pending). Several initiatives applying the CLT model to address housing affordability needs are being explored. The *Resilience Imperative* book also focused in part on CLTs. Other BALTA research has examined other strategies for addressing housing affordability. See:

- “Affordability Locked In: Community land trusts – good news for households, communities, & taxpayers” - <http://communityrenewal.ca/affordability-locked-in>
- “The Best of Three Worlds: Mutual Home Ownership combines housing affordability with equity and fairness” - <http://communityrenewal.ca/mhos>
- “Needs Assessment in Affordable Housing: It's a complex, yet essential task. In a rural corner of B.C., a research partnership took the lead” - <http://communityrenewal.ca/housing-needs-assessment>
- “Sustainable Management of Housing by Not-for-profit and Co-operative Organizations in Response to Decreasing Government Funding Programs” - <http://auspace.athabascau.ca/handle/2149/2755>

- “Financially Sustainable Provision of Affordable Housing by Not-for-Profit Organizations and Co-operatives: Perspectives from Canada, the USA and Europe” - <http://auspace.athabascau.ca/handle/2149/2757>
- “The Housing Treadmill: What it's costing us - How we get off” - <http://communityrenewal.ca/housing-treadmill>
- “The Reinvention of Sunnyhill housing co-op” - <http://communityrenewal.ca/sunnyhill-futures>
- “How to Break Our Housing Logjam: PPSEPs in B.C.’s Fraser Valley Regional District” - <http://communityrenewal.ca/housing-logjam>
- “Affordable Housing and the Social Economy in the Fraser Valley Regional District” - <http://auspace.athabascau.ca/handle/2149/3177>
- “Alternative Land Tenure and the Social Economy” – <http://auspace.athabascau.ca/handle/2149/2688>

**Local Food** – BALTA research focused on aspects of local food development, including how to scale up local food systems and the role of farmers’ markets in scaling up local food systems. See:

- “Scaling Up Local Food” - <http://communityrenewal.ca/scaling-local-food>
- “Can it be both? Local Food Initiatives for Social and Environmental Change in Communities” - <http://auspace.athabascau.ca/handle/2149/2823>
- “Seikatsu Consumer Coop: Scaling-up Food System Transformation” - <http://auspace.athabascau.ca/handle/2149/2822>
- “Linking Local Food Systems and the Social Economy? Future Roles for Farmers' Markets in Alberta and British Columbia” - <http://onlinelibrary.wiley.com/doi/10.1111/j.1549-0831.2011.00068.x/full>
- “Scaling up alternative food networks: farmers’ markets and the role of clustering in western Canada” - <https://springerlink3.metapress.com/content/e80560882050k558/resource-secured/?target=fulltext.html&sid=u1xd152ibsrizxbg5bmol3rt&sh=www.springerlink.com>

**Green Energy** – BALTA research examined the potential for wind energy development in Alberta using social economy models (e.g. co-operatives). Green energy was also a theme in the *Resilience Imperative* book. See:

- “Best Practices in Social Economy and Community Wind” - <http://auspace.athabascau.ca/handle/2149/2633>
- “Status of Social Economy Provision of Wind Electric Energy in Alberta” - <http://auspace.athabascau.ca/handle/2149/2632>
- “Alberta Social Economy Wind Projects Next Steps Strategy” - <http://auspace.athabascau.ca/handle/2149/2634>
- “Fossil-Fuel-Free Kristianstad” - <http://communityrenewal.ca/kristianstad>
- “Kirklees, UK: An area-based approach to energy efficiency, housing affordability, and jobs” -

**Community and Social Finance** – BALTA research looked at aspects of finance related to sustainability and community social and economic development. Finance is also addressed in publications and reports noted in other sections above. See:

- “The Nonprofit Sector Capital Market in BC and Alberta” - <http://auspace.athabascau.ca/handle/2149/2524>
- “Westlock Grain Terminals : A Case Study” - <http://auspace.athabascau.ca/handle/2149/2956>
- Community Finance and Investment Options: Local Capital Investment and Finance Options for Rural Alberta Communities - <http://auspace.athabascau.ca/handle/2149/3206>
- “Social Enterprise Purchasing Toolkit” - <http://www.enterprisingnonprofits.ca/e-library-resources/social-enterprise-purchasing-toolkit>
- “Some Initiatives that Enabled the Institutionalization of Quebec’s Social Economy: Civil Society’s Crucial Role and the State’s Essential Role” - <http://auspace.athabascau.ca/handle/2149/2798>

- “Supporting Innovative Co-operative Development: The Case of the Nova Scotia Co-operative Development System” - <http://auspace.athabascau.ca/handle/2149/2806>
- “Credit Unions and the Social Economy: Building Capacity” - <http://auspace.athabascau.ca/handle/2149/2525>

**Co-operative Development** – BALTA research has focused on both the contribution that the co-operative sector and co-operative models can make to addressing sustainability and community social needs and on how to strengthen the support system for co-operatives. In addition to research reports, BALTA research contributed to a book, *Humanizing the Economy: Co-operatives in the Age of Capital*, which makes the case for co-operatives as a vital tool for addressing people centered and sustainable development. A new initiative growing out of this work is The Co-operative City, promoting municipal level strategies to build co-operation as a vehicle for social and economic sustainability. See:

- *Humanizing the Economy: Co-operatives in the Age of Capital* - <http://www.newsociety.com/Books/H/Humanizing-the-Economy>
- “The Co-operative City: Social and economic tools for sustainability” - [http://www.bcca.coop/sites/bcca.coop/files/The\\_Co-operative\\_City\\_June\\_11.pdf](http://www.bcca.coop/sites/bcca.coop/files/The_Co-operative_City_June_11.pdf)
- “Supporting Innovative Co-operative Development: The Case of the Nova Scotia Co-operative Development System” - <http://auspace.athabascau.ca/handle/2149/2806>
- “Exploring Applications of the Nova Scotia Co-op Development System in B.C. and Alberta” - <http://auspace.athabascau.ca/handle/2149/2809>

**Seeds of Transition: The convergence of the social economy and sustainable community development** – When published (2013), this book will include BALTA research and reflection on contributions that the social economy can make to address sustainable community development. Topics include alternative food systems, land tenure, affordable housing, resource management, rural development and human services.