



**Supporting Canada's Co-operative Sector**  
Pre-budget Submission of  
Canadian Co-operative Investment Fund

Submitted: August 2<sup>nd</sup>, 2018

## RECOMMENDATIONS

1. Invest \$25 million in the Canadian Co-operative Investment Fund (CCIF)

## Context

The Canadian Co-operative Investment Fund (CCIF) was launched in December 2017. CCIF is the result of years of work among co-operative organizations and financial institutions to develop a source of capital to support the growth of co-operative enterprises in Canada. Access to capital that is designed to meet the particular needs of co-operatives has been identified as one of the primary barriers to the growth of the co-operative enterprise sector.

CCIF is a unique a social impact investment fund. It serves the capital needs of the co-operative sector through the provision of loans, quasi-equity and equity for co-operative enterprises across Canada.

Access to capital has been documented in two separate independent surveys. Growth of co-operative enterprises is compromised by the inability to access capital that is designed to meet the needs of the sector. In 2012, more than 74% of co-operatives surveyed reported that access to capital was becoming more difficult, and 1 in 5 reported that this was a barrier to growth. This is a particularly challenging issue as co-operative enterprises are more than twice as likely to have expansion plans when compared to other small and medium enterprises (SME).

Co-operative enterprises have unique business models that are not always understood by conventional financial institutions. Risk is often overstated, and lending rates exceed commercially viable levels. CCIF was developed and implemented to fill an important gap in the access to capital for co-operative enterprises. Sixteen co-operative organizations and financial institutions have invested \$25 million in CCIF to support the objective of growth in the co-operative sector. These investors are committed leaders. Over time, their support of CCIF will attract more conventional investors. Accelerating new investment in the Fund to meet the demonstrated needs of the sector requires a mechanism that mitigates investor risk.

The impact and benefit of a federal government investment in funds such as CCIF is well documented in the report of the Canadian Task Force on Social Finance (2010) and in the Report of the Standing Committee on Human Resources, Skills and Social Development and the Status of Persons with Disabilities (June 2015). The federal government can play a catalytic role through direct investment in existing social impact funds, and through this attract new private capital to the sector. This will fuel the growth in co-operative enterprises in Canada, that in turn results in employment, stable community-focused enterprises, economic growth and increased prosperity.

CCIF was developed to fill these gaps in access to capital that meets the needs of this sector. The initiative has been a decade in the making and has steadily gained traction among co-operative organizations and financial institutions. Launched just six months

ago, the Fund has made its initial investments of over \$1 million in four enterprises and generated an inventory of potential investments of over \$6 million.

CCIF has been welcomed by the co-operative sector and they are already a robust and active list of investment opportunities are under assessment. It is clear that the \$25 million raised by CCIF will not be sufficient to meet the growing demands for this form of capital, and that there is a need, and significant benefit to rapidly growing the pool of capital available. The Fund is operational and proving its relevance and importance to the sector. The range of potential investment is broad, across a wide range of sectors, and varied in the need for both loans and equity investment.

### Budget request

CCIF is requesting the government of Canada include a \$25 million investment in CCIF in the 2019 Federal Budget. This investment is best made as low-cost, patient capital. While it can be staged with the growth of Fund activities, the certainty of the total investment will be critical in leveraging co-operative and private investment in the Fund.

This request for investment in an innovative and broadly supported impact investment fund has been previously identified to the federal government, most recently in the context of the work of the Social Innovation and Social Finance Strategy Co-Creation Steering Group. In the upcoming federal budget, we urge the government of Canada to proceed with an investment in CCIF.

Additional capital will:

- a. Provide CCIF with an ability to manage additional investment risk including co-operative growth and start-up loans, quasi-equity investment and lending for conversion of SME to co-operative ownership, stabilizing community services and employment
- b. Attract co-investment to higher risk investment opportunities as outlined above
- c. Attract new Fund investors which will accelerate the impact of CCIF across Canada

In the short period of time CCIF has been in operation there is clear evidence of the need for the Fund and the forms of investment the Fund can make. It is also clear that demand will quickly outpace the ability of the Fund to meet the needs of the co-operative enterprise sector. An increased Fund capital base will allow CCIF to respond immediately to the strong demands on its capital for loans, and critically for quasi-equity, and equity while maintaining an overall Fund risk profile that is within the range that will attract increased private investment.

### Impact of the budget request

A direct investment in CCIF by the federal government will have two primary impacts:

- Allow for the acceleration of capital investment by the Fund in co-operative enterprises. This in turn has significant beneficial impacts on local economies (secondary economic benefits, employment, delivery of affordable services) through the support of SME. There is also a significant impact in sectors such as renewable energy (co-operative energy delivery agents); affordable housing (project acceleration and capital support); indigenous co-operative enterprise (fisheries, forest products) as well as in the retail and food production sectors.
- Accelerate the ability of CCIF to deliver a positive financial return to investors, and through this attract more private and community investment in the Fund. The work of the Social Innovation and Social Strategy Co-Creation Steering Group has clearly demonstrated the necessary and important role the federal government has in strengthening existing social impact investment funds and working to develop sustainable and robust alternative investment vehicles that can have lasting impact for communities across Canada.

### Conclusion

CCIF is an operating social impact fund with strong support from the co-operative sector. The Fund meets the increasing need for access to capital by the co-operative sector. Demand for this capital is strong and will in short order out-pace the ability of the Fund to meet the needs of co-operative enterprises that generate employment and contribute to community prosperity. A federal government investment in CCIF at this time will accelerate and amplify the impact of CCIF and the benefit it creates for communities and families across Canada.