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Co-operatives and Rural Economic Development:

A Policy Primer for Federal, Provincial, and
Municipal Governments

Alberta Centre for Sustainable Rural Communities
University of Alberta

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Introduction

Existing research into co-operatives and rural development routinely highlights the significant potential inherent in this model for spurring economic development and service delivery in rural communities.

Based on our desire to highlight new paths toward rural economic development that meet the needs of communities in ways that retain wealth and control locally, the Alberta Centre for Sustainable Communities (ACSRC) at the University of Alberta recently completed a large research project that had three overarching goals. To:

- 1 Identify co-operative models that are well-positioned to generate economic growth, create and/or retain jobs and services, and support the commercial and residential real estate markets in rural Alberta communities.**
- 2 Identify the “best practices” associated with ensuring the success of these co-operatives.**
- 3 Identify ways by which governments, local, provincial, and federal, can best support the establishment and growth of these local co-operatives in ways that ensure they generate good jobs and enhance service delivery in rural communities.**

As the ACSRC’s Final Report, “Innovative Uses of the Co-op Model and Rural Economic Development Opportunities in Alberta and Beyond” demonstrates, there is legitimate potential inherent within different co-op models for rural development in rural Alberta and beyond.

In this brief, we highlight and summarize the key policy recommendations included in the Final Report most germane for federal, provincial, and municipal governments.

Policy Recommendations

1. Ensuring a Supportive Policy Environment for Co-ops

To ensure a supportive policy environment for co-ops is to use “public policy and legislation to establish the necessary mechanisms to effectively promote co-operative development.”¹ The characteristics of legislation in this regard can get complicated quickly, often involving technical adjustments to tax codes and business regulations. These details can also vary widely depending on the type of co-op in question. However, it is in these details that, in many cases, the success or failure of a co-op, especially in its early stages, lie. Although governments rarely act in direct opposition to co-ops (aside from making budget cuts to certain co-op programs described in this document), there are so many ways by which legislation can inadvertently stymie co-op growth.

One of the ways that governments at both the federal and provincial levels can avoid passing such legislation is by **having an institutionalized department or organization within government that understands, and can work directly with and for, co-ops**. Among Canadian provinces, Quebec is, by far, the leader in this regard, with Manitoba also dedicating government staff in this direction.

Barring the creation of a type of “co-op team” within government that can work to support co-ops “from the inside,” **governments and politicians being “open” to suggestions from the co-operative sector** is the next best thing. Governments are constantly lobbied by a multitude of interests, and it is easy for many voices, especially those without large financial assets behind them, to get lost in the mix. But, as the case study on Wisconsin’s co-operative ecosystem makes clear, “having the ear of government,” is so important to ensuring a positive policy environment (see the Final Report [HERE](#) to learn more about the Wisconsin case).

¹ Monica C. Adeler, “Enabling Policy Environments for Co-operative Development: A Comparative Experience,” Canadian Public Policy, April 2014, pg.550.

More specifically, **the legal recognition of co-ops**, and particularly the socio-economic value they generate for communities is important, as are various **tax arrangements** that, at minimum, treat co-ops as any other small or medium-sized business when calculating tax rates and eligible deductions and, ideally, in recognizing the broader social value they generate, considering instances where more favourable tax rules make sense.² One key example of this, which would clearly benefit the Opportunity Development Co-ops and Renewable Energy Co-ops explored in the Final Report [INSERT LINK], would be **the reestablishment of the a 30 per cent tax credit to those who invested in a community investment co-op**, established by the Alberta NDP in 2018 but subsequently ended by the Alberta UCP in 2019. This would be a strong step forward in terms of incentivizing the locally investing often required to generate economic development in small communities in particular.

In addition, for Opportunity Development Co-ops, **existing regulations around issuing securities can be complicated and expensive to comply with, often inhibiting their ability to cast a wider net in search of community-based investors**. This, in turn, limits the amount of capital they can invest in rural-based ventures. Considering ways to relax some of these regulations (as has already happened in Wisconsin and Minnesota to great effect) to make raising local capital easier would be a welcome adjustment. Similarly for Renewable Solar Co-ops, existing regulations that limit the amount of energy generated on individual rooftops of businesses and houses, or that require costly studies related to grid connection, act as clear barriers to launching these types of co-ops as well as to their ongoing profitability. Considering relaxing such regulations is also something that ought to be seriously considered.

Municipalities have far fewer legislative tools at their disposal compared to the federal and provincial government when it comes to ensuring a supportive policy environment for co-ops but one thing they can do is to **remain flexible and committed to working with co-ops, especially those just in the “start-up” phase, on zoning or taxation issues** to help facilitate the early stage of success for the new business. Although this is somewhat general in scope, several interview respondents agreed with the notion that “having local politicians who believe in what you are doing and are willing to support you is really important in the beginning.” And, we would argue, that belief and support is a product of, first and foremost, an awareness of the model and an understanding of how it can generate a myriad of economic and social benefits for a community.

² Co-operatives and Mutuals Canada recently submitted its recommendations to the Canadian Federal Government. More details on the particular types of tax and business regulations they believe are important for the co-operative sector can be found here: <https://canada.coop/wp-content/uploads/Budget-2024-Submission-Co-operative-Capacity-Building-Program-Policy-Priorities-FINAL-AUGUST-2023-ENG.pdf>. Other technical changes at the federal level in support of the co-operative sector can be found here: Michael Barrett, “An Updated Federal Act for Co-operatives Would Enable National Growth,” Policy Options, September 28, 2020, available at: <https://policyoptions.irpp.org/magazines/september-2020/an-updated-federal-act-for-co-operatives-would-enable-national-growth/>

2. Supporting Co-operative Development Work

Reinvesting in co-op development, especially co-op development focussed on rural communities, is a policy choice by both levels of government we support unequivocally.

This could mean hiring co-op developers directly or offering funding to existing co-operative development organizations like Co-operatives First or the Alberta Community and Cooperative Association, who could then hire their own developers *and* build programs designed to lessen the administrative burden for co-ops, especially in the “start-up” phase. This type of help was consistently noted as being of significant importance for the co-ops we studied.

Municipalities, again, possess fewer resources than federal or provincial governments in this regard but **equipping Economic Development Officers employed by rural municipalities with some knowledge about co-ops** in general, and some basic advice on how to support those in the community interested in starting one, would be a very positive development as well.

One further area that government of all levels could help with, beyond direct co-op development, is in **supporting co-operative education**. A general lack of awareness of the model across communities remains perhaps the most wide-spread barrier to the emergence of more co-ops. Indeed, upon learning more about the co-op model, and concrete success stories, research confirms that people and communities can quickly become excited about them. Generally, existing co-op education programs are hosted by co-operative development organizations. Supporting the efforts of such organizations would be a positive step forward.

More radically, provincial governments could consider ensuring that the co-op model is introduced to students within the existing secondary curriculum, and they can further encourage universities, colleges and trade schools to similarly include instruction on co-ops within relevant courses, especially in business, management, entrepreneurship, and rural development.

Finally, it would be prudent to examine potential pathways, in coordination with existing co-operatives and co-operative development organizations, to **fund a centre within an Alberta-based university dedicated to research and education into innovative uses of the co-op model in support of rural economic development**. Such a centre would mimic that of the Center for Cooperatives at the University of Wisconsin-Madison, or the Canadian Centre for the Study of Co-operatives at the University of Saskatchewan, two institutions that support academic level research and teaching on co-operatives with co-op development support aimed specifically at their local regions. Establishing a permanent centre of that sort in Alberta could play a large role in building awareness of the co-op model while simultaneously working towards unique solutions to challenges new and existing co-ops face, thereby supporting rural economic development throughout the province.

Conclusion

Having governments of all levels make commitments toward the co-operative sector would represent an important step toward “community-led solutions,” a concept that, to quote *The Co-operative Innovation Project*, demands that a solution to any particular challenge facing a community “is built from the community perspective, addressing and solving the issue in a way that makes sense, and will work sustainably, for a community.” This community-centred perspective, we believe, ought to be the ultimate goal for government with respect to rural communities moving forward. And, as the Wisconsin case exemplified so well, this ought not be a partisan issue – there are good reasons for politicians of all stripes who care about rural communities to support the rural co-operative eco-system.

To learn more, please download and read the full report, “Innovative Uses of the Co-op Model and Rural Economic Development Opportunities in Alberta and Beyond” [HERE](#) or contact the Alberta Centre for Sustainable Rural Communities.



ACSRC Director Clark Banack at the 'Reimagining Rural Economic Development' Conference, Presented by the Alberta Centre for Sustainable Rural Communities, Oct. 2023, Camrose AB. Photo Credit: John Ulan



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