



co-operatives | coopératives  
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## **Submission to the BDC Legislative Review – March 2023**

From the perspective of the Canadian co-operative movement, we are pleased to engage with the Business Development Bank of Canada (BDC) with views from Co-operatives and Mutuels Canada (CMC) for the 2023 Legislative Review. CMC participated in the in-person Ottawa session in late 2022 and wishes to reiterate some perspectives on how BDC can best serve co-ops and grow its services to diverse Canadian co-ops that create inclusive economic growth.

### **How do you see the current business environment and what do you feel will be the greatest opportunities and challenges for Canadian SMEs that could be seized in the coming decade, whether through the BDC or another mechanism?**

Small and medium sized co-operatives struggle to navigate government resources due to the complex ecosystem of public policy measures that can impact their operations. The co-operative model intersects with all sectors - with examples like agriculture, retail, housing, childcare, and so many more areas of focus. Therefore, co-ops are affected by issues related to structural realities and familiarity (e.g. how they can work with government and have co-operatives be understood as a way of operating), differences between diverse co-operative models (e.g. worker co-ops or consumer co-ops, to name a few examples), as well as their sector-specific challenges (e.g. the realities of producing and selling Canadian agricultural products).

With BDC's roots as having been created to be a "one stop shop" for Canadian entrepreneurs, BDC can become that convenient source of information, funding, and other resources as a go-to for co-operatives across Canada. Co-ops struggle with a lack of public and governmental understanding of their unique models, and find themselves bounced between funders or officials who may not know where co-ops naturally fit for general support or advisory services, but with enhanced familiarity and more services by BDC, co-ops will gravitate towards BDC's offerings.

For-profit co-operatives have been eligible for some BDC support and services in the past, including recent BDC-partnered initiatives like the Black Entrepreneurship Loan Fund in 2021. Non-profit co-operative enterprises remain unable to access the BDC. However, of BDC's total investments and client base, co-op clients make up a fraction of the portfolio. As detailed in a co-op related presentation provided by BDC in 2015, BDC had \$20 billion in committed financing and \$862 million in venture capital, and within that were 41 co-op clients with a total portfolio value of \$30 million; most of that small portfolio was in the north and in Indigenous-owned co-ops. Barriers continue to limit co-ops' full participation in opportunities offered by BDC and other federal entities, including:

- Unclear eligibility criteria in the application materials made available
  - *Requiring more clarity and better communication*
- Ineligibility due to some co-ops' incorporation as not-for-profit entities
  - *Requiring expansion of eligibility to allow for NFP social purpose organizations to participate in BDC services*



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- Requirements for organizations to have at least two years of history since incorporation before applying for BDC funding
  - *Requiring expansion of eligibility to allow newer entities to participate*
- Lack of familiarity by co-ops about opportunities available
  - *Requiring BDC outreach to connect with new potential co-op clients*
- Limited internal resources to find and apply for funding opportunities (especially for smaller/upstart co-ops)
  - *Requiring accessible processes with simplified and streamlined applications that are not burdensome on applicants*
- A standard design of programs to cater to for-profit standard businesses and not account for social purpose organizations
  - *Requiring more engagement with organizations like CMC to better understand our members' needs and identify gaps*

### **Considering the effects of the COVID-19 pandemic and the changing economic conditions on SMEs, how has Canada's business landscape changed and how can the BDC best position itself to support Canadian businesses in this evolving environment?**

As detailed in a recent March 2023 report from Innovation, Science, and Economic Development Canada - [SME Profile: Co-operatives in Canada](#) - co-operatives demonstrated remarkable resiliency and agility during the COVID-19 pandemic compared to most SMEs. For example, *"only 15.8% of co-operatives had to close temporarily in 2020, for an average of 12 weeks, compared with 33.4% of SMEs."*

The pandemic acquainted many co-ops with how to learn about and navigate government funding programs, presenting opportunities for BDC to engage with co-ops to offer more financing going forward to build on this base of familiarity.

From the ISED report, for reference, *"Approximately 83% of co-operatives requested external financing in 2020, compared with 82% of SMEs. These figures are up from 47% and 65%, respectively, in 2017. (...) Approximately 22% of co-operatives and 16% of SMEs requested debt financing in 2020."*

### **Moving forward**

CMC is available to convene conversations, connect BDC team members with Canadian co-op stakeholders, and more - activities we frequently enable with other government departments, arms-length agencies, and federal government departments, such as with upcoming webinars in April 2023 co-hosted with ISED about how co-ops can access federal services. We welcome opportunities to be consulted on the design of future programming as the Legislative Review is completed and to educate CMC members/partners on how they can connect to BDC services. Please contact Diamond Isinger, Director of Advocacy, at [disinger@canada.coop](mailto:disinger@canada.coop)