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# Provincial Support for CED in Manitoba

The Experience of  
CED Practitioners

By Mara Fridell, Ian Hudson,  
Mark Hudson and Eduardo Regier

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The Experience of CED Practitioners**

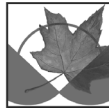
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# Introduction

Loxley et al. argued that Community Economic Development (CED) could function as an alternative economic framework which, instead of the strict focus on growth through profit maximization seen in liberal capitalism, might generate a balance between economic, social, environmental, and community well-being (Loxley, Silver & Sexsmith 2007). Loxley and Simpson positioned the NDP government in power in Manitoba from 1999 to 2016 as a leader in terms of CED policy within Canada, providing an alternative to the neoliberal modes of addressing social and economic problems that have been adopted by most other provinces (with the exception of Quebec). They (2007:3) suggested that in contrast to the prevailing neoliberalizing winds, “social democratic governments (in Quebec and Manitoba) have been important promoters of CED/Social Economy” (see also Sheldrick & Warkentin 2007).

Although the NDP government has, in many ways, been supportive of CED, the opinion of CED practitioners on their relationship with the provincial government, and the specific policy tools that impact CED, have not yet been investigated. This report is an attempt to investigate how CED practitioners experienced their relationship with the Provincial NDP government. An examination

of all the ways in which the government impacted CED organizations would have been well beyond the scope of a single report. As a result, in consultation with CCEDNET, this report chose three specific areas: the use of provincial procurement to foster CED; provincial policy towards the non-housing cooperative sector; and provincial policy in relation to housing cooperatives. Our analysis uses data gathered from focus groups made up of CED practitioners. As a result, the report is based on how the CED community experienced what has been described as a particularly supportive environment, at least compared to other provincial jurisdictions.

The remainder of the report will be as follows: first it will review the existing literature on the importance of policy for CED; second, it will review the policy environment for CED created by the NDP in Manitoba especially the specific policies that are being investigated in this study; third it will highlight some of the policies that have been implemented in other provinces; fourth it will analyze the responses of the focus group participants in procurement, non-housing cooperative and housing cooperative focus groups; finally recommendations will be made and conclusions drawn.

# The Role of Policy in CED

CED asserts that communities should internally determine what development means to them, so that they may organize their production and investment to ensure the needs of community members are met. Leach (2013) argues that development imposed from outside a community often fails to meet community needs, and leads to economic instability as outside owners often don't understand communities needs and may exit the community when more attractive economic prospects arise elsewhere. Advocates of CED argue that communities with higher levels of local ownership perform better in terms of economic resilience, social inclusion, income distribution and job creation, particularly among disadvantaged members of the community (Leach 2013). By having people directly involved in determining development within their community CED aims to provide a more participatory society, and a more equitable distribution of wealth, particularly for those left out of the current economic system. Condensing these principles, CED can be defined as a community-driven process that combines social, economic and environmental goals to build healthy and economically viable communities.

Not all approaches to CED are the same, however. Loxley (2007) distinguishes between two

prevailing interpretations of CED's role in the economy. The first sees CED as a tool for filling gaps in the dominant capitalist system, helping to meet the needs of those currently left out without completely restructuring the economy. The second sees CED as a viable alternative to capitalism and argues the benefits it provides could be great enough to warrant, and help achieve, a complete transformation of the existing economic system.

Because CED initiatives include social outcomes in their goals, they often incur costs that profit maximizing, private sector firms do not. To survive competition with these firms, subsidization, which is primarily provided by the state, is often seen as essential (Loxley 2007). Amyot et al (2012:13), for example, point to the acute "need for public policy that supports the Social Economy as a means for delivering on social, economic, and environmental objectives and arriving at solutions to pressing issues of homelessness and landlessness, poverty, social exclusion, sustainable livelihoods, community decline, and environmental degradation." Similarly, Reimer et al (2009:1) attest that "supportive policy can play a crucial role in the success or failure of CED initiatives." While Reimer et al. (2009:1)

have suggested that “the connection between policy and CED activity is not always very obvious and often not well understood,” recent contributions to the CED literature have collected and distilled important policy lessons gleaned through the practice of building social economy institutions and enterprises. Loxley (2007) proposes that state support can be divided into seven broad categories:

- 1) *Measures to Create a Supportive Environment:* legislation outlining CED organizational requirements, tax status, responsibilities of board members and possibly organizational assistance to help communities form their own operations.
- 2) *The Provision of Finance:* provincially provided loans, loan guarantees, or funding to support day to day operations such as staffing, travel and office costs.
- 3) *The Provision of Markets:* while not direct subsidization, providing sheltered markets for CED initiatives or buying their goods at a higher price allows protection from private sector competition.
- 4) *The Reduction of Overheads:* overhead costs are often a significant challenge for CED initiatives as they tend to be small scale operations. The province can provide large, shared spaces to house multiple enterprises at once to help reduce these costs.
- 5) *The Provision of Employment Subsidies:* subsidizing the costs of employment

not only increases the viability of CED operations, but can create a financial benefit for the province by reducing social assistance claims and increasing tax revenue.

- 6) *The Provision of Training Assistance:* the province can support organizations by providing funding for training materials, bursaries for students and skilled instructors to teach relevant courses.
- 7) *The Provision of Expertise:* by providing administrative, legal, financial, organizational, taxation, or workplace safety advice the province can help CED organizations navigate the complexities of their operation that might otherwise be financially out of reach for them.

Though the social benefits and fiscal returns of CED programs may be greater than the subsidies necessary to sustain them, subsidization for CED initiatives in Manitoba has always been precarious. Accurately calculating and presenting the social and fiscal benefits of CED projects is difficult and may be hard for policy makers to follow (Loxley et al. 2007). Changes in government often lead to changes in economic and social priorities, making long term support anything but certain (Loxley 2007). One of the key issues addressed later in this report will be how CED practitioners in Manitoba feel about this uncertainty, and whether they believe reliance on the province is an appropriate strategy for CED.

# CED Policy Under the NDP in Manitoba

Although CED can potentially include a wide variety of ownership models, two are closely associated with CED in Manitoba: Social Enterprises (SE) and Cooperatives. The Canadian CED Network (2009) defines a social enterprise as a revenue-generating business with primarily social objectives whose surpluses are reinvested for that purpose in the business or in the community, rather than being driven by the need to deliver profit to shareholders and owners. Cooperatives are businesses or organizations that are owned and operated by the people who work there or the people who use their services. Both models are mainstays of the Manitoba CED environment, and much of the data gathered for this report comes from members of social enterprises and cooperatives, which have been affected by the policies which will be discussed in the following sections.

In 1999, Manitoba Premier Gary Doer established the Community and Economic Development Committee of Cabinet (CEDC), which was designed to create a medium for members of the CED community to provide Ministers with advice on how best to support CED. Following this, in 2001 a CED policy “lens” was implemented to further encourage consideration of CED prin-

ciples when creating provincial policies. The NDP claimed to support CED by: engaging with communities about their needs and priorities, establishing major new CED programs, building new opportunities in emerging CED sectors and supporting initiatives to build safe, healthy and vibrant communities (Manitoba Provincial Government 2006).

While the creation of the CEDC and the CED Lens were seen as positive developments and a marked improvement to the previous government’s top down approach to policy creation that left little or no opportunity for CED members to participate in policy development, they have been less effective than many had hoped (Bernas & Reimer 2011). The CEDC was made up of ministers from six departments: Industry, Trade and Mines, Advanced Education and Training, Aboriginal and Northern Affairs, Culture, Heritage and Tourism, Agriculture and Food and Intergovernmental Affairs. While CED was a goal of the committee, it was only one of many. The committee was responsible for broad economic development, which some committee members had previously described as incompatible with CED principles, instead favouring traditional methods of growth such as a focus on making

Manitoba an attractive environment for outside investment (Loxley et al. 2007). While the CEDC was meant to ensure CED principles were considered when creating policy, there was no systematic process enforced across government for guaranteeing that this occurred (Bernas & Reimer 2011). This lack of institutional enforcement resulted in CED principles only being applied by ministers who were personally inclined to do so (Bernas & Reimer 2011). MacKinnon (2006: 28) has pointed out that while the CED Framework and Lens afforded the opportunity of strong, centralized support for CED-friendly initiatives across government departments, its structure left a void in which CED became “the interest of everyone, and the responsibility of no one.”

Though the introduction of the CED Lens was meant to integrate a CED perspective into government policy creation across departments, its use has been largely internal rather than as a means of facilitating the participation of CED practitioners in developing policies (Loxley et al. 2007). Invitations for community members to contribute ideas are rare, and considered as informal information gathering sessions. Those departments traditionally most responsible for economic development have chosen not to use the Lens when reviewing programs (Loxley et al. 2007). As a result, some of the potential of the Framework and Lens went unrealized.

In addition to this general policy framework, this report will investigate several specific policy measures either instigated or reformed under the NDP in Manitoba. These specific policy initiatives were identified as important and underinvestigated in consultation with CCEDNET and the MCA as well as CED experts in Manitoba.

Focus group participants were asked to reflect on the overall role of government in supporting CED, but were also asked specifically about a variety of Manitoba’s provincial government supports based in procurement and taxation. In the 2006 provincial budget, the Manitoba government listed progressive procurement as one

of the methods it would use to foster CED in the province. Using tools such as the Social Purchasing Portal, which is a medium to connect CED initiatives and buyers, the province intended to expand their procurement of goods and services from CED initiatives (Manitoba Provincial Government 2006). In doing so, the province aimed to support CED by using its purchasing power to provide these initiatives with a source of revenue they otherwise would not have.

Within this goal, the Aboriginal Procurement Initiative (API), was created to increase the participation of Aboriginal peoples and suppliers in providing goods and services to the Manitoba government (n.d.). The program acknowledged that Aboriginal firms have been under-represented in government procurement opportunities and the Province hoped the API would help remedy this by stimulating Aboriginal business development, indirectly creating new employment opportunities and increasing procurement from Aboriginal businesses.

CED supports also came in the form of various tax credits. The Community Enterprise Development Tax Credit (CEDTC) was a provincially provided income tax credit designed to help community based development projects raise equity capital by providing a 45 percent income tax credit to investors (Manitoba Provincial Government n.d.). By incentivizing investment in CED initiatives, the tax credit helps generate the capital necessary to launch or expand CED projects.

Another provincially provided tax credit, the co-op development tax credit, allowed already established co-ops to contribute to a fund that new and expanding co-ops could access in the form of small grants or technical assistance, and it provided up to a 75 percent refundable tax credit to those who contribute (Manitoba Cooperative Association n.d.). The tax refund supported CED by motivating co-ops to contribute to the fund to assist each other with developmental costs.

This is not an exhaustive set by any means, and earlier research by the Errol Black Chair at



CCPA Manitoba (Fernandez 2015) lays out a number of crucial government supports for CED that we do not discuss. Fernandez convincingly argues that the successes of some CED initiatives and social enterprises in Manitoba hinges critically on specific pieces of Manitoba legislation and policy initiatives. The role, for example, of provincial legislation in enabling housing and energy retrofits contracted to social enterprises

like BUILD or Aki Energy, is not discussed here. The role of Neighbourhood Renewal Corporations in administering government support of social enterprises is likewise not addressed, so the perspectives of CED practitioners reflected in this report must be seen in the light of a broad, enabling policy context, as well as in light of their direct experiences with specific public sector initiatives.



## Support for CED in Other Provinces

When discussing how policies affecting CED within Manitoba can be improved, examining the structure and outcomes of tools used in other provinces can provide valuable examples. The following will briefly discuss some of the funding tools and policies designed to foster CED in other provinces.

In Nova Scotia, a wide range of supports were implemented to support local economic development, and while not particularly targeted at CED, they have greatly benefitted both co-ops and SE (Canadian CED Network 2009). The Equity Tax Credit of Nova Scotia was designed to assist small businesses, co-ops and CED initiatives in obtaining equity financing by offering a personal income tax credit of 35 percent on investments up to \$50,000 to individuals investing in the businesses (Nova Scotia Provincial Government 2015). To further facilitate investment in these initiatives, Nova Scotia created Community Economic Development Investment Funds (CEDIFs), which received capital contributions to invest in initiatives that were eligible for the tax credit (Canadian CED Network 2009). Since its inception in 1998 the CEDIF program (n.d.) has generated 120 offerings that have invested \$40 million in local enterprises. While the creation

of the funds succeeded in attracting investors, the province has had to play a more involved role than initially anticipated. The CEDIFs were designed to be self-managing funds, however the province noted they were struggling to attract and retain board members qualified to manage such complex investment portfolios, leading to the province having to provide the necessary technical support (Chernoff 2008). Later sections of this report will show that these challenges of continued reliance on government support and difficulty attracting highly skilled workers to CED initiatives are challenges faced in Manitoba as well.

In 1999, the Nova Scotia provincial government decided to devolve responsibility of co-op development to a non-governmental group, the Nova Scotia Cooperative Council (NSCC) (Canadian CED Network 2009). The NSCC was designed to strengthen the co-op sector in the province, but also assisted in developing other SE's. Among the services provided to prospective or existing co-ops by the NSCC were business development assistance, planning, technical assistance, incorporation assistance, legal and by-law development advice and development seminars (Canadian CED Network 2009). The NSCC

used these tools to meet annual targets for the development of new co-ops, and in some cases founded co-ops itself. The NSCC also worked to develop awareness and interest in co-ops by working with a local community college to incorporate co-op development sections in the college's business curriculum (Canadian CED Network 2009).

In Quebec, social enterprises are defined differently than the rest of Canada. While the definition requires businesses to have democratic governance and often encompasses traditional SEs and co-ops, it does not require social goals to be the primary objective of the initiative, making the social economy in Quebec not directly comparable to those seen in other provinces (Bouchard, Cruz Filho, & Zerdani 2015: 47). Despite this difference, funding and provincial tools that exist to support the social economy in Quebec are comparable and relevant to those seen in Manitoba.

The Chantier de l'économie sociale Trust was established in Quebec with the goal of stimulating expansion and development of collectively run enterprises by improving access to financing and by enhancing the capitalization of enterprises within the social economy (Chernoff 2008). In 2006, the Chantier launched with an initial \$52.8 million capital pool, and in its first year of operation invested \$4.5 million in 12 social enterprises. The 2015 annual report for the Chantier states it has invested \$48 million in 144 enterprises, with economic benefits of \$309 million and the creation and maintenance of 2,584 jobs. When judged by the size of the pool and its record of investment in social enterprises, the Chantier has been one of the most successful capital pools within the social economy across Canada (Chernoff 2008). The Chantier also provided training sessions and disseminated informational materials throughout the social economy. Though the Chantier did not provide any technical assistance, a strategy that allowed for a smaller more specialized

staff, it partnered with existing initiatives to connect the enterprises that it financed with technical assistance.

While the majority of social enterprise revenues in Quebec are obtained from the private market, the provincial government has also facilitated the growth of non-profit organizations who receive the bulk of their revenue by providing social services (Canadian CED Network 2009). The province has actively promoted the devolution of some public services to non-profit corporations, having them supply services such as ambulance, home care, child care and social housing. This combination of strong investment pools such as the Chantier and supportive government policies have contributed to creating a relatively large social economy, with over 7,000 enterprises holding \$40 billion in assets (Chantier de l'Économie Sociale Trust n.d.).

In 1997 the provincial government of British Columbia established Enterprising Non Profits (ENP), a funding program to provide matching grants to non-profit organizations in BC interested in starting or expanding a business. As well as providing matching grants of up to \$10,000 to assist with staffing and organizational costs, ENP supported the development of the SE community in BC by providing planning and technical assistance, connection to markets, and advocacy (Canadian CED Network 2009). ENP conducted workshops to assist organizations in identifying potential businesses opportunities, technical assistance for a wide range of development issues and shared online business development resources. It connected SE's with new market opportunities such as the social purchasing portal, an online procurement tool, which will be discussed in detail in a later section of this paper. ENP also helped coordinate SEs to advocate for public policy changes to help strengthen the SE community and disseminated resources to promote understanding of the SE sector. ENP (n.d) assisted over 800 non-profits before the program was ended in 2016.

These policies have similar goals to many of those implemented in Manitoba under the NDP. Indeed, many of them are fairly similar in structure to policies implemented in Manitoba. Given the prevalence of policies designed to support

CED in Manitoba and the rest of the country, it is important to assess how the CED community (those whose work these policies are intended to facilitate) view them.

## Focus Groups on CED in Manitoba

As we highlighted in previous sections, past scholarship has pointed out the importance of public policy for CED. Manitoba is, within this literature, positioned as a leader in the development of public policy that can facilitate CED. The starting premise of this report is the recognition that states — including provincial governments — play a crucial role in establishing a positive policy environment for CED, and that Manitoba has taken some important steps in doing so. However, a critical look at the unfulfilled possibilities of provincial policy can provide guidance, grounded in the experience of CED practitioners in Manitoba and policy innovations in other jurisdictions, for the state as it attempts to facilitate CED in its both “gap-filling” and “transformative” functions.

In collaboration with CCEDNET, this report investigates how CED practitioners view the poli-

cies designed to support their organizations by a relatively supportive provincial government. The focus groups facilitated a conversation among participants that reflected broadly on the role of government in supporting CED, including its appropriateness and effectiveness. In addition, groups concentrated on three different policy areas designed to foster CED, which were flagged by MCA and CCEDNET as important: 1) Procurement from CED organizations such as social enterprises and cooperatives (here we define CED organizations as organizations with either social objectives, or democratic ownership structures and so would not include locally owned businesses); 2) Support for the development of cooperative businesses, and 3) Support for new or existing housing cooperative projects. Each of these was the subject of a separate focus group, populated by relevant Winnipeg CED practitioners.

# Methods

Focus groups were conducted to facilitate conversations with a purposive sample of CED practitioners. For logistical reasons, the sample was drawn primarily from the Winnipeg region and those within a reasonable commuting distance. As a result, it does not reflect the experience of more isolated communities, especially those from the north. With the assistance and advice of CCEDNET staff, and through conversation with CED activists, key informants with experience and expertise related to provincial government procurement processes, co-op development, management, and policy and housing co-ops were identified. Since the policy landscape differs considerably for housing co-ops, and because housing co-ops were targeted specifically by the former provincial government as a promising sector for addressing Manitoba's and Winnipeg's low-income housing needs, we convened a specific focus group dedicated to co-ops in the housing sector. A second group involved individuals working with a variety of types of cooperatives (member co-ops, housing co-ops, worker co-ops), and drew on the experiences of both well-established and newer co-ops, some larger and some small. A third group involved participation by individuals active in either social

enterprises or cooperatives working in a variety of sectors, with varying social or environmental missions. This final group focused on the issue of provincial government procurement policy and practice. Each focus group was asked a set of questions specific to the policy area. Focus group participants were approached and recruited with the assistance of CCEDNET and the Manitoba Cooperatives Association. They were compensated for their time with an honorarium, and the sessions were coordinated through CCEDNET staff in downtown Winnipeg, close to where many of the participants work. Focus groups were attended by a minimum of three members of the research team, and involved conversations with the full group of six to nine individuals, as well as break-out sessions for smaller group discussion. These were facilitated by one of the research team members, and were recorded and transcribed. The focus group questions are in Appendix A.

Once the focus groups had been completed, the qualitative data analysis program NVivo 10 was used to develop key themes, code the focus group transcripts and analyze the data. NVivo allows for transcribed text representing the comments of participants to be attached to "nodes". Each node represents a theme that emerged to the

research team as significant in the transcripts. These nodes organize and connect the persistent topics and themes that were observed in the data across or within the focus groups. Nodes were created for each of the major topics discussed, such as the CED Tax Credit, Procurement, and the Registrars Office. Other recurring themes, such as issues of co-op solidarity, participants' attitudes towards the province and the appropriateness of CED's reliance on the province were coded in the same fashion. Within each of these

nodes, three sub-nodes were created: Positive Experiences, Negative Experiences and Ideas for Improvement.

Decisions on which topics and themes to include in the NVivo coding were influenced by the frequency with which they occurred within the transcripts, the degree to which participants expressed they had a significant impact on their initiatives and the policy environment, as well as previous literature on the interaction between CED initiatives and the state.

# Focus Group Findings

## Procurement and RFPs

In practice, CED practitioners in our procurement focus group questioned the implementation and genuineness of progressive procurement policy. Winning procurement contracts has been rare for focus group participants. One participant noted that the only time their initiative was awarded contracts was for high profile, public events where the province showcased their support for CED businesses. This sentiment was shared by others in the group who stated that the proportion of their revenue coming from government procurement has been as low as a fraction of a percent. It is difficult to triangulate this claim or to determine if it generalizes to the CED community because centralized reporting on the percentage or amount of provincial procurement that takes place through CED-focused vehicles is not publicly available.

Within the procurement focus group, no one had accessed the API and the few who were aware of the program's existence had only a cursory knowledge of its mandate and requirements. One participant involved with a SE that has a largely Aboriginal staff noted that programs like the API are under-promoted by the province, resulting in SE's having to undergo the laborious and ad-

ministratively taxing task of searching out and researching many different programs to find ones beneficial to their organization.

Participants felt that one of the reasons for limited procurement by the province, despite the rhetoric around using its purchasing to support CED, is a tension between the goals of procurement officers and the goals of CED. Procurement officers have a budget to protect, and participants felt that this often led to officers choosing the lowest cost provider, regardless of quality or concern for the social benefits that come with buying from a socially responsible initiative. As previously mentioned, CED initiatives incur costs in delivering broader social benefits that traditional firms may not, making it difficult for CED organizations to compete purely on price. Though the government stated that the CED Lens should be used when procuring goods and services, factoring in the social benefits rather than simply price, participants were in consensus that procurement officers usually do not consider the Lens, and noted that there is no form of enforcement to assure they do so. One participant said they had more success winning contracts when they presented only the financial strength of their service and without mentioning



the social benefits, lending weight to the belief that the social elements that should have been considered with the CED Lens were not.

Participants also found that failure to use the CED Lens often led the province to purchase goods and services which may not be the most cost effective in meeting its stated goals. One participant noted the need for “mindful procurement,” using the procurement budget in a manner that was more mindful of the overarching long term goal of procurement policy, rather than just focusing on the short term goal of low cost purchasing. One example of this is the construction of correctional facilities. While the short term goal is to build a facility at the lowest possible cost, a superior approach would be to consider the overarching goals of the criminal justice system, such as reducing crime. If this overarching goal is used as the criteria for what the government spends its money on, and how it is spent, it is possible that funds would be spent differently. For example, Building Urban Industries for Local Development (BUILD) (n.d) is a non-profit contractor that provides training and employment for people who face barriers to employment. By providing work to those who otherwise may not be able to find it, BUILD helps reduce unemployment within the community which can lead to a decreased burden on social services and a reduction in crime. If procurement officers used the CED Lens to accurately value the benefits provided by services like BUILD when considering how best to use their budget to achieve goals such as crime reduction, they may find them more cost effective than traditional solutions such as building more jails, one of which is slated to be built in Dauphin for \$180 million. Because SE’s primary goal is to generate social benefits, they are well suited to provide these sorts of solutions. If the province were to use the CED Lens to assess true costs and benefits when deciding what to procure, it may result in more contracts which are suitable for CED initiatives.

While CED practitioners felt that the concept of procurement had potential to be a valuable tool, its implementation by the province undermined this potential. Of particular concern was the lack of supporting policies to ensure that CED initiatives were actually being engaged and the value of their services evaluated through the CED Lens when making procurement decisions. During the renovation of a Winnipeg hotel, Manitoba Housing included a clause for social procurement that required the winning firm to include social considerations such as hiring members of marginalized communities to do the work. However, participants noted that there was no form of enforcement or follow up to ensure this social engagement actually occurred. In another instance, a government contractor that was attempting to hire a CED organization asked them to compete against each other to provide the service at the lowest cost, which is a violation of CED principles of cooperation and solidarity. Other participants expressed concern that procurement officers did not understand CED principles, and expressed skepticism about the province’s genuine desire to ensure that CED initiatives were being engaged, and their principles incorporated, in provincial purchasing decisions.

To improve the effectiveness of progressive procurement, two changes were suggested. First, CED practitioners would like to see the province commit to the use of the CED Lens to accurately value the goods and services being provided by social initiatives, rather than simply awarding contracts to the cheapest provider. By contracting local CED initiatives the province would ensure that profits remain within the community, fair wages being paid and those who may otherwise struggle to find employment are given the opportunity to work. When including the value of these factors, the province may actually see a net financial gain, as providing work to marginalized populations can increase tax revenue and decrease the burden on social assistance services

(Loxley 2007). In one example, a CED initiative bidding on an industrial cleaning contract was unable to compete on price with a corporate cleaner who used a piecework system, which resulted in paying less than minimum wage and provided no benefits. While local caterers may not be able to provide food as cheaply as large corporations such as Tim Hortons, CED practitioners want the province to consider the broad benefits provided by initiatives that include social well-being in their priorities.

Second, effective use of procurement for CED requires supportive and enforced policy to guarantee that social initiative engagement is actually occurring when contracts are awarded. As previously stated, there is currently no enforcement or follow up to ensure that companies who win procurement contracts with clauses for social engagement actually follow through in fulfilling those clauses. Participants found that provincial announcements about its procurement goals without additional supportive policies including follow up, training of procurement officers, measurable indicators and enforced commitments, were of limited value.

Related to procurement, the province also solicits Requests for Proposal (RFP) from both traditional private sector firms and CED initiatives such as co-ops to provide goods or services (Manitoba Provincial Government n.d.). RFPs are often used by the province to award housing development contracts, for which housing co-ops are eligible to apply. Participants in our housing co-op group suggested that RFPs could be used as a means to support CED, particularly the co-op housing sector, however in their current bureaucratic form, they are difficult to respond to, requiring high administrative capacity, and leave CED initiatives at a disadvantage relative to private sector firms.

RFPs for housing development require a significant commitment of both time and finances. To be competitive, proposals need to include costly components such as already-owned land

and architectural plans for the proposed development. While these components can take years of investment and planning to develop, participants stated that the province does not contact them in advance, making it difficult for them to respond to the RFP in time. One participant noted that one of their projects was turned down because another group had heard about the RFP in advance and was more “shovel ready”. Already owning land that can be used for the proposed construction makes proposals more competitive, and while private sector firms often have the capital to invest in land for future development, this poses a significant risk and challenge for co-ops.

Participants in the housing co-op group felt the province could better support housing co-ops by providing a consistent timeline for the release of RFPs to lessen planning resource-allocation risk. Participants also stated that the application process was too long, administratively taxing and carried the significant risk of being rejected. In one example, a provincial RFP received 27 applications, with only seven receiving financing after a three year application process. To reduce the strain on their administrative capacity and risk of rejection, it was suggested the province could ease the application process, or provide administrative assistance such as informal capital plan assessments.

#### Taxation Tools: The CEDTC and the Cooperative Development Tax Credit

Almost all of the non-housing co-op focus group participants had made use of the CEDTC, and stated that once they had succeeded in applying for the program it was a useful tool for generating investment. One participant leveraged the tax credit to help generate the investment required to launch a co-op. While participants in this group agreed the CEDTC is a useful tool for generating capital, the majority of participants saw the application process as an obstacle.

The lengthy CEDTC application requires applicants to submit a business plan, copies of their initiatives by-laws, financial statements, proposed share prices and terms and a description of how the share proceeds will be used (Manitoba Provincial Government n.d.). When applying for the CEDTC to help launch a co-op, the applicants were required to submit five to seven year projections detailing how their co-op would handle various situations, and the application process took eight months. Because CED initiatives are generally small scale, onerous applications like this are a heavy administrative burden, which often falls in the hands of volunteers, particularly for new initiatives that do not have the funds to hire administrative staff.

CED initiatives are often faced with the challenge of applying for multiple sources of funding such as grants and tax credits. The complexity of the CEDTC can create significant strain on the limited administrative capacity of many CED organizations, often requiring the use of volunteer hours and deterring applications. To help CED initiatives overcome this barrier and increase uptake of the CEDTC, participants suggested simplifying and easing the application process, which would help alleviate the administrative burden. In addition to the onerous nature of the application, one participant expressed concern over the criteria being used by the province to evaluate CEDTC proposals. The CEDTC applications were being unnecessarily vetted for financial viability. The assessment of the financial viability of an investment should be left to the individual investor, not assessed by the province.

#### Issues in Common for Housing and Non-Housing Co-operatives

Multiple participants in both the housing and non-housing groups were members of co-ops that had contributed to, and had drawn on the the co-operative development tax credit. One co-op board member said that their co-op was

highly motivated to contribute to the fund by the knowledge that their money was going to assist other co-ops, and the tax credit made it financially possible for them to do so (Manitoba Cooperative Association n.d.).

While participants agreed the fund was a well-designed tool to support CED, experienced co-op members noted that contribution to the fund was surprisingly low. In explaining the low contribution rates, participants were in consensus that a lack of solidarity within the co-op community, limited funds, and a lack of understanding of how the fund functions are contributing factors. Participants noted that often the larger co-ops, which are the best financial position to contribute to the fund, do not do so. This may be because some of the larger co-ops in the province may not adhere very closely to the co-op principle of mutual support and do not consider themselves connected to the larger co-op community. These co-ops may feel more connected to their geographic community than to other co-ops, and may therefore prioritize donating to projects within that community rather than to the broader co-op community. Second, participants noted that members of co-op boards may not be aware of or understand how the fund operates. Co-ops often operate on very tight budgets, and therefore have to carefully prioritize how they contribute to the co-op community. One co-op member stated that often only one or a few members of a board may be aware of the fund, placing a lot of pressure on those members to convince the rest of the board of the merit of contributing.

#### Knowledge and Consistency Within the Civil Service

Throughout the interviews, multiple participants in both of the co-op groups identified a lack of institutional consistency when they dealt with provincial government offices as a barrier to their initiatives. Many participants stated that

decisions made by provincial offices were often inconsistent, and overly dependent on the sensitivity to co-ops of particular individuals within that office. One specific office in which the variable sympathies of its small staff were particularly important is the Registrar of Cooperatives, which is responsible for incorporating co-ops and ensuring compliance with the Co-operatives Act, including the power to accept, amend or reject articles of incorporation and by-laws. The overarching criticism of the registrar's office was that it was overly bureaucratic, concerned with enforcing the letter of the regulatory law rather than facilitating the development of the co-operative sector. The office was often staffed by people with a background outside the co-operative movement and, therefore, unfamiliar with co-operative goals and decision making. For example, one participant expressed frustration with the registrar's office's lack of understanding of a co-op implanting a consensus based approach to implementing rules. When dealing with the registrar's office several participants noted that the manner in which their proposals were received or questions answered varied depending on which individual they spoke with and whether or not that individual was receptive to the ideals of CED. One participant claimed that they had an excellent relationship with the registrar's office but that was largely due to one particularly helpful and understanding staff member. One participant stated that agreements made with one individual would often not extend to the rest of the office, and if that particular registrar were to leave the office the validity of the agreement could come under review. There was agreement that this lack of consistency was a source of confusion frustration and inefficiency, and that how provincial offices function should not be based on the inclinations of individuals, but rather be standardized throughout the office and institution. It was suggested that more standardized training for provincial employees, particularly training focused on the purpose and needs of CED, could serve to

decrease this inconsistency and ensure that proposals from the CED community were properly understood and correctly evaluated.

### Strength and Durability of Government Commitment to CED

In spite of the imperfections of the previously discussed policy tools, multiple participants in all of the groups described the overall policy environment for CED in Manitoba as positive, particularly when compared to that of previous governments and other provinces. However, a recurring theme among all focus group participants was a questioning of the province's true commitment to making social enterprises an economic priority. Many participants expressed a lack of trust in the government, believing their support for CED only exists to the extent that it is not seen as favouring social enterprises over the private sector.

As previously discussed, Loxley asserts that changes in government can often result in significant changes in economic and social policy. Loxley (2007) also states that right-of-centre governments are likely to have an ideological predisposition that resists collectivist strategies of development such as CED. With the 2016 change in provincial government from the New Democratic Party to the Progressive Conservative Party, new concerns emerged as participants questioned whether the province would continue their commitment to policies that are already in place, and if new supportive policies will continue to be developed. The PC government's cancellation of the Neighbourhoods Alive! Tax Credit and the phase-out of the tax deduction for credit unions suggests that these concerns were well founded. In this uncertain policy environment participants expressed reluctance to undertake new initiatives or investments that relied on provincial support.

The uncertainty brought on by the change in government provides a telling illustration of

the precarious relationship between the provincial government and CED in Manitoba. One of the commonly acknowledged constraints to the growth of co-ops and social enterprises was the lack of knowledge and understanding of the roles of these kinds of organizations, not only in government but in the general population as well. The provincial government could be an important creator of positive incentives for CED expansion, including fostering solidarity with their surrounding communities and political capacity building and politicization (that is, organizing CED members, adherents, beneficiaries and constituents to link the pursuit of their welfare to collective decision-making about strategy [McAlevy 2016; Chibber 2017]). While CED is founded on a philosophy of community independence, in practice competition with private sector firms such as the corporate cleaners or

caterers discussed by participants in the previous section often makes them unable to be competitive on a narrow financial basis. The reason for this lack of competitiveness is because, unlike private, for profit firms, they do not offload some of their costs on the rest of society and incur costs in offering social benefits. In the short term, to operate in this competitive environment while fulfilling their goals of small-scale production and community and social wellbeing, state subsidization is often required (Loxley et al. 2007). Over the longer term, increased public appreciation of the crucial role of CED organizations in, at a minimum, filling the “gap-filling” function might contribute to wider public support for a role in the government in supporting CED and minimizing the precarious nature of state support and dependence on the sympathies of a particular government.

# Recommendations

During the three focus groups, participants were asked how, in their opinion, the general CED policy environment, and the specific policies being examined in relation to procurement from CED organizations, development of non-housing co-operatives, and encouraging housing co-operatives, could be improved. The recommendations that follow are based on the suggestions made by the focus group participants.

1. The provincial government should have concrete procurement goals for CED and metrics to determine whether these goals are met.
2. The provincial government should implement a system of set asides, like the API, for procurement from CED organizations.
3. Procurement officers in the province should be educated about the social benefits of purchasing from CED organizations and should be provided with a contact list of potential CED suppliers.
4. A more predictable time frame for RFP applications should be developed by the province.
5. Employees at the Registrar of Co-operatives office should have background and understanding of the co-op sector.
6. The provincial government should continue the funding of the CEDTC and ensure that co-ops can continue to access the CEDTC, which has proved valuable for the co-op community. It has been determined that the original wording of the CEDTC regulations excluded participation by co-ops. As a result, co-ops have been denied access to the CEDTC. This unfortunate discovery of an error in the original legislation would have been better off undiscovered. As of writing, no time line has been provided to revise the rules of the CEDTC to include co-ops.
7. The provincial government should reverse the decision to cut funding to initiatives administered by the Manitoba Co-operative Association. Funding cuts in the 2017 budget eliminated the Co-operative Development Tax Credit and contained cuts to the Manitoba Co-operative Strategy (spending on Co-op Development in general declined by 24 percent in the 2017 budget [Bernas 2017]), which have played an important role in fostering and coordinating the co-op sector in Manitoba.



8. The administrative procedures in many of the interactions with the province (including RFPs, the CEDTC and the registrar's office) are overly bureaucratic and overly detailed. Application and bidding procedures should be made easier for CED organizations. The provincial government could do this by:
- a. Streamlining and simplifying application procedures;
  - b. Providing staff that assists with processing the often administratively complicated world of grants and applications; and,
  - c. Following the general rule that these organizations should facilitate the development of the CED sector rather than placing bureaucratic obstacles in its path.



# Conclusion

Throughout this paper, the suggestions for policy improvement made by members of the CED community focus primarily on state provided solutions such as commitment to progressive procurement, binding policies to enforce social engagement and provincially provided administrative assistance. These suggestions all fall within Loxley's (2007) seven categories of state provided subsidies, and combined with the widely held concern for the potential loss of these supports that may come with the changing government, may show that local CED participants view the state as an essential, if imperfect, ally.

Generally, CED practitioners argued that there was a strong public policy justification for provincial involvement in support of CED enterprises because of the social benefits that CED organizations offer the broader community. Further, participants noted that the CED sector was stronger at the end of the NDP tenure than it was at the beginning at least, in part, because of provincial support.

However, the experiences with the provincial government were not entirely without qualifications. Participants commented that provincial support often appeared to them as window dressing to get positive public relations rather

than a genuine commitment to the sector. Participants did agree that Manitoba was ahead of other provinces, consistent with findings in the CED literature (Loxley 2007; Loxley and Simpson 2007), and particularly in the co-op focus groups, they held a generally positive view of the Manitoba policy landscape. However, their comments also suggested that even the NDP government's commitment to CED was uneven across the civil service, and for some — particularly within the procurement group — it made little difference in their perceived day-to-day experiences as practitioners of CED.

Participants also felt that there could be some improvements in specific policies designed to foster the CED sector. The general feeling was that these programs lacked “buy-in” by program administrators and service providers who often enforced the rule of the law rather than genuinely attempting to facilitate CED in the province, causing considerable frustration in the CED community. Practitioners experienced considerable variation in experiences with service providers suggesting that either a background in CED or training and education in CED principles for provincial employees responsible for implementing CED policies would be beneficial. Further, many

found application processes overly bureaucratic and administratively taxing especially for resource constrained CED organizations. Navigating the unnecessarily labyrinthine network of provincial departments, with conflicting timelines and goals, also created hurdles in accessing provincial programs. This would suggest that there could be substantial improvements in the effectiveness and reach of existing programs though changes to the manner in which they are administered.

Despite these important reservations with existing programs, the uncertainty surrounding the extent to which the Conservative government elected in 2016 would continue with the generally supportive environment was seen by focus group participants as a considerable threat to the continued health of the CED sector. These fears appear to be well founded. The cuts in the 2017 budget have already cost two

positions at the MCA and impaired its ability to deliver services the co-operative community. In general the last two provincial government budgets have made wide ranging cuts to a variety of community programs, including CED, which have been particularly damaging. The lack of knowledge and understanding of the CED sector generally, and co-operatives more specifically, by the broader population was seen as an important constraint on the growth of the sector. It is possible that the lack of public knowledge about, and therefore, appreciation for, CED contributes to the precarious nature of the provincial support for CED. If CED is conceived by government as a narrow special interest, without broader public support, it will be lower down the funding priority list, subject to cuts by governments less ideologically committed to CED or facing budgetary constraints.

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# Appendix A:

## Interview Questions for Procurement, Non-Housing Co-operative and Housing Co-operative Focus Groups

### Questions for CED Procurement Focus Groups.

- Informed consent process: description of the research, risks and benefits, rights to refuse, consent forms.
  - Warm-ups: introductions, talk a bit about your organization(s)/involvement in CED.
1. Extent of use of existing procurement initiatives (aboriginal and sustainable development)
  2. (Probe) State of knowledge on existing provincial tools for CED through procurement.
  3. Thwarted Attempts: Has anybody tried to go through the provincial procurement process and been thwarted?
  4. (Probe) What led to the abandonment of the attempt or to the province turning to another vendor/service provider?
  5. If you haven't attempted to engage with the province's procurement mechanisms, why not?
  6. Frustrations with existing procurement initiatives (why is there not more use of existing initiatives?)
  7. "Success" stories? Any CED organizations with a record of successfully providing goods or services to the MB gov't?
  8. (Probe) What is the participants' view of the keys to their success. What enabled them to work with provincial procurement or purchasing officers? What about their CED initiative in particular? What knowledge? Network connections?
  9. Do you think that provincial procurement is currently an appropriate means of facilitating CED? When we say "appropriate," we are asking whether or not you think the province SHOULD be attempting to use procurement to facilitate CED? Put another way, we want to know whether you think that government involvement is legitimate and beneficial for the objectives of CED?
  10. Do you think that it is currently an effective means of facilitating CED? In order to differentiate this from the previous question, we're not asking whether you think the province ought to be involved. Rather, given that it has

become involved to an extent, are its procurement mechanisms doing the job well?

11. Currently, how important is the province's purchasing power to the promotion of CED?
12. (Break-out if we have a large group?): What could the MB gov't do to increase its support of CED/Social Enterprise through its procurement? Is there anything they can and should be doing to make it appropriate and/or more effective?
13. (Report back if we have break-outs).

### Questions for Co-op (non-housing)

#### Focus Group

- Informed consent process: description of the research, risks and benefits, rights to refuse, consent forms.
- Warm-ups: introductions, talk a bit about your organization(s)/involvement in co-ops.

#### Co-op Research Questions

1. What is your sense of the "state of Manitoba co-operative development?"
  - a. In your view, what are the *benefits, risks and costs* of increasing the co-op sector in Manitoba, including to your own organization?
  - b. Are we in a good place to *increase the size of the co-op sector* in the Manitoba economy?
2. Are there particular *threats* that you see to co-operative development in Manitoba, either in terms of foreclosing future *growth*, or the *sustainability* of existing Manitoba co-ops?  
*Prompts:* lack of equity or start-up capital, lack of working capital, legal or accounting costs, marketing costs etc

3. Flipping the angle slightly, what do you think is *limiting* co-operative *development* in Manitoba?  
*For comparison:* In the co-op mecca of Emilia Romagna, in Italy, co-ops account for about 30% of GDP in that region. In Manitoba, as of 2010, that number was estimated at 3.25% of GDP.
4. As far as you are aware, what help does the Province offer to co-operatives?  
*Prompt:* Are you familiar with the provincial co-operative strategy?
5. Do you think that the *provincial government* is using *appropriate* means to facilitate co-op development? When we say "appropriate," we are asking whether or not you think the province **SHOULD** be using the tools it has used so far to promote co-ops.
  - a. If you want to comment more broadly, we also want to know whether you think that *government support or involvement is legitimate and can be beneficial* for the objectives of co-op development?
6. Currently, *how important are provincial co-op development policies* for Manitoba co-ops and for their future growth?

#### Break out into smaller groups

7. What specific *initiatives* has the province produced that have been or are *helpful* for your own co-op? For other co-ops you know about?
  - a. Prompt on the work/initiatives of:
    - i. *Coop Promotion Board* (This is not an initiative of the Province, but rather something they have to administer through a Trust Act created with resources from a co-op that de-mutualized)
    - ii. *Co-op Development Services*;
    - iii. *The Cooperative Loan and Loan Guarantee Board*;

- iv. *The Co-op Community Strategic Plan; The Coop Community Strategy Research Grant (note: this is not accessible to individual co-ops — but rather to the strategy working groups)*
  - v. *CED tax credit Have you ever used investment shares? Why or why not?*
  - vi. The Cooperative Assistance Fund — a \$30,000 grant pool that MCA administers on behalf of the province annually.
  - vii. Other...?
  - viii. Have you *made use of these provincial services* or opportunities? How helpful were they? If not, why not?
8. Are there problems you can see, or improvements you can suggest for existing provincial policy or initiatives? How can the province improve upon existing supports for co-ops?
- a. (If the discussion does not already lead here): We'd like to get your input on three initiatives specifically. First, *The CED tax credit*. What lessons do you think can be learned from the experience of the tax credit so far? Do you think there are any problems with the tax credit?
  - b. We understand that there is a consultation in place on this and that the province is reviewing the program. Are you aware of the review? If you were involved would you have had any recommendations? Do you have any opinions about the process of the review?
  - c. Second, the *Co-op Development Tax Credit Fund*: The province has made about \$200,000 in credits available to contributors to the Fund, but only about half of that actually gets *contributed*. Of the 400 or so co-ops in the province (all categories), only 30 or 40 actually contribute. In your opinion,

*what factors account for the low uptake and how could uptake be increased?*

- i. Prompts:
  - ii. Promotion,
  - iii. Awareness
  - iv. Solidarity in the co-op community
- d. Third, what have your experiences been like with the *Registrar's office*? Does the office facilitate, or hinder co-op applicants or investment share offerings? What could the Registrar's Office be doing differently?
9. What supports or role, ideally, would you want to see the provincial government taking with regard to co-op development in the province? Beyond existing initiatives, what could the province be doing that you think would help boost co-operative development in Manitoba?

#### Questions for Housing Co-op Focus Group

- Informed consent process: description of the research, risks and benefits, rights to refuse, consent forms.
- Warm-ups: introductions, talk a bit about your organization(s)/involvement in co-ops.

#### Co-op Research Questions

1. What is your sense of the "state of co-operative housing in Manitoba?"
  - a. In your view, what are the *benefits, risks and costs* of increasing the housing co-op sector in Manitoba?
  - b. Are there particular *threats* that you see to housing co-operative development in Manitoba, either in terms of foreclosing future *growth*, or the *sustainability* of existing Manitoba co-ops?
2. Flipping the angle slightly, what do you think is *limiting* housing co-operative development in Manitoba?



3. As far as you are aware, what help does the Province offer to housing co-operatives?
4. Do you think that the *provincial government* is using *appropriate* means to facilitate housing co-op development? When we say “appropriate,” we are asking whether or not you think the province SHOULD be using the tools it has used so far to promote co-ops.
5. If you want to comment more broadly, we also want to know whether you think that *government support or involvement is legitimate and can be beneficial* for the objectives of housing co-op development?

Currently, *how important are provincial co-op development policies* for Manitoba housing co-ops and for their future growth?

Break out into smaller groups

What specific *initiatives* has the province produced that have been or are *helpful* for your own housing co-op? For other housing co-ops you know about?

*Coop Promotion Board* (This is not an initiative of the Province, but rather something they have to administer through a Trust Act created with resources from a co-op that de-mutualized)

*Co-op Development Services;*  
*The Cooperative Loan and Loan Guarantee Board;*  
*The Co-op Community Strategic Plan;*  
*The Coop Community Strategy Research Grant* (note: this is not accessible to individual co-ops — but rather to the strategy working groups)

*The Cooperative Assistance Fund* — a \$30,000 grant pool that MCA administers on behalf of the province annually.

Other...?

7. Have you *made use of any provincial services* or opportunities? How helpful were they? If not, why not?
8. Are there problems you can see, or improvements you can suggest for existing provincial policy or initiatives? How can the province improve upon existing supports for housing co-ops?
  - We'd like to get your input on three initiatives specifically.
    - a. The reporting requirements requested by the Province for Provincial subsidization?
    - b. Second, the *Co-op Development Tax Credit Fund*: The province has made about \$200,000 in credits available to contributors to the Fund, but only about half of that actually gets *contributed*. *Of the 400 or so co-ops* in the province (all categories), only 30 or 40 actually contribute. Very few housing co-operatives participate. In your opinion, *what factors account for the low uptake* and *how* could uptake be *increased*?
    - c. Third, what have your experiences been like with the *Registrar's office*? Does the office facilitate, or hinder housing co-op applicants? What could the Registrar's Office be doing differently?
9. What supports or role, ideally, would you want to see the provincial government taking with regard to housing co-op development in the province?





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