

**Written Submission for the Pre-Budget
Consultations in Advance of the 2021 Federal
Budget**

**Submitted by
the Community Futures Network of Canada**



Recommendations

Recommendation 1: That the government further leverage the Community Futures network of 268 locally directed organizations across rural Canada to support its overarching goal of ensuring a competitive Canadian economy.

Recommendation 2: That the government provide additional annual resources of \$42.35 million for 5 years to enhance the ability of Community Futures Organizations to support federal priorities, and to support rural and remote businesses as they recover from the economic impact of COVID-19.

Submission: The Community Futures Network of Canada's Proposal for the Renewal of the Community Futures Program

Prior to the COVID-19 pandemic it was well documented that one of the greatest challenges Canada faced in building a strong and vibrant national economy was the significant economic disparity that exists between its urban, rural and remote communities. As the COVID-19 pandemic evolves, the loss of revenue due to the economic downturn is causing extreme uncertainty and concern for businesses that, once closed, may very well never reopen. The loss of these businesses will be particularly impactful in rural communities whose residents may simply not have other options to access the goods and services that many of us take for granted.

Canada faces a challenge to ensure communities and entrepreneurs in all regions of the country have equal opportunities and ready access to a sufficient supply of capital to start, stabilize and grow enterprises that can commercialize new ideas into valuable products and services. We need to encourage and nurture that development to ensure we can create the high-quality jobs that are needed throughout the country.

The Community Futures Program (CFP) supports economic development in rural areas and territories across Canada through a network of 268 Community Futures Organizations (CFOs) including Community Futures Development Corporations and Community Business Development Corporations. CFOs are independent, not-for-profit organizations governed by a volunteer board comprised of community members. They provide direct support to local communities in four areas: business financing, business support services, community economic development, and strategic planning.

Created in 1985, the Community Futures Program has always played a key role in the growth of small and medium-sized enterprises by providing access to capital, information and services, and in the economic growth of Canadian communities by fostering new approaches to community economic development based on community strengths and information infrastructures. Community Futures organizations have also played a key role in times of crisis; helping rural businesses and communities endure and recover from disasters and economic disruptions like the Fort McMurray fires, the train derailment at Lac Mégantic, and the closure of the Port of Churchill.

Recommendation 1: That the government further leverage the Community Futures network of 268 locally directed organizations across rural Canada to support its overarching goal of ensuring a competitive Canadian economy.

As Canadians work together to limit the spread of COVID-19, the severe financial impacts of the pandemic and physical distancing measures have been particularly challenging for rural communities and the small businesses that they rely on to provide essential goods and services. The loss of one of these businesses in a small community, where there are no other local options, can be devastating.

In early May, Community Futures organizations were able to provide additional support to rural and remote businesses through the allocation of \$287M to the Community Futures Network of Canada (CFNC) through the Regional Relief and Recovery Fund (RRRF). Our network of CFOs has been quickly getting these supports into the hands of the businesses that so desperately need help.

For more than 35 years, CFOs have been involved in supporting the government of Canada's priority areas: improving quality of life of their fellow citizens by creating and maintaining jobs; diversifying the economy by supporting entrepreneurship among youth, women, and indigenous nations; and the business adaptation of innovation, new technologies and sustainable development. They work to eliminate the barriers that hinder the development of their community and to support and finance businesses that create collective wealth. Thanks to the skills and expertise of 5000 community volunteers and 1500 dedicated professionals, CFO's can help the government reach entrepreneurs and citizens in rural regions of the country.

The impacts in rural Canada generated by the Community Futures Program have been significant. From 2000-2020, Community Futures Organizations across the country made more than 111,000 loans worth over \$4.8 billion that created or maintained over 657,000 jobs. Those loans have also leveraged nearly \$8.4 billion in funding from other sources.

Annual studies of Community Futures clients conducted by Statistics Canada consistently show that, versus a control group, Community Futures-assisted clients:

- Have faster employment growth (8.0% vs. 2.9% unassisted)
- Grow their sales faster (11.2% vs. 6.2%)
- Have a better survival rate (80% vs. 52%) after 5 years

In 2018, in Western Canada, over 26% of loans made by Community Futures Organizations (CFOs) were to support Indigenous Economic Development, and nationally, 23 of the 58 Aboriginal Financial Institutions that are members of the National Aboriginal Capital Corporations Association (NACCA) are Community Futures Organizations.

On average, CFOs report that 43% of their client base are women, and that 29% of their loans are to businesses with women as the primary shareholder.

CFOs can contribute to the government delivering on results for these economic priorities with additional financial resources through a new allocation from the Treasury Board (i.e. not from the current budgets of the Regional Development Agencies).

Recommendation 2: That the government provide additional annual resources of \$42.35 million for 5 years to enhance the ability of Community Futures Organizations to support federal priorities, and to support rural and remote businesses as they recover from the economic impact of COVID-19.

Currently, funding to support the service delivery costs of CFOs varies significantly from region to region and even within regions. Surveys of CFOs across the country have revealed that the current level of federal funding, which has remained static for the past 12 years or more, has impacted the ability of CFOs to perform to their full capacity.

The need for support for rural business owners across Canada intensified in 2020 due to the economic challenges and uncertainties that arose from COVID-19. The allocation of \$287M to the Community Futures Network of Canada through the Regional Relief and Recovery Fund was vital in allowing CFOs to continue to support our rural and remote clients' needs. Over a 10-week period, the CFNC processed over 8,700 funding applications and successfully delivered over \$186M in relief loans to rural business owners.

RRRF Funding Applications Received and Value of Disbursements

# of RRRF Applications Received	RRRF Applications Received (\$ Value)	# of RRRF Loans Approved	RRRF Funding Disbursed (\$ Value)
8,808	\$ 299,207,437	5,768	\$ 188,363,882

The administration of the RRRF has increased the client base of many CFOs across Canada. Enhanced funding would support the servicing of these new clients over the next five years. Increased service delivery funding will make available adequate, equitable, indexed five-year funding to all CFOs in all regions of the country so that they are able to provide the level of service that their clients and communities require.

The total additional funds we are requesting for each of the next five fiscal years is **\$42.35 million**. The breakdown of this figure, by region, is as follows:

Region	Total Additional Resources (\$M)	Service Delivery (\$M)	CED Funds (\$M)
Atlantic	\$6.05	\$4.0	\$2.05
Quebec	\$10.35	\$7.0	\$3.35
Ontario	\$9.80	\$6.3	\$3.50
West	\$13.80	\$9.3	\$4.50
North	\$2.6	\$2.2	\$0.40
CFNC	\$0.2	\$0.2	-
TOTAL	\$42.35	\$29.0	\$13.35

The impacts of the additional funding will be significant. Over the next five fiscal years, we anticipate being able to:

- Increase our lending by more than 12%
- Undertake more than 1,600 new CED projects that will leverage an additional \$50.7 M

- Serve over 6,200 new clients
- Create more than 4,000 new jobs

The increased resources would allow for a minimum, average level of funding of \$400,000 for service delivery to be put in place. Without additional funding, not only will the ability to deliver programming to address federal priorities be compromised, but the management of our existing \$1.5 billion in federal assets will be at risk due to a lack of staff capacity to effectively monitor our loan clients.

The Horizontal Evaluation of the Community Futures Program issued by Innovation, Science and Economic Development Canada in June 2019 noted that some CFOs have reduced or stopped engaging in community economic development or strategic planning projects due to limited financial resources. Additionally, it was noted that some CFOs have been limited in their ability to meet community needs due to limited financial resources, whether generally or for specific program components, or due to the capacity of current personnel (given their current workload), which has contributed to outstanding unmet needs for specific identity groups, including women and Indigenous entrepreneurs.

Increased community economic development resources are proposed to allow for direct CFO investment in initiatives to keep local economies competitive. “Community-based projects and special initiatives” are one of the four Community Futures Program activity areas for which CFOs receive funding support. Yet, in a number of regions in the country, no financial resources have been allocated to the CFOs to enable them to participate, in a meaningful way, in local community economic development (CED).

Local initiatives undertaken in Ontario, Quebec and the West over the years have clearly demonstrated that CED is extremely effective in addressing economic challenges and enabling communities to create local economic opportunities that, in turn, support and sustain local businesses. It is an approach that recognizes that local challenges and opportunities are as varied as individual communities themselves and that locally-driven approaches to addressing those challenges and pursuing new opportunities have the greatest chance of success.

The CFNC estimates that an annual CED allocation of \$50,000 per CFO would be appropriate. We propose that, in each region, regional CED Committees comprised of representatives from the CFOs and their respective Regional Development Agencies would be responsible for reviewing and approving applications for CED project funding. This would ensure that the projects with the potential to produce the greatest economic impact would receive funding or that the funds are used to support projects in communities that are experiencing significant economic challenges.

With enhanced resources, the Community Futures Program will be well-positioned to support recovery of rural and remote businesses following COVID-19, while continuing to collaborate with the government to achieve our common goal of a strong, entrepreneurial, innovative, and prosperous Canada.

Summary

If rural and remote communities are to fully participate in the effort to ensure Canada's competitiveness, a concerted effort and appropriate resources must be applied to the development of strong and vibrant rural communities across Canada. It is only by doing so that our rural communities can have the chance to create and maintain a climate that is conducive for entrepreneurs to start, grow and sustain successful business.

Community Futures Organizations have worked with communities and entrepreneurs across the country to help them develop new and innovative products and services that can compete in today's highly competitive global marketplace. Our client group includes men, women, youth, Indigenous people and new Canadians. Much of our effort has been focused on providing entrepreneurs with the skills, training and capital they need to compete and prosper in a knowledge-based economy. We have also worked hard in our communities to promote and support clean and sustainable technologies.

The enhanced resources we are requesting will strengthen the Community Futures Program in rural Canada to accelerate access to services to reach marginalized and underserved priority groups, provide responsive solutions to support the scaling up and expansion of small businesses to stimulate growth, meet the capital needs as businesses enter the recovery phase following COVID-19, and support the sustainable development of Canada's rural communities through dedicated funding for community economic development initiatives.

We are confident that these supports will provide increased opportunities for all Canadians living in rural Canada to participate in the government's push to ensure Canada's competitiveness.