



Promoting and Supporting Canada's Co-operative Sector

Pre-budget Submission of
Co-operatives and Mutuals Canada

Submitted: August 3rd, 2018

RECOMMENDATIONS

1. Increase the capacity of the Co-operatives Policy Branch of Innovation, Science and Economic Development Canada to work in conjunction with CMC and its member co-operatives to implement strategies to support and promote co-operatives as called for by Motion M-100. That includes a \$10 million investment in public awareness for the co-op model and \$1.5 million for modernized research into co-operative contributions to social, environmental, and economic impacts as framed by the Sustainable Development Goals.
2. Support access to government capital sources for the Canadian Co-operative Investment Fund with a one-time \$30 million investment.
3. Support Co-op Business Development by deepening the relationships with the Regional Development Agencies and earmarking 3.4% of funds for co-operative initiatives.

CONTEXT

In 2017, the House of Commons passed Motion M-100 unanimously. The motion directed the Government of Canada to provide for the development and implementation of a strategy to promote and support Canada's co-operative sector. The government recognises that co-operatives have historically been vehicles for inclusive economic growth. Co-operatives and mutuals continue to deliver steady, consistent, benefits for Canada, for Canadian workers, and Canadian communities. Co-ops create stable, good jobs, and help fill important social and cultural gaps. They are innovative enterprises and the co-op model is prominent in key growth sectors for the Canadian economy, including but not limited to: financial services, retail, agriculture, forestry, fisheries, manufacturing, and renewable energy. Despite these contributions, co-operatively owned enterprises have fewer government resources than comparator sectors at the federal level. Further, the current climate for investment and business promotion sees co-operatives and mutuals receive just 1/6th the capital contributions as privately and publicly held businesses. Canada will be more competitive if the government uses the opportunity presented in Budget 2019 to focus investment on strategies that enhance Canada's co-operative advantage. Co-operators know that our enterprises and communities are most successful when we work to solve challenges together, and the sector is poised to deliver on government of Canada priorities with strategic and targeted support.

Co-operatives contribute roughly 3.4% to Canadian GDP (2010). Employment and economic returns from this activity are distributed in every region of the country. Today, more than 8,000 co-operatives operate in Canada, with more than 20.5 million-member owners (2018).

Sector	Members	Assets	Revenue	Employees
Non-financial co-ops	8.4M	26B	43B	95K
Credit Unions (not QC)	5.1M	223B	15B	61K
Desjardins	7M	275B	15.4B	45K
TOTAL	20.5M	524B	73.4B	201K

CMC is interested in establishing a long-term productive relationship with the government, which will help to solve Canada's most pressing social challenges and leverage emerging opportunities in the domestic, international, and digital economy. The following recommendations will catalyze the sector and spur innovation for a new generation of co-operators:

INCREASING CAPACITY

Co-operatives Policy was once a secretariat housed at AAFC; we draw your attention to the fact that many functions of the former secretariat in supporting and promoting co-operatives are no longer available. To meet our objective of increased collaboration between ISED and CMC, as well as ISED facilitating increased inter-departmental coordination, we ask that the Co-operatives Policy Branch be resourced to respond more effectively to the concerns and needs of Canadian co-operatives.

1. Increase the capacity of ISED to work in conjunction with CMC and its member co-operatives to:

1.1 *Evaluate barriers to accessing federal programs and services* and make policy recommendations as well as highlight relevant programs for co-operatives that are under-utilized;

1.2 *Implement strategies for raising awareness of the co-operative business model among Canadians and key federal departments* to encourage the growth of existing co-operatives and the creation of new co-operatives to meet the social and economic needs of Canadians. **Specific recommendations:**

- Expand co-operative knowledge resources and education for public servants and create opportunities for co-operative education experts to contribute to that process;
- **Invest \$10 million** in a direct to public advertising strategy—in partnership with CMC and its members—to increase awareness about the benefits of the co-op model. This investment, in partnership with CMC members, would have the following impacts:
 - CEOs, board members, managers, and academics across Canada identified awareness of the co-op model as their top concern in 2018¹. This lack of awareness constrains growth in the sector. Greater public awareness would create new opportunities for co-ops to deliver innovative social and economic solutions that align with the governments priorities;
 - Build awareness among entrepreneurs and start-ups who are aligned with the values and principles of the model but at present aren't informed or aware that a co-op structure may be a sustainable and socially beneficial model for their new business;
 - Market the benefits of the co-operative model—in all sectors—to inform consumers that co-operatives are democratic, “do it ourselves” enterprises that fill gaps in the economy where private capital is hesitant or unwilling to invest.

1.3 *Work with stakeholders to modernize co-operative sector data* and ensure that the co-operative sector and Canadians have access to the latest and most relevant data on the co-operative business model. CMC recommends expanding data collection through stakeholder partnerships to include indicators that measure co-operative contributions to the *Sustainable Development Goals* (SDGs). In an environment plagued by survey fatigue, a collaborative approach to survey and data collection using a digital platform and survey methods would be more accurate, more responsive, and more sustainable for all stakeholders resulting in more robust and timely reports. CMC and its members have invested in a modernized contact management platform that, in partnership, can facilitate a transition to a multi-stakeholder approach to co-op data. **CMC recommends that the government invest \$1.5 million over the next two years to consult stakeholders and modernize data collection methods and indicators in partnership with stakeholders.**

¹ <https://words.usask.ca/thinkingaboutcoops/2018/02/27/top-co-op-issues-2018-comments-and-action-items/#more-1070>

2. Support access to government capital sources for the Canadian Co-operative Investment Fund (CCIF).

Notwithstanding the access to financing from the federal government that is available to co-operative enterprises, co-ops are able to access *equity investment* only 1/6th as often as other businesses [source: [SME Profile: Co-operatives](#) in Canada]. The Canadian Co-operative Investment Fund (CCIF) was founded with an investment of \$25M from 16 member co-operatives and is actively helping to address the difficulties co-operatives have in accessing equity investment. An investment of \$25 Million of patient capital in CCIF at the crown borrowing rate will:

- 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;
- Attract co-investment to higher risk investment opportunities in innovative new co-operatives; and
- Attract new Fund investors which will accelerate the impacts of CCIF across Canada

2.1 Provide a \$5 million grant over three years to support capacity development and enterprise business plan development for co-operatives seeking to access investment capital from CCIF and other sources. The grant will also:

- Provide technical support for the delivery of capacity-building services including financial analysis, capital raising from members, marketing, branding, governance and management, and monitoring and evaluation of projects. Services can be delivered by or in conjunction with co-operative developers and co-operative federations supporting the growth of enterprise in the green economy, online and platform co-operatives, and first nations co-op development;
- Provide support and resources for the development and expansion of national co-operative federations that provide the framework for scaling up, spreading innovations, and improving efficiencies for co-operative enterprises.

WHO IS THE CCIF FOR? Here are a few examples:

[Sustainability Solutions Group](#) worker owned consulting co-operative that has developed a unique approach to climate change mitigation and adaptation planning for municipalities. They would use a \$500K investment from CCIF to significantly accelerate its penetration of international markets.

[Stocksy United](#), a Canadian based media distributor serving the world's largest tech companies & Fortune 500 companies, with 1,000 members in 65 different countries, is seeking \$1 million in investment from CCIF in order to further expand and deepen their global reach of clients, continuing to drive tech innovation in areas such as search, discovery and Artificial Intelligence through their custom platform.

[River Select](#) is a fishing co-operative owned by several first nations in BC that could be supported to increase its value added food manufacturing, expand its base beyond, BC, and take advantage of increased demand in more markets in Russia, Europe and Asia for its sustainable fishing practices. It is a model that could well be adapted for first nations communities across Canada.

[Fédération des coopératives d'alimentation du Québec](#) has been operational for 25 years and have proven to be a key factor in maintaining retail grocery services in smaller isolated rural communities. A \$1M investment in this federation would enable them to provide services Canada wide to rural communities allowing them to maintain key services and support their long-term viability.

3. Support Co-op Business Development by formalizing the relationships with the Regional Development Agencies (RDAs), Community Futures Program and Business Incubators/Accelerators.

Providing the RDAs with a clear, official mandate to develop regional co-operative development strategies would enable a more active, collaborative engagement with the co-operative sectors in each region. These strategies must be customized to fit regional development needs, while key strategic components could be shared across all RDAs. This commitment could reflect the annual GDP contribution of co-operatives across Canada by earmarking 3.4% of supports for co-operative enterprises. That funding would support:

- Providing training to community futures offices on co-operative development and link these directly to supports from provincial associations and co-operative federations.
- Support the integration of co-operative tools and development pathways into new and existing business incubators and accelerators. Targeted supports can be developed to accelerate co-operative innovations in the online and sharing economy, renewable energy, indigenous and immigrant entrepreneurs. This may be best accomplished by integrating the development supports of co-operative federations and provincial co-operatives associations.