

# **Governments and Co-operatives in Canada**

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Co-operatives have existed in Canada since the mid 1800s. The earliest began with the formation of a farmers' mutual fire insurance company. Later co-operatives were involved in the processing of cream, grading of eggs and marketing of grain. Agricultural supply and marketing co-operatives formed the base from which subsequent Canadian co-operative activities developed. The credit union/caisses populaires movement, a major part of the Canadian financial system, had its roots in Québec, with the founding of La Caisse populaire de Lévis by Alphonse Desjardins in 1900.

Co-operatives are very important to the economy:

- There are 10,000 co-operatives in Canada providing jobs for 136,000 people.
- They have a membership of 14.5 million, representing around 35 per cent of all Canadians - In Québec and Saskatchewan 66 per cent of the population are members of a co-op.
- 70,000 volunteers contribute to the success of co-operative businesses as members of boards of directors, and they gain leadership and management skills.
- 17 co-operative businesses are listed in the top 500 companies in Canada.
- Canada's co-operatives represent Can\$157 billion in assets and the non-financial co-operatives have annual revenues of Can\$24.8 billion.
- Co-operatives market 59 per cent of all the grains and oilseeds, 57 per cent of all milk, and 47 per cent of all poultry produced in Canada.

- There are 3,000 localities in Canada serviced by credit unions and caisses populaires. 900 of these have no banks or other financial institutions in the locality.
- The assets of financial co-operatives amount to 14 per cent of the assets of all major financial institutions in Canada.

Co-operatives service many needs through a wide spectrum of types, from daycare co-ops to agricultural and funeral service co-ops.

### **Governments and co-operatives**

The subject of the relations between the governments and the co-operative sector has to be examined in the context of the division of powers between the different levels of government in Canada. The federal government and the provincial governments have their areas of exclusive jurisdictions, and areas when both governments share jurisdictions defined by the Constitution. Canada is a federation of ten provinces and two territories with a rich history of support for co-operatives.

In the first part of Canadian history, the federal government was promoting co-operatives in order to sustain the expansion and the occupation of the territories west of Ontario. Soon the need to monitor the development of co-operatives appeared and the federal government started the collection of key statistics on co-operatives and credit unions; a function that is still performed by the Co-operatives Secretariat. Early in this century, one after the other, the provinces established legislation on co-operatives and credit unions to provide them with the legitimate corporate status they needed to evolve and grow. We cannot understate the importance of the role of provincial governments regarding co-operatives. Their approach varies between provinces; some confining their role and efforts strictly to regulation while others offer more active support measures in developing the co-operative sector, including the provision of personnel and financial aid to co-operative development.

In 1952, the federal government adopted its first co-operative legislation to provide the credit unions with a national structure. In 1970, federal legislation on co-operatives was enacted to respond to the need of other types of co-op with interprovincial activities. After 27 years of this Act, a new federal co-operative

act is currently being introduced. Today, nearly all Canadian co-operatives are incorporated under provincial authority. A few co-operatives that operate in more than one province were set up under the act for Private Business Corporations, or under special acts, during the years before the federal co-operative legislation was passed. Some of these have since been reincorporated under the Canada Business Corporations Act, but most (and these include some of the larger co-operatives in Canada) continued under the federal legislation for co-operatives. There are ordinances governing the organisation of co-operatives in the Yukon and Northwest Territories.

There is more supervision of credit unions and caisses populaires. In all provinces, there is a continuous monitoring function to ensure that credit unions are complying with the applicable acts and by-laws. Monitoring also includes management practices and other elements that could risk the financial soundness of the business. This monitoring process is done in partnership between government and the credit unions and caisses populaires themselves. The process is not unlike what would be undertaken in other financial institutions to protect the deposits of the public. Canadian co-operatives are generally subject to the same taxes as other business corporations. They are recognised under the Income Tax Act as a distinct form of business, however the rules applied to patronage dividends paid are also applicable to other business firms which may, subject to certain restrictions, deduct it in computing income for tax purposes.

The federal government and its agencies provide support to co-operatives as well as the private sector in areas such as production assistance, economic development, export sales, international development aid, etc. However, most government aid to co-operatives is equally available to other private sector organisations. The only three notable exceptions are the support provided to agricultural marketing co-operatives, housing co-operatives and northern native co-operatives during the 1970s and 1980s.

An ongoing area of partnership is the international development assistance programme where the co-operatives work closely with the Canadian International Development Agency (CIDA) to deliver development assistance directly to the needy population of developing countries. Funds are provided to the Canadian Co-operative Association (CCA), Développement International Desjardins (DID) and the Société Coopérative de Développement International (SOCODEVI).

## **The Co-operatives Secretariat**

In 1984, the co-operative sector submitted to the federal government the National Task Force Report on Co-operative Development which led to the establishment of closer relationship and ultimately, in 1987, to the creation of the Co-operatives Secretariat. The Secretariat, created from the Co-operatives Section of Agriculture Canada, is headed by an Executive Director seconded from the co-operative system. The Executive Director works closely with the Minister responsible for liaison with co-operatives. The Secretariat is dedicated to the promotion of a better understanding of co-operatives' needs within the federal apparatus, and to help in finding partnership opportunities and in solving problems. Also in 1987, an Interdepartmental Committee on Co-operatives was created and the Minister Responsible for Co-operatives named an Advisory Committee composed of people knowledgeable of the co-operative sector.

The Co-operatives Secretariat was established ten years ago (1987) with a mission of the economic growth and social development of Canadian society through co-operative enterprise. The Minister of Agriculture and Agri-Food Canada (AAFC) is the Minister Responsible for Co-operatives. The Co-operatives Secretariat supports the Minister in this responsibility by working with many federal departments which have policies or legislation that affect co-operatives. Specifically, the Secretariat's role is to raise awareness of and to promote the co-operative model through all federal departments and agencies.

The mandate of the Co-operatives Secretariat is to help the federal government respond more effectively to the needs and concerns of Canadian co-operatives. The Co-operatives Secretariat will:

- 1) ensure that the needs of the co-operative sector are taken into account by the federal government, especially in the development of policies and programmes;
- 2) inform the Federal Government's key players about the role and the potential of co-operatives in the development of Canadian society and its economy;
- 3) foster a beneficial exchange of views among the federal, provincial and territorial governments, co-operatives, academics and other stakeholders engaged in the

development of co-operatives;

- 4) facilitate co-operatives' interaction with the Federal Government; and
- 5) provide governments, key economic stakeholders and the general public with information that presents co-operatives in their true dimension.

The Co-operatives Secretariat has established a number of operating principles to help focus on meeting these challenges. They are essentially based on an intervention as early as possible to ensure that the co-operative sector interests are understood and taken into account when programmes and policies are developed. The second most important element is the communication with all stakeholders with an emphasis on government officials to ensure that they are fully aware of co-operatives and their role in Canadian society and its economy. Mentality and perception have to be changed.

### **The Interdepartmental Committee on Co-operatives**

The Interdepartments Committee on Co-operatives is a policy oriented coordinating group of senior designated officials from relevant federal departments and agencies. The individual members are the contact point within their department, and are responsible for ensuring the two-way flow of information and for providing resources to initiate sub-committees to prepare studies on specific problems. They represent the main governmental response to ensuring that co-operatives receive equitable treatment with other forms of business. The functions of the Committee are to:

- 1) discuss and make recommendations on federal policies and strategies related to the economic, social and cultural role of co-operatives in Canada;
- 2) coordinate matters related to the co-operative sector within the context of overall government policies and strategies;
- 3) provide, as individual members, information on their policy decisions and strategies which may affect relations with co-operatives;

- 4) share information to ensure concerns of Canada's co-operatives are addressed expeditiously and in a coherent manner; and
- 5) share information to ensure that co-operatives receive consistent treatment among departments, and within departments.

The committee is made up of (one or more) officials representing some 17 departments or agencies whose policies, programmes or strategies affect co-operatives either on a recurring or an occasional basis. Representatives of the other departments are asked to participate as topics warrant.

### **The Advisory Committee on Co-operatives**

Appointed by the Minister Responsible for Co-operatives, the Advisory Committee on Co-operatives is comprised of senior officials from the co-operative sector representing sectoral and regional interests. Its functions are to:

- 1) evaluate, and advise the Minister concerning policies, programmes and strategies initiated by the federal government which impact on the economic, social and cultural role of co-operatives in Canada;
- 2) assess, and advise the Minister concerning policies and strategies initiated by the co-operative sector which will request/require action on the part of the federal government;
- 3) suggest, and provide advice, on the initiatives to be taken by the Co-operatives Secretariat in its role of coordinator of government/co-operative sector interaction.

The members were named to the Committee to provide personal views and opinions on issues, not as the spokespersons for the organisations of which they are members. All deliberations are confidential to encourage open discussion and the expression of personal views and opinions.

## **Main priorities**

The main priorities of the Co-operatives Secretariat are to increase government awareness of co-operatives. A study completed in 1993 highlighted the lack of understanding of co-operatives by senior government officials. Despite goodwill, they have some difficulty identifying the impact of co-operatives on their work and, more important, in what way their work impacts on co-operatives. The adoption of a new federal co-operative act is also a priority and this work should be completed early in the new year. The development of a Federal Policy on Co-operatives is also seen as an important element that is currently missing. This would help to ensure policies and programmes of government deal with co-operatives equitably and encourage their development in a more concerted manner.

## **The co-operative sector's main concerns**

The co-operative movement has identified a number of areas where the government should make adjustments to its policies and programmes. Several studies point to the lack of capital as the most important issue for Small and Medium Size Enterprises (SMEs). The co-operative movement strongly believes that, in most instances, the critical issue is more the need for technical support to entrepreneurs in their business planning, and in the follow up to this at the early stages of the SME. Also lacking are worthwhile projects; good, viable ideas are in short supply. In the view of the co-operative sector, certain government agencies are also seen as competitors to co-operatives; some of these agencies have been directed by government to be more self-sustaining, and this has led them to seek to engage in more lucrative business activities. From the perspective of co-operatives, the service activities of government agencies or their delivery mechanisms should be complementary, rather than competitive, to prospective partners in the private and non governmental sectors. Co-operators say that it is the responsibility of government to ensure a level playing field, so that co-operatives have the same access to government programmes and are given due profile when government is providing information about setting up businesses. Also they feel that government spending in development programmes should aim at providing assistance to co-operatives proportionally to their

socio-economic impact. They argue that the co-operative sector promotes multi-stakeholder partnerships, and that the co-operative model can contribute to the overall government objectives of jobs and community development. It is from this viewpoint that they argue that the government should introduce specific measures to assist co-operatives in their development programmes.

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