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REPORT ON THE MID-TERM EVALUATION OF THE CO-OPERATIVE DEVELOPMENT INITIATIVE

AUDIT AND EVALUATION TEAM

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This report was prepared by the Audit and Evaluation Team (AET) based on a report submitted to them by Garvin Associates; and on additional consultations with Garvin Associates and staff of the Co-operative Development Initiative

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Report on the Mid-Term Evaluation of the Co-operative Development Initiative

I. Introduction

The Co-operative Development Initiative (CDI), which is managed by the Co-operatives Secretariat, was implemented in April 2003. It was designed to:

- . Enhance the quality of life for disadvantaged and hard-to-reach communities by supporting the development of co-operatives in areas of federal priority; and
- . Create an environment for rural Canadians to find local solutions to local challenges using the co-operative model as a vehicle for solutions.

The two main program components of the CDI are Innovation and Research and Advisory Services.

The **Innovation and Research** component was designed to research and test innovative applications of the co-operative model in a number of areas of federal priority, including adding value to agriculture; access to health and homecare; economic development in rural, remote, or northern communities; development of Aboriginal communities; integration of immigrants into Canadian communities; and community solutions to environmental challenges.

The **Advisory Services** component is designed to enhance co-operative sector capacity by providing technical assistance and advice to individuals wishing to develop new co-operatives or expand existing ones.

Another important priority area of the CDI is to create partnerships with other co-operative development agencies and with federal government departments. This priority is achieved in the context of the two program components.

The CDI Program is a \$15 million, five-year program. Approximately two-thirds (\$10 million) of the funds are allocated for the Innovation and Research component of the program, managed by the Secretariat. The remaining one-third (\$5 million) is allocated for Advisory Services. Advisory Services are delivered through a single Contribution Agreement with the Canadian Co-operative Association (CCA) and the Conseil Canadien de la Coopération (CCC). Under this agreement, the CCA and CCC work with their regional and provincially located membership to deliver co-operative development advisory services throughout Canada.

CDI funding will help to pay for the costs of implementing a project. The expected funding range for individual projects is between \$5,000 and \$75,000 per year. Multi-year projects of up to five years may receive funding, but must be completed by the time the program ends on March 31 2008. Applicants or their partners in the community are expected to contribute at least 25% of the total project costs.

a. Evaluation Scope

This mid-term evaluation addressed the following issues:

- . the program relevance as it relates to the mandate of the Co-operatives Secretariat;
- . the impact the program has had on specific target audiences
- . program application and implementation so as to improve the program in the future.

2. Evaluation Methodology

The main tools used for this program evaluation were:

- i) a comprehensive document and file review (50 project files);
- ii) an intensive interview program of some 84 internal and external stakeholders; and
- iii) eight case studies of projects. These projects were located in different regions of Canada and represented different sectors, priority areas, and project dollar value.

3. Evaluation Findings

3.1 Relevance

a. *Relevance to Mandate of Cooperatives Secretariat*

The mandate of the Co-operatives Secretariat, as reflected in the founding objectives of the CDI, includes:

- i) enhancing the quality of life for disadvantaged and hard-to-reach communities; and
- ii) supporting use of the co-operative model as a vehicle for local solutions to problems in rural communities.

Funded projects have addressed a wide range of needs including rural economic development, healthcare, environment, community development, and housing issues. Through CDI, Canadian communities have been able to make

advancements in a number of areas. For example, rural communities have been assisted to use wind power technology to generate power in an environmentally sustainable manner. Agricultural producers have used co-operatives to improve market access. Immigrant populations have created co-operatives that have expedited healthcare and community services in a culturally sensitive way. Overall, the needs addressed by funded Innovation and Research projects reflect the priorities of the CDI, the Co-operative Secretariat and the Federal Government.

b. Demand for services

Program relevance is also supported by the strong demand for services. The total number of Innovation and Research project proposals from program implementation to March 2005 was one hundred and sixty-seven (167) with seventy-two (72) funded. Advisory service requests exceed the current capacity to respond, with some requests for service not being fully met.

c. Development of the Social Economy

Federal departments of government are seeking new methods and strategies to address the advancement of the social economy¹ in Canada. The co-operative model, and projects that utilize the co-operative model, are often excellent examples of tools that can achieve social economy objectives.

CDI projects have focused on immigrants, the elderly and youth, all of whom are disadvantaged populations. Projects have also been targeted at other disadvantaged groups and regions, such as small agricultural and forestry producers, northern communities and remote communities in other areas. The CDI program effectively addresses objectives related to social and economic development, with a focus on disadvantaged and underrepresented members of society.

A significant opportunity exists for the Cooperatives Secretariat and the CDI program to partner with Social Development Canada, Western Economic Diversification Canada (WD), Canada Economic Development for Québec, Federal Economic Development Initiative for Northern Ontario (FedNor), Atlantic Canada Opportunities Agency (ACOA), and Industry Canada. These partnerships could advance the CDI's goal of creating effective partnerships to promote the co-operative development model in other government departments

¹ *“The social economy is an entrepreneurial, not-for-profit sector that seeks to enhance the social, economic, and environmental conditions of communities. Social economy enterprises are a component of the social economy that are run like businesses, producing goods and services for the market economy, but manage their operations and redirect their surpluses in pursuit of social and environmental goals.” (Government of Canada, Budget Speech 2004)*

Recommendation #1

Promote the co-operative model as a tool to advance the government's priority on Social Economy development and communicate the successes achieved through the CDI program in order to create inter-departmental partnerships.

Management Response: Agreed. Part of the Co-operatives Secretariat's on-going work is to liaise with key departments with a goal of ensuring co-operatives are considered as part of their policy development work; and that co-ops are recognized as part of the Social Economy. The Co-operatives Secretariat is actively engaged with Human Resources and Social Development Canada in the development of a policy framework for Social Economy Enterprises.

The Co-operatives Secretariat is planning to undertake case studies of a number of CDI funded projects to build on and disseminate lessons learned from those projects.

4. Results/Impacts

a. *Innovation and Research*

Seventy-two (72) Innovation and Research projects have been funded, focusing on six federal priority areas. Advisory Services have been provided to all regions of the country and are offered in both French and English in most provinces. Through the file review, applicant interviews and project case studies, it is evident that the CDI program has successfully impacted on specific target audiences. Although many of the projects are still in the developmental phases of their work, early impacts can be identified for all target audiences. Some examples of impact are as follows:

- . Producer co-operatives established to improve market access and to create greater market opportunity. (Agriculture & Forestry)
- . Co-operatives developed to advance tourism and to establish markets for local products such as salmon and arctic char. (Northern Communities)
- . Localized, co-operative health clinics established to provide customized, preventative healthcare services for elderly, youth, and immigrants. (Health Care)
- . Co-operatives established to support access to employment, healthcare, education, etc. (Immigrants)
- . Projects funded and co-operatives created that focus on alternative sources of energy. (Environment)

b. Advisory Services

The Advisory Services component of CDI has made a significant contribution to the growth of capacity in communities to develop and sustain co-operatives. In 2004-05, Advisory Services fielded close to 4,000 calls for information or assistance; provided technical assistance to some 181 new co-operatives; assisted in the creation of 41 new co-operatives; and provided assistance to 165 existing co-operatives. Based on first quarter results, these numbers will be even greater in 2005-06.

In the early stage of co-operative development, it is important to have access to quality resource information and knowledgeable support to effectively advance the co-operative model. Locally delivered Advisory Services provide these supports and are the first point of contact for most project leaders, providing the foundation to an effective Innovation and Research program. Therefore, it is reasonable to place greater program and budget emphasis on the delivery of effective advisory services. Currently, the budget allocation to Innovation and Research projects is twice that of Advisory Services. In 2004-05, 35 individuals or projects requesting assistance could not obtain that assistance; in 2005-06, that number is expected to grow to 80.

CCA, CCC and their service delivery partners report that limited financial resources have presented challenges in the achievement of quality outcomes. Some areas of the country have access to more advisory services than other areas. Inequities in advisory services are due to several factors; additional financial resources are made available by some provincial governments; large geographic areas must be served by some advisors; the need for service to be delivered in both French and English splits available budgets into two; and there is limited access to qualified, trained co-operative developers.

In addition to the overall level of funding, consideration could be given to allocation of funds so as to ensure that national minimum service guidelines can be achieved in all regions of the country. Currently, Advisory Service funding is available in all regions of Canada and in both French and English. Funding is allocated to regional partners based on considerations such as the expected level of demand, the availability of alternative services and other relevant factors. However, it is not clear that the funding in all regions is sufficient to ensure basic or minimal levels of co-operative development services, especially in areas that lack alternatives. The CCC, CCA and Advisory Service Delivery Partners suggest that there is a need for National Service Guidelines that would ensure that all people, regardless of their location and language preference, would have access to basic or minimal levels of co-operative development service.

Recommendation #2

Place more emphasis on Advisory Services as a key tool to the advancement of co-operative development, and ensure funding allocations are sufficient to ensure basic or minimal levels of co-operative development services in all regions.

Management Response: Agreed. The limitation of financial resources is the main constraint and the Co-operatives Secretariat is working at documenting needs and recommending that additional resources be identified.

Also, work will start on the renewal of CDI beyond 2008.

The Co-operatives Secretariat will continue working with CCA and CCC to innovate in the delivery of services and develop partnership with other networks like CFDC and Community Developers.

c. Client Satisfaction

Project applicants and advisory service clients rate the CDI as being highly important to their organisations, with average importance ratings of 9 on a 10 point scale. Clients indicate that there is no other source of funding that is dedicated solely for co-operative development projects. They require the CDI funding to effectively leverage additional project funds from other sources. Managers report that, without CDI funding or support, they would not have been able to advance their projects.

Project managers who applied to the program also rated highly administrative aspects of the program, such as timeliness of payments, reporting requirements and the application process, with average ratings of 7.5 to 7.8 out of 10 for these items. The timeliness of funding decisions was rated slightly less positively, at 6.8 out of 10.

Project applicants also report a high degree of satisfaction with the support that they receive from CDI staff. Project Managers rated communications with CDI Officers and CDI Delivery partners quite positively, at about 8 on a 10 point scale. Despite these positive ratings regarding communications with CDI and delivery partners, it became apparent, from both file reviews and interviews with project managers that there is less satisfaction regarding communications with respect to the reasons why funding requests were approved or rejected and the reasons for the amount of funding approved. It appears that the communication of funding decisions does not provide sufficient detail to enable applicants to understand the rationale for the decisions made.

Recommendation #3

Improve written communication with proponents to ensure they have a full understanding of the project funding and support decisions.

Management Response: Agreed. Officers will be reviewing their practice to identify any ways to improve communication. It might be difficult to meet all expectation as there is never enough explanation for a negative answer.

d. Sharing Results

The Co-operative Development Initiative Procedural Guide states that, “The two main components of the CDI [I&R and Advisory Services] are complementary and interlinked. There will be mutual sharing of learning between the two components”. The Guide also states that a Sharing the Learning strategy was scheduled to be developed. At this point in time, there is limited sharing of information between the components of the CDI and there is no ‘Sharing the Learning Strategy’ developed. Although early in the life of the CDI, there are positive research results and successes to share. In order to communicate successes and to share the results of valuable co-operative development research, it is important for CDI and the Co-operative Secretariat to develop a strategy that will focus on communicating within the CDI program, with other federal departments, provincial governments, other levels of government, and the not-for-profit sector.

Advisory Service delivery partners, as well as other interested parties would benefit from learning about the experiences of communities that have implemented innovative co-operative models. Some recent effort has focused on using the Coop Zone website as a communication tool; however, the future viability and maintenance of the website is unknown.

Recommendation # 4

Implement a strategy to “Share the Learning” and communicate successes.

Management Response: Agreed. When the program was implemented, it was understood that due to limited resources the “sharing the learning” component would be dropped as a distinct element. Project proponents were asked to include in their activity plan an element for sharing results.

However, the CDI Steering Committee approved in 2004 a strategy to “Share the Learning”.

During the first two years, it was difficult to document results and communicate successes because projects were not completed. Most projects were completed during 2005-2006. As an alternative, it was decided to produce 6 case studies of successful and innovative co-operatives and distribute those to stakeholders and to co-operative and community developers.

During year 4 and 5 (starting in 2006-07), a new staff person will be hired to implement the strategy and work with communication staff to disseminate results and successes to identified target audience.

e. *Partnership Development*

CDI is responsible for developing and expanding partnerships with the co-operatives sector to support achievement of CDI objectives, particularly in respect of the Advisory Services component; and with other government departments and agencies to support CDI program objectives.

With respect to the co-operative sector, key partnerships have been established with the CCC and the CCA to coordinate the delivery of the Advisory Services component. The CCC and CCA have strong networks of regional and provincial members and affiliates who actually provide these services to clients. The co-operative development knowledge and network that the CCA and the CCC have established across the country has been leveraged to enhance services throughout Canada. As a result, a more coordinated approach to service delivery is evident in some regions.

With respect to partnerships with other federal departments and agencies, the key vehicle is the Inter-Departmental Committee on Co-operatives (ICC). The ICC was originally established as part of the Secretariat prior to the CDI with a mandate to contribute to federal policy discussions on the role of co-operatives; to coordinate matters related to the co-operative sector within the federal government; to provide a forum for the exchange of information on departmental policies and strategies affecting co-operatives; and to address concerns raised by the co-operatives can contribute to government objectives.

The CDI has adopted the Committee as a tool to enhance partnerships with other federal government departments. However, it would appear that, in fact, the primary role of the committee has been to provide a source of technical reviewers for CDI project proposals. As a focal point for discussion of policy issues and concerns of the co-operative sector; for coordination of issues; or for

the exchange of information, the committee has been less successful. according to ICC members. Key reasons for this include:

- i) some members may not be the appropriate representatives for their department or agency and do not report back to their department on co-operative development; and
- ii) interdepartmental committees are challenging to implement in the federal government.

Currently, the CDI has no specific budgetary allocation to the ICC; each participating department covers their own expenses for meetings. Consequently, there is no budget for collaborative projects. CDI program officials have indicated that, given the limited human and financial resources of the program, they lack the resources to be able to achieve the ambitious mandate of the ICC.

Some limited success has been achieved with committee members who represent Western Economic Diversification Canada (WD), particularly through the WD funded Community Futures Development Corporation, and with Indian and Northern Affairs Canada (INAC). Work to lever the success of these relationships and to use the Inter-Departmental Committee more effectively as a tool to share success stories and to promote co-operative development more broadly, could serve to contribute to meeting the partnership objectives of the CDI more effectively.

Recommendation # 5

CDI management should take action to strengthen the effectiveness of the Inter-Departmental Committee on Co-operatives as a tool to advance co-operative development in other federal government departments.

Management Response: Agreed with condition. The membership of the Inter-Departmental Committee (IDC) has been used mainly on a bilateral basis to obtain technical assessment of CDI projects that are submitted for funding. As is the case in other federal horizontal files, the effectiveness of the IDC remains a challenge due to high rotation of members and a proper delegation given by their own department.

In order to develop an enhanced role for the IDC, as proposed in this report, the Secretariat would require additional resources in staff and operational budget.

5. Cost-Effectiveness

Cost-effectiveness is a measure of the extent to which a program has achieved its objectives with the minimum of resources. In the case of the CDI, we examined two major aspects of cost-effectiveness: leverage and program administrative costs.

a. Leverage

Both the Innovation and Research and the Advisory Services components of the CDI have been quite successful in leveraging funds from other sources. In the case of Innovation and Research projects, applicants are expected to contribute a minimum of 25% of the total project cost. In fact, as the CDI provided the full amount of requested funds for only 31% of projects approved, in many cases, funding from the applicant and/or other sources of funding exceeded 25% of the total project budget.

The Advisory Services component of the CDI is delivered through a network of regional members or affiliates of the CCC and the CCA. The Advisory Services budget is \$5 million over five years. The co-operative sector is expected to provide another 25% in in-kind contributions to this CDI program component. In fact, in-kind contributions by the CCC and the CCA amounted to 58% of the Advisory Services contributions budget in 2003-04 and 53% in 2004-5, substantially above what was required.

b. Program Administrative Costs

The CDI program has realized considerable efficiencies in the administration of the program by building on the infrastructure and the human resources of the Co-operative Secretariat. The administration costs for both Innovation and Research, Advisory Services and internal research projects have been maintained at approximately seventeen percent (17%) of the aggregate budget to date. This level of administrative overhead reasonably compares to the administrative budgets of other federal government programs, such as the Canadian Adaptation and Rural Development (CARD) fund.

The use of existing co-operative development networks has translated into a cost-effective and efficient method to deliver advisory services. The CCC and CCA work in conjunction with regional Advisory Services delivery partners throughout Canada. Delivery partners are responsible for providing technical and developmental knowledge, infrastructure management, and partnership development assistance. Given that program delivery agencies are located close to the populations that they serve, there are efficiencies created through reduced travel and better understanding of local need.

Potential exists to reduce administration costs in the future by assessing the overall budget that is absorbed by Steering Committee meeting costs. Steering Committee meetings represent twenty-four percent (24%) of the total administration budget. In future, as project funds become fully allocated, the need to convene four meetings per year may diminish. Consideration could be given to conference calls that would reduce the associated travel costs to attend meetings. As well, further reductions in meeting costs could be achieved by holding meetings in Ottawa (where meetings costs are substantially lower) more frequently; or through a reduction in the number of program staff attending meetings held outside Ottawa.

Recommendation # 6

Consider measures to reduce the costs associated with Steering Committee meetings.

Management Response: Agreed with condition. Program management will explore, in conjunction with the Steering Committee, ways to minimize the costs of Steering Committee meetings. However, the effectiveness of this committee depends, in part, in its exposure to communities and local co-operative developers across Canada. Costs are justified in order to have a Committee which is representative, well informed and competent in giving timely advice to the Minister.

The value of the CDI Steering Committee goes beyond the evaluation of proposals and the management of the program and their exposure to regional co-operative reality is also key to the relevance of advice they are providing to the minister and government on policy issues related to co-operatives.