



Financial Equity

Most CED enterprises use debt capital –i.e. loans, loan guarantees – to finance their start-up and early-stage development. But some CED businesses also require equity investments to fuel rapid growth. Whereas debt investors receive interest payments, equity investors receive a portion of the business' profits, and also may exercise the right to vote the shares they invest in. Moreover, some community organizations mobilize partners and resources to build up a pool, or a fund, for equity investing in a portfolio of several CED projects. CED equity funds can also be used to guarantee loans or guarantees for multiple enterprises.

Access to early-stage equity investment is critical for start-up enterprises.

Additional components of *mentorship* and *management capacity* are key to business survival. A co-operative management pilot project in Winnipeg aims to strengthen the capacity of managers and staff, making their businesses more attractive to potential investors.

Equity investment mechanisms include a tax credit approach and a grant approach. The tax credit approach is used in Nova Scotia and was evaluated by a group in Alberta.

A volunteer board of directors plays a key role in building partnerships for investment funds.

CEDTAP support helped three organizations develop the framework for a community investment fund.

**CEDTAP support ranges from :
\$9,000 - \$20,000**

CEDTAP offers a variety of technical services to organizations at different phases of development. The types of technical service accessed in this cluster include visioning and idea generation, administrative systems development and implementation, and assessment of new financial opportunities.



“Committee members know of local people with the technical knowledge and expertise to assist us in completing our research. We sought the support of CEDTAP to acquire this technical assistance and began to move forward.”

Jenny Kain, Alberta CED Investment Steering Committee, 2003

Case Studies:

SEED Winnipeg Inc., Winnipeg, Manitoba

A growing non-profit, charitable organization, SEED Winnipeg Inc. assists low-income individuals or groups establish their own small businesses or community businesses, with focus on the renewal of Winnipeg's inner city. The experience of expanding co-operative businesses highlighted the need for an adequate amount of loan capital. It is very difficult to access equity capital because workers-owners are not able to contribute their own equity.

Alberta CED Investment Steering Committee, Edmonton, Alberta

In 1999, The Alberta CED Investment Steering Committee was established as a province-wide response to the need for more capital to support small businesses and micro-entrepreneurs. The first step was to assemble a multi-stakeholder team, to coordinate the research project. The members came together to investigate financing vehicles, provincial finance and tax mechanisms, and to examine previous attempts at establishing financing vehicles.

Other Community Partners:

1997-2000:

Riverbank Development Corporation, Prairies
Great Northern Peninsula Development Corporation, Atlantic Region

2001-2003

Assiniboine Credit Union, Prairies

Raleigh, Great Northern Peninsula, Nfld.

“The beneficial result of the CEDTAP technical assistance was that the GNPDC was able to form new alliances with other local development groups and offer an innovative approach for facilitating new enterprise creation. It also meant that the GNPDC could secure new revenue sources to help sustain the organization.”

*Dave Simms, Executive Director,
Great Northern Peninsula Development Corporation, 2001*

The CEDTAP Contribution:

Through their advocacy and networking channels, SEED Winnipeg Inc. was aware that organizations in other jurisdictions addressed this deficiency by establishing funds to supply equity capital for the start up and expansion of CED businesses.

With 10 potential partners lined up by SEED, CEDTAP provided the funding necessary for the organization to undertake the research on a CED Business Equity Capital Fund in Winnipeg

CEDTAP supported the background research to move forward. Existing models, an Alberta model, and a draft model were compiled and compared. The results were circulated among government and voluntary-sector organizations for consultation.

The next challenge: complete the cost-benefit analysis and engage provincial support.

