



FERENCE WEICKER & COMPANY

PROGRAM EVALUATION STUDY:
*Entrepreneurs With Disabilities Program (EDP) And Urban
Entrepreneurs With Disabilities Initiative Fund (UEDF)*

Final Report

Prepared for Western Economic Diversification Canada
April 27, 2005

EXECUTIVE SUMMARY

PURPOSE AND METHOD OF STUDY

Western Economic Diversification (WD) has developed two programs tailored to the needs of Western Canadian entrepreneurs who have a physical disability or mental impairment that constraints their ability to perform at least one of the basic activities of self-employment or entrepreneurship. The two programs are:

- The **Entrepreneurs with Disabilities Program (EDP)**, which was established in 1997, is delivered through the network of Community Futures Development Corporations (CFDCs) in Western Canada with support provided by provincial associations of CFDCs that have been established in each of the four western provinces.
- The **Urban Entrepreneurs with Disabilities Initiative (UEDI)**, which was established in 1998 to extend the services of EDP into the major urban centres, is delivered through local non-government organizations in Victoria, Vancouver, Edmonton, Calgary, Regina, Saskatoon and Winnipeg.

The two programs provide both loans and other business support services. Since the programs were established, 765 loans totaling \$16.2 million have been issued to clients across Western Canada. Funding for EDP and UEDI was scheduled to end March 31, 2005 but has been extended for one more year.

The purpose of this evaluation is to provide an objective assessment of EDP and UEDI for the purpose of supporting senior management decision-making for continued funding of the programs. In addition, the evaluation report recommends areas where changes can be made to better meet the needs of entrepreneurs with disabilities as well as the strategic objectives of the Department.

We conducted this study in two phases. The primary objective of the first phase was to prepare a detailed work plan that was implemented in the second phase of the study. The major components of our field research included in-depth interviews with:

- 8 representatives of WD from each of the four provinces and Headquarters who have been involved in the management, development and delivery of EDP and UEDI.
- Representatives of 37 of the 90 CFDCs and all 7 urban partners involved in delivering the EDP and UEDI as well as 6 representatives of CFDC provincial associations across the four provinces.
- A sample of 75 community stakeholders who share a similar target market to that of EDP and UEDI.
- 148 clients who received assistance through EDP or UEDI.

We obtained input from:

*8 WD representatives
44 of the 97 delivery agencies
All 4 provincial associations
75 community stakeholders
148 EDP and UEDI clients*

In addition, we conducted field trips to each of the four provinces in Western Canada to undertake personal interviews with organizations involved in the delivery of EDP and UEDI.

MAJOR FINDINGS OF THE EVALUATION

The major findings of our evaluation are as follows:

1. **It is widely recognized amongst those surveyed that there is a significant need for this type of program.**

The representatives whom we surveyed during the course of the study were asked to rate the need for the program on a scale of 1 to 5, where 1 is no need at all, 3 is somewhat of a need and 5 is a major need. The average rating varied from 3.6 amongst representatives from delivery agencies to 4.2 amongst community stakeholders and 4.5 amongst the clients surveyed. The perceived need for the programs reflects that:

THE NEED FOR THESE TYPES OF PROGRAMS IS WIDELY RECOGNIZED
 (Average ratings on a scale of 1 to 5, where 1 is not need and 5 is a major need)

Respondents	Average Rating
Clients	4.5
Community Stakeholders	4.2
Delivery Agencies	3.6

- **Self-employment can represent an important alternative for people with disabilities.** The programs were created in response to the Federal Task Force on Disabilities, which identified employment as a major issue for persons with disabilities and a leading cause of the relatively high incidence of poverty. Only 42% of adults with disabilities were employed in 2001 as compared to 74% of adults without disabilities. The discrepancy in self-employment rates is even greater. Across Canada, only about 3% of residents with disabilities are self-employed as compared to 14% of those without disabilities.
- **The target group is potentially very large.** According to Statistics Canada, over 12% of the Canadian population (3.6 million people) have one or more disabilities. Among aboriginal people, the disability rate is even higher and is reported to be 30%. The incidence of disability is projected to increase as the population ages.
- **The disabled entrepreneur can face significant barriers** related to access to capital, a lack of business sector and marketplace understanding of disability, limited business experience, low self-confidence, more restricted access to information, the demands of the disability, and systemic issues (such as the potential loss of income supports or medical coverage). In addition, apart from EDP and UEDI, only very limited services are available to assist entrepreneurs with disabilities to start-up or further develop their business.
- **Assisting entrepreneurs with disabilities to establish and further develop businesses can help strengthen the economy in Western Canada.**

2. The programs provide a range of services to assist entrepreneurs with disabilities.

Most clients report receiving more than one type of service. Of the clients whom we surveyed, 68% indicated that they received a loan under the program, 59% received business counselling and 50% received some form of business mentoring. The EDP and UEDI have complemented other programs supported by WD in a number of ways. More specifically, the programs have enabled:

- Loans to be provided in urban areas where CFDCs are not located;
- Business counselling and support to be provided that is often over and above what would normally be provided to CFDC loan clients; and
- Loans to be provided on less stringent terms that would otherwise have been available (e.g. less security required, less emphasis on credit history, higher risk businesses, and more flexible repayment terms).

3. The majority of clients rated themselves as successful or very successful in achieving the objectives they held when they first approached the program.

For most clients (72%), their primary reason for approaching the program was to obtain assistance in starting a business. Other objectives were to access business services, expand an existing businesses, upgrade their skills, start a website, and obtain a loan. On average, the clients rated their success in achieving these objectives as a 4.0 on a scale of 1 to 5 where 1 is not at all successful and 5 is very successful.

4. Most clients are satisfied with the services that they have received.

The clients were asked to rate how satisfied they are with the assistance they received on a scale of 1 to 5, where 1 is not at all satisfied, 3 is somewhat satisfied and 5 is very satisfied, The average rating was 4.1 and 48% of the clients indicated they are very satisfied with the services received. The clients noted that service was good, the loans and other services met their needs, and the staff were very supportive. Those who were less satisfied indicated that they were not able to get the assistance that they needed (particularly loans) or that the process took too long.

5. The EDP and UEDI clients indicated that the services had a wide range of impacts on themselves and their businesses.

The clients were asked to rate the impact that participation in the program has had on them on a scale of 1 to 5, where 1 is not impact at all, 3 is somewhat of an impact, and 5 is major impact. Of the 148 clients surveyed:

- 57% indicated that program had a notable impact (a rating of 4 or 5) in increasing their access to capital;
- 53% indicated that program had a notable impact in improving their quality of life, through improving their financial position, level of independence and/or self-confidence;
- 40% indicated that program had a notable impact in increasing access to business information through means such as one-to-one communication with delivery agency staff or contractors, seminars & speakers, training and written materials; and
- 38% indicated that program had a notable impact in helping them to further develop their business skills through training in areas such as accounting, marketing, legal issues, computers, and website development.

THE SERVICES HAVE HAD A WIDE RANGE OF IMPACTS ON CLIENTS
(Percent of Clients Reporting A Significant Impact)

Increased or Improved:	Percent
Access to Capital	57%
Quality of Life	53%
Access to Information	40%
Business Skills	38%

6. Sixty-five percent of the clients surveyed are currently operating businesses.

At the time when the clients first approached the delivery agency, 11% were operating businesses and 89% were not. Of that 11% of clients, 10% are still operating businesses while 1% has ceased operations. Of the 89% of clients who were not yet in business, 69% subsequently started-up operations of which 55% are still operating and 14% have ceased operations or were sold.

7. We estimate that the average EDP and UEDI loan client generates \$260,000 in revenues and 6 person years of employment over the first five-year period after they receive assistance, that is attributable to the assistance that they received.

In developing this estimate, we used the survey results and the results of past surveys to estimate that:

- The average UEDI and EDP client business that receives a loan and continues to operate will generate about \$554,000 in revenues over a five year period;
- The percent of businesses that continue to operate after receiving a loan declines from about 85% in Year 1 to about 50% in Year 5. After adjusting for survival rates, we estimate that the average EDP and UEDI business (including those which are still operating and those which have ceased to operate) would generate revenues of approximately \$346,000 over the five year period after they receive the loan.
- Approximately one year of employment is generated for every \$42,500 in revenues. As such, \$346,000 in revenues would represent about 8 person years of employment over a 5 year period.
- About 76% of the economic impacts are incremental in that they would not have occurred in the absence of the program. As such, we estimate that the services provided to each EDP and UEDI loan client have, on average, over a five-year period generated \$260,000 in revenues and about 6 person years of employment. The importance of the program is reflected in the findings that the clients:
 - ❑ Were, on average, only 12% confident that they could have obtained financing elsewhere if the program had not been available; and
 - ❑ Indicated that, on average, that there was only a 22% likelihood that they could have developed their business to this point without the assistance of the CFDC or UEDI delivery agency.

Impact	Percent
Revenues Over 5 Years	\$346,000
Percent Attributable to the Program (incremental)	76%
Incremental Revenues	\$260,000
Incremental Person Years of Employment	6

Given that the average loan client we surveyed received an average of \$28,700 in loans, we therefore estimate that the loans result in about \$9.16 in incremental revenues for every dollar in loans provided and generate about 1 person year of incremental employment for every \$4,500 in loan funding provided over a five-year period. By extrapolating the survey results to the entire population of EDP and UEDI loan clients, we estimate that (going out over a five year period from when assistance is initially provided) the loan programs have generated about \$145 million in incremental revenues and 3,400 incremental years of employment.

OPPORTUNITIES FOR IMPROVEMENT

There is strong support for continuing the programs. Of the representatives surveyed, 98% of the stakeholders, 91% of the WD and CFDA representatives, and 75% of the delivery agency representatives recommended that the program or programs be continued. However, most representatives also believe that there is considerable room for improvement with respect to the effectiveness of the program. When

delivery agencies, WD representatives, associations and stakeholders were asked to rate the effectiveness of the programs, on a scale of 1 to 5 where 1 is not at all effective, 3 is somewhat effective and 5 is very effective, the average ratings were relatively consistent across the groups, ranging from 3.1 amongst the stakeholders to 3.3 amongst WD and CFDC representatives.

As such, in the minds of most stakeholders and representatives involved in the program, the issue is not whether the program should be continued but rather how the programs can in fact be enhanced and improved so that they will become even more successful in meeting the needs of entrepreneurs with disabilities as well as the objectives of Western Diversification. Areas that we have specifically highlighted where there are opportunities for improvement include:

While there is strong support for continuing the programs, the evaluation has also identified significant opportunities for improvement

- [*Lack of a shared vision & strategy*
- [*Awareness remains low*
- [*Loan default rates have been high*
- [*Reporting varies by agency*
- [*CFDC support for the program has been eroding*

- **No formal goals, shared vision or agreed upon strategy have been established to guide activities related to the programs.** As a result, perceptions regarding the goals and objectives of the program vary significantly across the delivery agencies.
- **The programs have only been moderately successful in capturing the potential demand for services.** Awareness of the program appears low amongst potential clients and community stakeholders who work with the target group.
- **In comparison to the other programs such as the Community Futures general loan fund, loan default rates for the EDP and UEDI are high.** On average, the CFDCs reported an average loan default rate of 25% while the UEDI agencies reported an average default rate of 49%. While no guidance has been provided to the delivery agencies regarding what would be a reasonable default rate, the delivery agencies proposed a target loan default rate of about 20%.
- **The high loan default rates suggest that the programs need to become more effective in screening potential loan clients and in providing the pre-care and aftercare services that clients need to be successful.** Entrepreneurs with disabilities tend to require more intensive pre-care and aftercare services because they may have less business and work experience, under-developed skills and self-confidence, and more limited access to information and other resources. In addition, the disability itself can serve as a constraint. Many of the delivery agencies noted that the resources needed to provide extensive pre-care and especially aftercare services have not been available.
- **The existing management information systems do not provide useful information that assists in making on-going strategic decisions regarding the design and delivery of the program.** No common benchmarks or targets have been defined against which performance can be assessed. The data which is reported is not consistent between the two programs or across UEDI delivery agencies and cannot be aggregated.
- **Support for the EDP amongst CFDCs has been eroding.** Over 30% of the CFDCs have not made any EDP loans over the past three fiscal years and only 70% of the CFDCs we surveyed were in favour of the program being continued. Some of the concerns expressed about the program include the level of demand in some regions has been low (although this can be attributed, at least in part, to not being actively marketed), resources have not been available to cover the additional costs associated with precare and aftercare, and many of CFDC managers

were not supportive of the transition which occurred in 2001 when WD changed from providing EDP operating funding for individual CFDCs to providing funding through the provincial associations. However, should the program model be improved, all but two of the CFDCs indicated that they would be interested in continuing to deliver the program.

RECOMMENDATION FOR ACTION

The core recommendation of this report is that **a formal strategy should be prepared for the EDP and UEDI that defines the key elements and approach for the programs going forward**. Reflecting the results of the evaluation, further market research, and input from those involved in delivering the programs, the strategy should define:

- **What is the mission and goals of the program?** A fundamental issue is to determine where the program should be positioned along the risk spectrum, which will have implications for target loan default rates as well as the level of pre-care and aftercare services that will need to be provided.
- **What key services will be provided and how will those services contribute towards achievement of the goals?** The most common recommendation provided by the delivery organizations to improve the effectiveness of the program is to increase the level of pre-care and aftercare support. Such support is considered critical to the survival and development of the businesses and has a major impact on the ability of clients to repay their loans.
- **What is the relationship of the program to other resources in the community?** A few delivery agencies have been very successful in developing relationships with other programs that provide specific types support to entrepreneurs with disabilities such as income supports, assistive devices, training, technology and small loan funds. A key strategy in any renewed program structure, therefore, may be to become more proactive in identifying and developing resources (e.g. HRSDC, provincial government programs and private sector partnerships) that can complement the support provided by Western Diversification.
- **What is the marketing strategy for the program?** Some of the strategies that should be considered include developing a common brand identity for the programs that would be consistent across all delivery agencies, working to develop closer relationships with other organizations that interact with potential entrepreneurs with disabilities, undertaking joint advertising programs and promotion initiatives, establishing a common 1-800 number for the programs in each province, and establishing a common website.
- **What is the operating model and funding structure?** The existing delivery structure, which utilizes local delivery agencies that also provide other services related to the target market, appears to be appropriate. A possible change to the current model could be to maintain the position of EDP provincial coordinator but to find ways to directly apply more of the EDP funding towards the direct costs of delivering services at the local level. A provincial program coordinator could play a very useful role in assisting in the development of the program strategy, developing and implementing marketing programs at the provincial level, networking with other organizations to access additional resources for the program and strengthen the referral networks, facilitating

A Formal Strategy Should Be Developed That Will Guide the Programs Going Forward

- [*Mission & goals of the program*
- [*Key services*
- [*Relationship to other resources*
- [*Marketing strategy*
- [*Operating model & funding structure*
- [*Performance indicators*

the sharing of information and best practices, and identifying special initiatives or projects which could be funded through other channels. The coordinator could work with both programs, supporting the activities of the CFDCs and the UEDI delivery agencies.

- **What key indicators and methodologies will be used to collect the data needed to effectively manage the program and report on its progress?** It will be important to develop a set of performance indicators that are consistent with the specific objectives of the program and consistent across the delivery agencies.

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I. INTRODUCTION

A. PURPOSE OF THE EVALUATION

Western Economic Diversification (WD) has developed the following two programs tailored to the needs of entrepreneurs with disabilities in Western Canada:

- The **Entrepreneurs with Disabilities Program (EDP)**, which was established in 1997 to target entrepreneurs who live in a rural community in Western Canada and have a physical disability or mental impairment that impairs their ability to perform at least one of the basic activities of self-employment or entrepreneurship. This program is delivered through the network of Community Futures Development Corporations (CFDCs) in Western Canada with support provided by provincial associations of CFDCs that have been established in each of the four western provinces.
- The **Urban Entrepreneurs with Disabilities Initiative (UEDI)**, which was established in 1998 to extend the services of EDP into the major urban centres. The program is delivered through local non-government organizations in Victoria, Vancouver, Edmonton, Calgary, Regina, Saskatoon and Winnipeg.

The programs provide both financing and other business support services. Funding for EDP and UEDI was scheduled to end March 31, 2005 but has been extended for one more year. The purpose of this evaluation is to provide an objective, disciplined and systematic study and assessment of EDP and UEDI for the purpose of supporting senior management decision-making for continued funding of the programs. More specifically, the study is intended to address a series of evaluation issues related to:

- Rationale (Relevance);
- Success;
- Business Growth and Diversification;
- Service Quality; and
- Cost-effectiveness.

In addition to addressing these issues, the evaluation report is also expected to provide recommendations where changes can be made, if necessary, to meet the needs of entrepreneurs with disabilities and to comply with the strategic objectives of the Department. The scope of the evaluation encompasses:

- All 4 western provinces;
- The time period from 1999 to 2004 for EDP (EDP was evaluated in 1999) and from 1998 to 2004 for UEDI; and
- All of the major activities, operations and systems utilized in the management and administration of EDP and UEDI.

B. METHOD OF STUDY

We conducted this study in two phases. The primary objective of the first phase was to prepare a detailed work plan that was then implemented in the second phase of the study. The major components of our field research are as follows:

- **Conducted interviews with 8 representatives of WD from each of the four provinces and Headquarters** who have been involved in the management, development and delivery of EDP and UEDI. A list of representatives and organizations (excluding clients) who were interviewed during the course of the study is provided in Appendix I.
- **Contacted representatives of the 90 CFDCs and 7 delivery agencies.** Because there is no central database of information on clients who receive services, we had to contact each of the delivery agencies to seek client information including contact numbers that we could use in our client survey. We first distributed a letter from WD to each of the organizations and then followed-up by telephone (typically, a number of times). Within the time frame available, we were successful in obtaining client names from 6 of the 7 organizations delivering UEDI (many of the clients of the seventh organization were surveyed as part of a previous evaluation) and 34 of the 90 CFDCs in Western Canada (including 5 from Saskatchewan, 6 from Manitoba, 10 from Alberta and 13 from British Columbia). In most instances, we received only a few names from each organization. Some of the reasons why certain delivery organizations were not able or willing to provide client names to us were because of policies of their organization regarding privacy and the use of client information, some needed to first obtain permission from the clients and they were not able to do so within the available time, and some CFDCs have not been very active in delivering the program.
- **Conducted field trips to each of the four provinces in Western Canada** to undertake personal interviews with organizations involved in the delivery of EDP and UEDI. During these visits, we met with 8 CFDC managers, 4 representatives of provincial associations, and 10 representatives of organizations that deliver UEDI. We visited the offices of the 5 of the 7 organizations that deliver UEDI.
- **Conducted telephone interviews with representatives of 37 of the 90 CFDCs and all 7 urban partners involved in delivering the EDP and UEDI as well as 6 representatives of CFDC provincial associations across the four provinces.** The 44 CFDCs and UEDI delivery agencies surveyed represent 45% of the delivery agencies in Western Canada for the two programs. Because we tended to place somewhat more emphasis on surveying the delivery agencies most active with respect to the program, the 44 agencies have actually accounted for 58% of the loans issued under the programs. A detailed summary of the responses to the interviews with delivery agencies is provided in Appendix II.
- **Conducted interviews with a sample of 75 community stakeholders who share a similar target market to that of EDP and UEDI.** This included both organizations that provide services or support to entrepreneurs and those that provide services or support to people with disabilities. Of the 75 community stakeholders contacted, 46 were familiar enough with EDP and or UEDI to complete a more detailed interview. A detailed summary of the responses from these interviews is provided in Appendix III.
- **Conducted interviews with a sample of 148 clients receiving assistance through EDP or UEDI.** The size and characteristics of the sample was determined in large part by the availability of client information from the CFDCs and UEDI delivery organizations. As such, it should be noted that they survey results are not necessarily representative of the total population of clients that have been assisted under the program. More specifically, current loan clients and successful clients tend to be over-represented in the sample while past clients who were not successful (e.g. the loan was written off) tend to be under-represented in the sample. This issue will be further discussed later in the report. A detailed summary of the responses from these interviews is provided in Appendix IV.
- **Followed-up with a sample of 8 selected businesses that received assistance under the program.** The purpose of the case studies was to illustrate how the assistance provided under the

programs assists in the development of businesses and the generation of impacts for both the entrepreneur and the business.

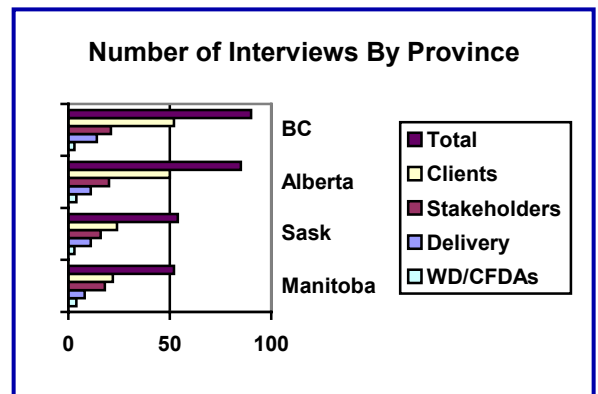
- **Undertook an extensive literature review.** As part of this process, we reviewed available background information on the EDP and UEDI including funding proposals, quarterly and annual reports, statistics on loans and other services provided, press releases, program descriptions, and other materials. We also reviewed information on the needs of entrepreneurs with disabilities. In addition, we collected information on other programs and services that are available to assist entrepreneurs with disabilities in Western Canada and in other jurisdictions. In Appendix V, we have profiled examples of these other programs.
- **Developed a profile of a sample of projects or initiatives supported by the provincial associations of CFDCs.** The purpose of the project descriptions (which are provided in Appendix VII) is to illustrate the types of projects that have been supported through the provincial delivery model.

A summary of the number of interviews conducted by province is provided in the chart. For the purposes of this chart and others in the report, we have grouped the responses of WD representatives in with the response from representatives of the provincial associations of CFDCs.

C. STRUCTURE OF THE REPORT

This report is divided into six chapters:

- Chapter I has provided a description of the purpose and method of study.
- Chapter II provides an overview of the Entrepreneurs With Disabilities Program (EDP) and the Urban Entrepreneurs With Disabilities Initiative (UEDI) including a description of the delivery agencies.
- Chapter III reports on the perceived need for the programs and reviews the fit between the programs and the priorities of the organizations involved.
- Chapter IV summarizes the program models and analyzes the impacts and effects of the programs including the impacts on both the clients and client businesses.
- Chapter V reviews the design and delivery of the program including delivery of the key components of the programs, the design of the programs, and respondent recommendations for improvement.
- Chapter VI presents the major conclusions and recommendations arising from our review.



The appendices contain a list of representatives who were interviewed during the course of the research, summarize the results of the delivery organizations, clients and stakeholder interviews, profile examples of other programs that have been established in Western Canada and in other jurisdictions, profile examples of programs funded through the CFDC associations in each province, and provide direct responses to the evaluation issues that were detailed in the evaluation work plan.

II. OVERVIEW OF THE EDP AND UEDI

This chapter provides a brief description of the EDP and UEDI in terms of the purpose of the programs, the delivery organizations, the numbers of services delivered, and the funding provided by WD.

A. PURPOSE OF THE PROGRAMS

EDP and UEDI are funded under the Service Delivery Network Program (SNDP)¹. The SNDP increases access to services in western Canada through service delivery agreements with community-based organizations, which support delivery of:

- Targeted business and information services to small and medium sized businesses.
- Programs that provide capital to assist existing businesses or to help entrepreneurs create new businesses.

The EDP and the UEDI were designed to meet these objectives through services tailored specifically for entrepreneurs with disabilities in western Canada. The initiatives were developed to address barriers to pursuing self-employment due to a lack of capital and other unique barriers facing the disabled. The initiatives were also intended to increase awareness of the needs of entrepreneurs with disabilities.

The definition of a disabled entrepreneur is an individual who, in the opinion of the delivery organization, has a disability due to physical or mental impairment such that the ability to perform at least one of the basic activities of self-employment or entrepreneurship is restricted. The disability can be visible (examples include physical disabilities such as paralysis, amputation, or mobility issues as well as sensory disabilities such as blindness, visual impairment, deafness or hearing impairment) or invisible (examples include developmental delay, mental health issues, learning disabilities, and/or medical conditions such as diabetes and epilepsy). In general, the disability must be considered permanent. Our interviews indicate that the process through which this definition is applied varies across the various delivery organizations. For example, some of the organizations require a doctor's note while others simply require the client to self-identify.

Consistent with the focus of the SNDP, the programs provide both financing and other business support services to entrepreneurs with disabilities as outlined below:

- The EDP and UEDI provide **small business loans** to people with disabilities looking to start or expand their own business, apply new technology, upgrade facilities and equipment, develop marketing and promotions material, and establish working capital for anticipated sales increases.

The EDP can provide entrepreneurs with disabilities who are unable to obtain financing from a traditional financial institution access to business loans up to \$125,000. The structure of the UEDI loan funds varies somewhat by service provider but entrepreneurs with disabilities can obtain loans of up to \$75,000.

- **Other business support services** are tailored to the needs of entrepreneurs with disabilities as identified by the delivery organizations.

Examples of services that may be delivered through EDP and UEDI include assistance with the development of business plans, mentoring and counselling services, training in business

¹ With the exception of the capital funding for UEDI in British Columbia, which was provided under the Loan Investment Fund Program (LIFP).

development, one-on-one assistance, help to identify needs for specialized equipment and the assistance needed to acquire it, and pathfinding to identify other business resources.

B. PROFILE OF ORGANIZATIONS INVOLVED IN PROGRAM DELIVERY

WD has contracted with organizations in each of the four western provinces to deliver the programs. Delivery of UEDI is contracted to 7 local non-government organizations operating in the major centres while EDP is delivered through the 90 Community Futures Development Corporations (CFDCs) located throughout rural western Canada. Since 2001/02, operating funding for the EDP has been administered in each province by the respective provincial association of CFDCs.

ORGANIZATIONS INVOLVED IN DELIVERING EDP AND UEDI IN EACH PROVINCE

Province	EDP	UEDI
British Columbia	34 CFDCs Community Futures Development Association of BC	Coast Capital Savings VanCity Credit Union in BC
Alberta	27 CFDCs Community Futures Network Society of Alberta	Distinctive Employment Counseling Services (DESCA) Mennonite Central Committee Employment Development Society (MCC)
Saskatchewan	13 CFDCs Community Futures Partners of Saskatchewan	North Saskatchewan Independent Living Resource Centre (NSILRC) South Saskatchewan Independent Living Resource Centre (SSILRC)
Manitoba	16 CFDCs Community Futures Partners of Manitoba	Independent Living Resource Centre (ILRC)

A description of the organizations involved in program delivery is provided below:

1. Community Futures Development Corporations

Introduced in 1986 as part of the Government of Canada’s Canadian Jobs Strategy (CJS), the Community Futures Program was designed to let communities be the innovators, leaders and directors in solving their long-term employment problems. In 1995, responsibility for the program in Western Canada was transferred from Human Resources Development Canada (HRDC) to WD.

Community Futures is delivered through a series of Community Futures Development Corporations (CFDCs), which are independent, locally autonomous corporations that each operate under the direction of a volunteer board. The primary objective of a CFDC is to enhance the overall well-being of the community by increasing economic activity and, often more importantly, by empowering community members to take an active role in the development of their community and thus building community capacity to deal with economic change and labour force adjustments. Over time, the area represented by CFDCs in Western Canada has expanded to include most of the territory in each province outside of the major metropolitan centres. From a base of 4 in 1986-87, the number of CFDCs in Western Canada has expanded to 90 including 34 in British Columbia, 27 in Alberta, 13 in Saskatchewan and 16 in Manitoba.

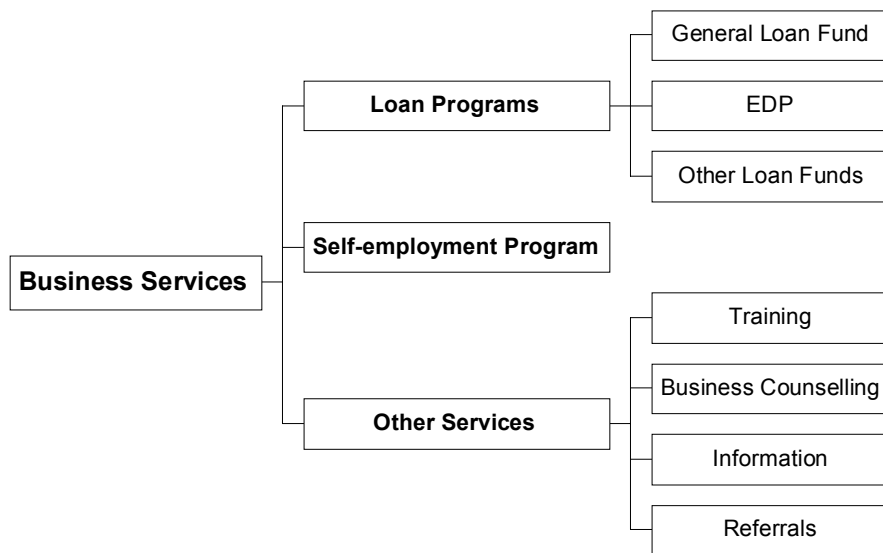
Most services provided by CFDCs can be divided into one of two categories:

- Business services through which CFDCs directly assist entrepreneurs in starting, expanding or modernizing their businesses.

- Community Economic Development (CED) activities through which CFDCs work with communities to assess local problems, establish objectives, and plan and implement strategies to develop human, institutional and physical infrastructure, entrepreneurship, employment, and the economy.

As illustrated below, business services commonly delivered by CFDCs include the provision of loans including EDP loans, delivery of the self-employment program, and delivery of other types of services including training, counselling and other technical support services. Generally speaking, these other services are most commonly provided before a client receives a loan and/or starts-up a business. Most of these services focus on enabling clients to prepare or finalize business plans in advance of an anticipated application for loan funding.

ILLUSTRATION OF BUSINESS SERVICES PROVIDED BY CFDCs



EDP loans have accounted for about 5% of the value of loans advanced by CFDCs. CFDCs tend to use the same process to manage their EDP loan portfolio as they use for their General Loan Fund. The loan applications are adjudicated by a loans committee, which consists of volunteers from the local business community. The CFDC staff and loans committee first consider whether the loan application is “bankable” and commonly refer applicants to commercial lending sources. The criteria applied by the CFDCs in reviewing loan applications may include issues such as:

- Market potential and future economic viability of the business;
- Location of the business;
- Management competence;
- Local job creation;
- Experience related to the venture;
- Reasonable personal financial investment;
- Ability to repay;

- Adequate security for the venture; and
- Creation of a business plan.

According to our interviews, the criteria for EDP clients are generally similar to those applied for general loan clients with several exceptions. For example, certain criteria have tended to be applied less stringently (e.g. with respect to the amount of security required or the emphasis placed on credit history) and other factors related to disabilities may be considered (such as considering the potential loss of government benefits or medical coverage and the implications of the disability on the personal and business risk involved).

In recent years, CFDCs have not received any direct operating funding related to the delivery of EDP but rather are expected to fund the services provided to entrepreneurs with disabilities through their core operating funding, with support from the projects and initiatives implemented by the provincial associations.

2. Provincial Associations for Community Futures

Associations have been established in each of the four western provinces to represent the CFDCs. The Community Futures Development Association of BC, Community Futures Network Society of Alberta, Community Futures Partners of Saskatchewan, and Community Futures Partners of Manitoba work on behalf of their membership to:

- Promote the Community Futures program to the public and government agencies;
- Locate resources to enable their members to achieve their goals more effectively;
- Develop provincial and inter-provincial networks; and
- Foster communication with the volunteer boards that guide the Community Futures program at the community level.

Since September 2000, the four associations have taken a direct role in the implementation of EDP. They are not involved in delivering services directly to EDP clients but rather work to support the CFDCs that deliver the services. More specifically, each provincial association administers a pool of annual funding provided by WD in accordance with the following principles:

- Funding is to be used to support entrepreneurs with disabilities throughout non-metropolitan areas of the province.
- Funding is to be used to support dedicated human resources with skills specific to helping people with disabilities.
- Funding will flow through the CF Associations in each province rather than directly to the resources contracted to deliver the services.
- Activities supported should be consistent and coordinated with the urban EDP initiatives in each province.

Each provincial association consults with WD, CFDC offices, entrepreneurs with disabilities, and various groups who represent persons with disabilities in determining how best to allocate the funding for each province. The actual process through which decisions are made has developed over time and varies somewhat across the provinces. A brief overview of the activities in each province is provided below while Appendix VI provides descriptions of a sample of projects to illustrate the various types of projects that have been funded.

Community Futures Development Association of BC

Over time, the CFDA has worked with CFDCs in BC to:

- Increase awareness and address the barriers of entrepreneurs with disabilities
- Provide assistance and access to business development advice, training, and financial loans for entrepreneurs with disabilities
- Deliver research and marketing initiatives
- Gain community involvement
- Facilitate creative partnerships
- Access adaptive/assistive equipment
- Initiate regional projects

In fiscal year 2003/04, WD allocated \$150,000 in funding to the CF Network in BC of which \$141,994 was used for five regional projects and \$8,006 was used for CFDA administrative purposes. All organizations that received funding were under third party contracts which necessitated reporting back to the CFDA on funds used one month after fiscal year end.

The EDP funds were made available by the CFDA to the 34 CFDCs across BC for projects to be completed before fiscal year end that specifically targeted entrepreneurs with disabilities. An EDP Committee comprised of 6 CFDC Regional Managers and a WD representative first approved all projects that received funding. It was the CFDA's responsibility to facilitate the sending out of project proposal templates, receive all project proposals, distribute project proposals to the EDP Committee, arrange and chair conference calls to judge the proposals, sign third party contracts between CFDA and the approved project proponents for services to be rendered, receive completed project reports and compile the reports into a final EDP report.

Funding has been provided for a wide range of CFDC-led regional projects and provincial-wide projects such as conferences. Examples of regional projects include:

- The Internet Business Development for Entrepreneurs with Disabilities Program. The IBDE program has now operated for several years. In 2003/04, the program worked with 6 CF areas and enrolled 43 students from Vernon (7); Sunshine Coast (12); Salmon Arm (3); Williams Lake (9); Penticton (10); and Grand Forks (2).
- Bridging the Gap is a research project undertaken by CF of the South Fraser that explores the feasibility of establishing a matching/placement service to match contractors with disabilities and the local business community.
- The objective of the Accessible Business Learning Experience (ABLE) pilot program is to assist 8 participants on the Lower Sunshine Coast area with self employment skills that would enable them to develop a business concept, develop a clear personal management plan and evaluate the feasibility of implementation toward a successful self employment business venture.

Other examples of projects funded by CFDCABC including workshops, conferences, and forums, public awareness programs, a recycling exchange, and a regional strategy for the Okanagan Valley.

Community Futures Network Society of Alberta

The CFNSA uses the provincial funding to deliver the Alberta Entrepreneur with Disabilities Enhanced Support Services Initiative (AEDESS). AEDESS funding has supported a wide variety of different types of initiatives including:

- Training: Training dollars are available to CFDC staff, board members and support providers working with persons with disabilities, including EDP clients in partnership with CFDCs.
- Partnerships: Funding is available to assist partners to develop innovative approaches designed to provide services to benefit the person with disabilities, including the EDP clients.
- Special Projects: Funding is available to CFDCs to provide innovative approaches to AEDESS and partnerships.
- Materials and Resources: Funding is available to CFDCs for the development of materials and resources which will assist CFDCs with the delivery of support at the local level to EDP clients.
- Self Management: Funding is available to enable rural EDP clients to access self management supports such as specific management training, business coach support and consulting team support.
- Development of a E-Business Toolkit, which is a comprehensive toolkit that provides key information to EDP clients wishing to develop an e-business or become involved in virtual employment.
- An E-Learning Project, which has provided access to internet based learning modules related to self employment, small business and entrepreneurship for EDP clients.
- Marketing and Advertising: Funding is available to CFDCs to market the EDP program, EDP loans, workshops and success stories.

The AEDESS Initiative program coordinator along with the CFNSA Executive Director established the following 6 objectives:

- Launch the AEDESS E-learning site to Alberta CFDCs, entrepreneurs with disabilities, and service providers.
- Fund a minimum of 12 Self Management Projects.
- Fund a minimum of 10 Special Projects.
- Continue partnership with Employabilities.
- Host a professional development session and provide educational and motivational forum to CFNSA Staff.
- Work with CFNSA Board Members to re-evaluate the AEDESS Initiative and strategically plan for the future.

Community Futures Partners of Saskatchewan

The CFPS provides funding to CFDCs in Saskatchewan to provide assistance to Entrepreneurs with Disabilities. An Ad hoc EDP Committee was formed to determine the elements needed to meet the principles of the program. In a planning session held in November 2002, the EDP Committee identified a number of different types of initiatives that would assist in meeting the goals of the program including:

- Marketing to increase awareness regarding EDP programs and services.
- Secondment opportunities. Support has been available through which a staff member from a CFDC could travel to one of the two urban disability service agencies, North and South

Saskatchewan Independent Living Centres (NSILC and SSILC), to participate in a shared learning opportunity regarding programs and services.

- I am an Entrepreneur. The “I am an Entrepreneur” book, CD and webpage were developed to facilitate efficient access to information and resources pertaining to entrepreneurs with disabilities.
- Educational opportunities: Opportunities have been created for CFDC staff, board members and partners to attend educational workshops to help them better support clients with disabilities. Examples of topics include EDP sensitivity training, mentoring skills, counseling (credit and business), and interviewing.
- Lobbying to support entrepreneurs with disabilities under the Opportunities Fund. Representatives from the EDP Committee have met with individuals from HRDC in Saskatoon to lobby for the job coaching initiative under the Opportunities Fund.

A committee, consisting of Board members from various CFDCs, gets together annually to review funding applications and allocate the provincial funding.

Community Futures Partners of Manitoba

The CFPM in Manitoba provides EDP funding for pilot projects and funding for EDP support to help CFDCs provide extra support services for persons with disabilities. An EDP Advisory Committee was established in 2000 to help design a model for the delivery of EDP through CFPM. This model encompasses many components, which continue to evolve as the program is implemented. Currently, there are 10 components including:

- Regional Marketing
- Business Coaching
- Pilot Research Projects
- Support Funding
- Central Information Resource
- Assistive Technology
- Rural EDP Advisory Committee
- Partnership Building
- Pan Western Activities
- Administration

Pilot research projects are designed to allow CFDCs in Manitoba to create projects that can improve services to persons with disabilities. CFPM has funds that can be accessed by individual CFDCs, but preference is given to projects involving a group of CFDCs together with other service providers/partners.

CFPM has provided funding up to \$4,000 per new EDP client to assist CFDCs to provide additional supports. Funds are also available up to \$1,000 per existing EDP client to assist CFDCs to provide new services/support. These funds can be used for many things dependent on the client’s needs. Examples include:

- Mileage costs
- Administration/Employee Time
- Training Costs
- BusinessCoach/Mentoring

- Accessibility Accommodations

To access funding, CFDCs must provide a complete service delivery plan for the client. This plan defines the supports that the CFDC plans to provide the client and details how the plan will be implemented, including a timeline.

CFPM has also funded a 1-800 EDP Resource phone line that is answered by the Canada Manitoba Business Centre. This allows service providers and consumers to have a central phone line that they can contact to get information about the EDP program.

3. Coast Capital Savings

Coast Capital Savings is Canada's second largest credit union, with \$6.7 billion in assets, 300,000 members and 44 branches across the Fraser Valley, Lower Mainland and Vancouver Island. The credit union places a high responsibility on incorporating responsible financial, social, and environmental practices into their overall business strategy. In 2004, they provided \$2.9 million in funding to support their local communities.

Under the ABLED program (which is supported by UEDI), entrepreneurs with disabilities are eligible to receive loans of up to \$75,000. To be eligible, the applicant must:

- Be a member/client of Coast Capital Savings;
- Have a self-declared disability and proof thereof;
- Have a financially viable business plan;
- Demonstrate proof of community/network support (2 letters of reference, documentation outlining support);
- Show strong evidence and documentation of disability management strategy; and
- Demonstrate proof of their own contribution to the business (financial or in-kind).

Over time, Coast Capital Savings has expanded its delivery area for the program from Vancouver Island to Richmond and now to the entire Lower Mainland area that it serves. ABLED clients receive pre-care and aftercare support. Pre-care support includes pathfinding services to assist clients to assess their entrepreneurial readiness and make appropriate choices regarding their next steps towards self-employment. ABLED clients who are experiencing challenges with their business start-up are offered complimentary diagnostic assessment and cost-shared consulting services to remedy identified issues. Participation in after-care support is voluntary but encouraged. To facilitate delivery of the program, Coast Capital Savings has established partnerships with:

- The Enterprise Facilitation Centre at the New Westminster Community Development Society to provide pre and after-care service for ABLED clients in the Lower Mainland; and
- SUCCESS to increase demand with the new immigrant entrepreneur population.

They have also contracted with a private consultant to provide after-care service for ABLED clients on Vancouver Island.

4. VanCity Credit Union in BC

VanCity is Canada's largest credit union, with \$9.0 billion in assets, 302,000 members, and 41 branches throughout Greater Vancouver, the Fraser Valley and Victoria. VanCity owns Citizens Bank of Canada, serving members across the country by telephone, ATM, and the Internet. Both VanCity and Citizens Bank

are guided by a commitment to corporate social responsibility and to improve the quality of life in the communities where they live and work.

Under the ABLED program, entrepreneurs with disabilities in the Lower Mainland or Fraser Valley are eligible to receive a line of credit of up to \$15,000, a start-up loan of up to \$35,000, or a loan of up to \$75,000 for an existing business (at least six months experience operating the business). The interest rate is prime plus 4%. The criteria for loans address two main issues for entrepreneurs with disabilities - investment into the business and credit history. A viable business plan is required.

During the application process, VanCity will assist the entrepreneur in pathfinding to appropriate business planning resources, identifying training needs and training resources, locating other business resources, and provision of adaptive technology resources to facilitate the application process for VanCity staff members. Once approved for a loan, clients can receive ongoing training resources tailored to the realities of entrepreneurs with disabilities as well as limited business counselling for the duration of the loan.

5. Distinctive Employment Counseling Services

The Distinctive Employment Counseling Services of Alberta (DECSA) is a community-based, non-profit organization that offers customized support programs to individuals who are facing barriers to employment. It assists these individuals in developing the personal and professional skills that will enable them to find and integrate into jobs.

The organization obtains most of its funding through contracts with the Government of Alberta, for which it delivers a variety of programs including : 1) Work Links, an integrated occupational skills training program; 2) Online with Employment, which supports skill development in the areas of life management, employment preparation, and job training leading to employment; and 3) Opportunity Program, for women with barriers resulting from domestic violence.

UEDI funding supports the delivery of the Ventures Program in the Edmonton area. Ventures provides entrepreneurial training and business support to people with disabilities who want to pursue self-employment. Some of the key roles that DESCA plays in the delivery of the Ventures Program include:

- Recruits and screens participants;
- Performs a functional assessment of participants related to their disability;
- Assesses participants in relation to the need for disability supports;
- Assesses all applicants for suitability for entrepreneurship;
- Coordinates access to disability related supports;
- Provides entrepreneurship training leading to the development of a business plan through one-on-one counseling, small group sessions, or referrals to other programs; and
- Recruits and develops mentorship opportunities.

To deliver the loan component of Ventures, DESCA partners with the Edmonton Community Loan Fund (ECLF). ECLF is a non-profit organization specifically mandated to provide loans to low-income people wishing to start their own business.

6. Mennonite Central Committee Employment Development Society

Since 2002, the UEDI has been delivered in Calgary by the Mennonite Central Committee (MCC) Economic Development Society. Prior to that, it was delivered by the Alberta Centre on Entrepreneurship and Disabilities (ACED). The MCC Employment Development Society has been operating since 1991 but was only incorporated in 2001 as a society legally independent from, but in partnership with, MCC Alberta. The

Society's work with low-income people is based on a Community Economic Development strategy, which strengthens community resources for community benefit. Their programs are designed to build people's assets, their incomes, and their connections in the community, self-confidence, information and employability. Services are delivered in four program areas including:

- Trades Training for immigrants and aboriginal people
- Business Development
- Financial Literacy
- Access to Information Technology

MSS has been delivering a micro-loan program (maximum loan of \$7,500) since 1995.

The UEDI funding is used to deliver the FundAbility program, which offers orientation, disability consultation, business training and coaching, loan review, loan facilitation, entrepreneurial support services, and access to a loan fund. The program is structured to enable entrepreneurs with disabilities to undertake and complete their self-employment plans according to their abilities and their own timelines. Support is provided in the form of one-on-one coaching support. Clients participate in a peer support group of fledgling entrepreneurs who meet for two hours a week for four weeks. If additional support is needed, clients may participate in a 12 week ABCs of Business course. Upon completion of the business plan, clients may prepare a loan application which is presented by staff to the loan committee (consisting of three volunteers and 3 staff members). After the loan is approved, clients are expected to contact the loans officer once per month although this does not always happen.

FundAbility participants also have access to the Society's monthly business bulletin, networking events, and workshops to address after-care support. In addition to WD funding, the program has received funding from the Opportunity Fund of HRDC.

7. North Saskatchewan and South Saskatchewan Independent Living Resource Centres

The North Saskatchewan and South Saskatchewan Independent Living Resource Centres are committed to the Independent Living approach, which recognizes the rights of citizens with disabilities to take control of their lives by examining choices, making decisions, and taking risks. When existing options do not provide an acceptable alternative, individuals are encouraged and assisted to seek their own solution.

The North Saskatchewan and South Saskatchewan Independent Living Resource Centres deliver the UEDI in Saskatoon and Regina respectively. They share a small loan pool and provide clients with:

- Help to develop customized business plans;
- Mentoring and counseling services;
- Training in business development;
- One-on-one assistance;
- Help to identify needs for specialized equipment and the assistance needed to acquire it; and
- Access to capital.

The NSILC hires local contractors to assist clients in developing business plans. When the business plan completed and a loan application has been prepared, they are reviewed by a NSILC staff member who serves as the loans officer for the program.

The SSILC has a staff member who works with clients in preparing business plans. Plan development follows a 20-step process and commonly takes 4 to 5 months from the initial contact to completion of the business plan. Once the business plan is developed and a loan application has been prepared, it is

reviewed by a loan review committee consisting of 5 individuals including one banker. The client presents the business plan to the committee. After the loan is approved, a staff member will generally speak on a regular basis with the client (up to one time per week, depending upon need).

NSILC and SSILC received only \$100,000 in capital for their loan funds. The SSILC fund has very little cash remaining on hand (after deducting outstanding loans and loans that have been written off). To meet the need for loans, the SSILC participates in the delivery of a Government of Saskatchewan program through which entrepreneurs with disabilities or those associated with a person with a disability can borrow up to \$15,000 from the Small Business Loans Association (SBLA). SSILC has made 9 SBLA loans to date.

8. Independent Living Resource Centre (Winnipeg)

The mission of the ILRC in Winnipeg is to promote and enable the progressive process of citizens with disabilities taking the responsibilities for the development and management of personal and community resources. The ILRC recognizes the following principles:

- People with disabilities, through their experience in being disabled, are aware of the needs of people with disabilities.
- Support services should be based on consumer-controlled policies.
- The goal of independent living is to provide the skills needed by an individual to cope with a disabling environment.
- The goal of services is full integration into the community.

With support from UEDI, the ILRC works to enhance the fundamental business skills of people with disabilities through such methods as self-assessment, business plan development, counseling, mentoring, networking, and assisting people with disabilities to access financing for their business. Clients initially complete a self-assessment to determine the appropriateness of self-employment and entrepreneurship for them. After the self-assessment, the clients may fill out an application to the program and be interviewed by a staff member of ILRC. The next step in the process is to prepare a business plan through one of three options:

- By participating in a business plan development program delivered by SEED Winnipeg (ILRC purchases 12 seats in the program annually);
- By working with the ILRC staff member; or
- By working through Manitoba Business Start.

After completion of the business plan, clients can present a loan application to the loan committee. ILRC places an emphasis on encouraging clients to present their own business plans to the committee. The committee will make recommendations on the loan application to the ILRC, who has final approval authority.

ILRC has developed a relationship with the Assiniboine Credit Union to facilitate delivery of the loan component of the program. In effect, ILRC has placed the UEDI loan funds on deposit with the Credit Union. The Credit Union makes loans to clients approved by ILRC and uses the deposited capital to guarantee the loans. Some aftercare may be provided to loan clients for a period of one year, if they participated in the SEED Winnipeg program. However, ILRC has very little contact with clients after the loans are approved.

C. DATA ON THE SERVICES PROVIDED TO CLIENTS

1. EDP

Although a range of services may be provided by CFDCs to EDP clients, the only data that is currently available to us relates to loans. As indicated below, the number of EDP loans issued by the CFDCs has declined from 152 in 1999/2000 to 88 in 2003/04 while the value of the loans has decreased from \$3.3 million in 1999/2000 to \$1.9 million in 2003/04.

**NUMBER AND VALUE OF EDP LOANS PROVIDED BY CFDCs
FOR THE PERIOD 1999/2000 TO 2004/2005**

Fiscal Year	Number of Loans	Value of Loans
1999-2000	152	\$3,296,336
2000-2001	121	\$2,592,409
2001-2002	98	\$2,180,173
2002-2003	101	\$1,961,721
2003-2004	88	\$1,877,604
2004-2005 (first 3 quarters)	55	\$1,304,633
Total	615	\$13,212,876
Average Loan		\$21,484

Over almost a six-year period, CFDCs have provided 615 EDP loans totaling over \$13 million.

2. UEDI

While each of the UEDI delivery agencies report at least some information on the services they provide, there is no commonality in the activities that are tracked, the methodologies used, or the definitions applied. As a result, it is not possible to roll up the data to provide a profile of the UEDI services delivered. The following table is not exhaustive but is intended to illustrate the wide variance in the types of data that is tracked.

EXAMPLES OF DATA REPORTED ON THE NUMBER OF SERVICES DELIVERED

Delivery Organization	Examples of Activities Reported On
Coast Capital	Staffing Presentations After care services Referrals Partnerships
Van City	Number of enquiries Small business counseling Referrals to other agencies

Delivery Organization	Examples of Activities Reported On
	On-going monitoring and support Inquiries from branches
MCC	Training Intakes Business Plans Completed Information Sessions to other Organizations Relationships with Disability Serving Organizations Hours of Personal Coaching
NSILRC	Total Number of Contacts Number of New Clients Number of Hours Worked
SSILRC	General Inquiries and Referrals People Working on Business Plans Business Plans Developed But Not Viable Clients Receiving Financing Elsewhere Attendance at Orientation Sessions New Clients
ILRC	Inquiries Attendance at Information Sessions Training Workshops/Seminars Businesses start/expanded

Unlike the EDP program, WD does not compile loan statistics on the UEDI program. Based on information provided to us by the delivery organizations and WD representatives, we have put together a table that summarizes the number and value of loans issued under the UEDI.

DATA ON NUMBER AND VALUE OF UEDI LOANS ISSUED

Delivery Organization	Loans Issued	Amounts	Comments
Coast Capital	47	\$967,895	As of April 2005
Van City	26	\$420,519	As of December 2004
ACED	8	\$254,005	Transferred to MCC
MCC	18	\$173,276	March 31, 2005
DESCA	18	\$335,283	As of Feb 2005
NSILRC	6	\$88,600	March 31, 2005
SSILRC	7	\$115,500	March 31, 2005
ILRC	22	\$543,374	March 31, 2005
Total	152	\$2,898,452	
Average Loan		\$19,069	

3. Summary of the Loans Issued By Type of Delivery Agency

Taken as a group, CFDCs have accounted for 81% of the combined value of the loans approved under EDP and UEDI, while the UEDI delivery agencies have accounted for 19% since the programs were established.

NUMBER AND VALUE OF LOANS ISSUED

Program	Loans Issued	Value (\$ million)	Percent
EDP	615	\$13.2	81%
UEDI	152	\$2.9	19%
Total	767	\$16.1	100%

The number of loans issued per CFDC or UEDI delivery agency ranges from 0 to 45, while the value of the loans issued ranged from \$0 to over \$900,000. The 21 agencies that have been most active have accounted for 49% of the value of the loans issued.

VALUE OF LOANS ISSUED BY DELIVERY AGENCY

Amount	Agencies	Loans Issued (\$Million)	Percent
\$0	5	\$0.0	0%
\$1 – \$50,000	21	\$0.6	4%
\$50,001 – \$100,000	13	\$1.0	6%
\$100,001 – \$150,000	12	\$1.5	9%
\$150,001 – \$200,000	10	\$1.7	11%
\$200,001 – \$250,000	15	\$3.4	21%
\$250,001 – \$300,000	7	\$2.0	12%
\$300,001 – \$400,000	7	\$2.3	14%
\$400,001 – \$500,000	4	\$1.7	11%
Over \$500,000	3	\$2.0	12%
Total	97	\$16.1	100%

Most CFDCs have issued less than \$150,000 in loans while 5 of the 7 UEDI delivery agencies have issued more than \$400,000 in loans. On average, the UEDI delivery organizations have issued 22 loans totalling over \$410,000 while the CFDCs have issued 7 loans totalling about \$150,000.

D. FUNDING PROVIDED BY WESTERN DIVERSIFICATION

1. EDP

The EDP was established as a pilot program with \$21.5 million in funding in March 1997. Each of the 86 CFDCs, which then existed, received:

- \$50,000 for operating costs (\$4.3 million in total). The operating funding could be used for staff and board training, salary costs for an EDP coordinator, marketing, travel and adaptive equipment for persons with disabilities; and
- \$200,000 in capital for a loan fund (\$17.2 million in total).

In the 1998/99 fiscal year, the initiative was extended for one year using a combination of new funding from WD (\$379,292) and a provision that CFDCs could transfer up to \$40,000 from their EDP investment fund to operations.

ANNUAL FUNDING APPROVED BY WD FOR EDP

Year	Funding
1997-1998	\$21,500,000
1998-1999	\$379,292
1999-2000	\$2,500,000
2000-2001	\$1,000,000
2001-2002	\$1,500,000
2002-2003	\$1,000,000
2003-2004	\$500,000
2004-2005	\$250,000

In 1999/00, WD approved \$2.5 million to extend the program while a Medium Term Strategy for the Department was being developed. This eventually led to a decision to discontinue the operating support provided to individual CFDCs, effective April 1, 2000.

Beginning in 2001/02, the operating support that had previously been provided to each CFDC was replaced with a centralized pool of funding that is administered by the provincial association that represents CFDCs in each province. The centralized pool has gradually decreased from \$1 million annually (BC and Alberta each received \$300,000 while Saskatchewan and Manitoba each received \$200,000) to \$500,000 and now to \$250,000 annually (BC and Alberta each receive \$75,000 while Saskatchewan and Manitoba each receive \$50,000).

2. UEDI

The delivery agencies for the UEDI have received a mixture of capital funding, which is conditionally repayable, and funding for operations which is not repayable. Most of the programs were established with \$600,000 in funding, of which \$500,000 was for use in a loan fund and \$100,000 was for initial operations.

Over time, the delivery organizations received approval to transfer \$100,000 from the loan fund to operating funding and have received additional annual funding for program delivery (\$75,000 each per year during the past two years).

ANNUAL FUNDING PROVIDED FOR UEDI

Province	98-00	00-01	01-02	02-03	03-04	04-05
British Columbia						
Coast Capital	\$250,000	\$145,000	\$225,000	\$50,000	\$75,000	\$75,000
VanCity	\$250,000	\$194,950	\$175,050	\$50,000	\$75,000	\$75,000
Alberta						
MCC				\$75,078	\$75,000	\$75,000
ACED	\$275,000	\$150,000	\$184,922			
DESCA	\$350,000	\$200,000	\$50,000	\$50,000	\$75,000	\$75,000
Saskatchewan						
NSILRC	\$250,000	\$50,000	\$100,000	\$200,000	\$75,000	\$75,000
SSILRC					\$75,000	\$75,000
Manitoba						
ILRC	\$429,109	\$120,891	\$50,000	\$50,000	\$75,000	\$75,000
Western Canada						
Total	\$1,804,109	\$739,950	\$784,972	\$475,078	\$450,000	\$450,000

III. NEED FOR THE PROGRAMS

This chapter summarizes the major findings of our review regarding:

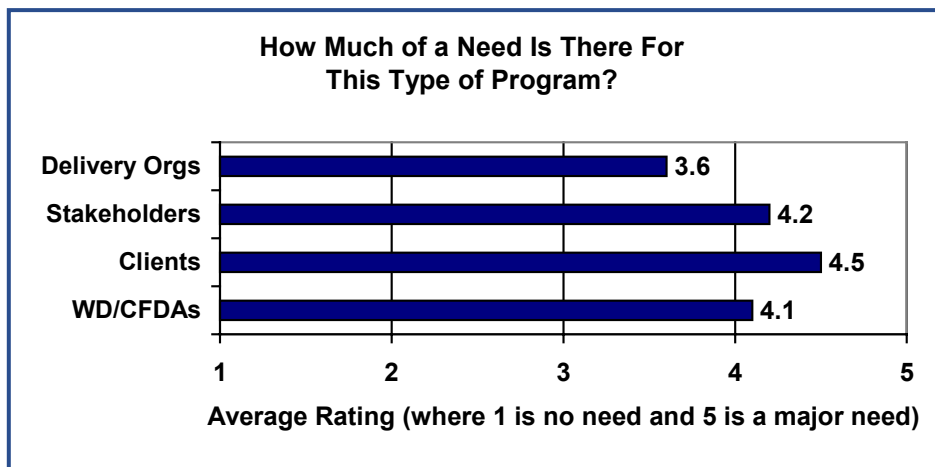
- The perceived need for the program amongst the representatives surveyed; and
- The fit of the program with the priorities of the organizations involved and other resources in the community.

A. PERCEIVED NEED FOR THE PROGRAMS

The major findings of our review regarding the perceived need for the program are as follows:

1. **It is widely recognized amongst those surveyed that there is a significant need for this type of program.**

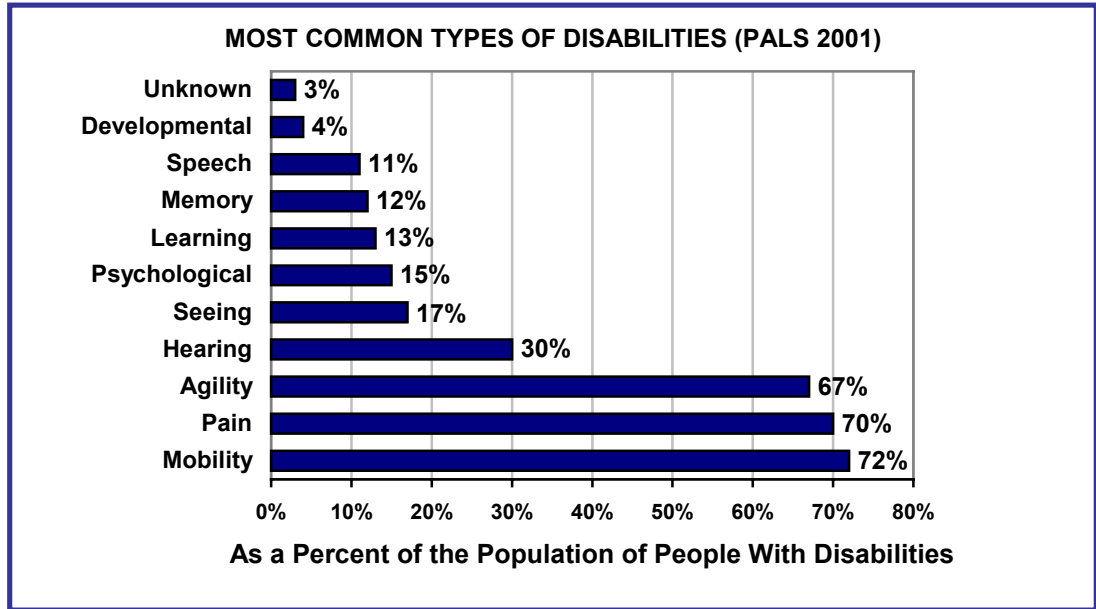
The representatives whom we surveyed during the course of the study were asked to rate the need for the program on a scale of 1 to 5, where 1 is not need at all, 3 is somewhat of a need and 5 is a major need. The average rating varied from 4.5 amongst the clients surveyed to 3.6 amongst representatives from the delivery agencies as indicated below.



The perceived need for the programs reflects that:

- *Self-employment can represent an important alternative for people with disabilities.* Nevertheless, self-employment rates are very low amongst people with disabilities In Canada, only about 3% of residents with disabilities are self-employed compared to 14% of those without disabilities.
- *The target group is potentially very large.* The number of people with disabilities in Canada is, according to the Participation and Activity Limitation Survey 2001 (PALS), reported at a rate of 12.4 percent, or 3.6 million Canadians. Among aboriginal people the disability rate is even higher and is reported to be 30 percent.

The results of the PALS survey regarding the types of disabilities that people face are summarized below:



- *Entrepreneurs with disabilities can face significant barriers.* The barriers to entrepreneurship most commonly identified by the representatives we surveyed included:
 - Access to capital is more limited. Entrepreneurs with disabilities tend to have less capital of their own and financial institutions are much less likely to lend to them;
 - There is a lack of business sector and marketplace understanding of disability;
 - Entrepreneurs with disabilities may lack self-esteem and self-confidence;
 - Small business development programs are not tailored to needs of entrepreneurs with disabilities;
 - Access to information is more restricted;
 - Potential entrepreneurs often lack the business experience, skills or resources necessary to develop their business ideas on their own;
 - Physical demands of the disability and related costs can place limitations of the opportunities open to them;
 - Starting up a business can result in a loss of income or benefits (e.g. loss of coverage for medical costs) for people with disabilities; and
 - There are transportation and access issues, particularly in smaller centers.
- Enabling entrepreneurs with disabilities to develop businesses can benefit the economy.

Examples of additional barriers that we identified in our literature review include:

- There is often a limited focus on self-employment amongst disability organizations providing employment services;
- Public policies, including income security and policies concerning part time work, can act as a disincentive;
- Access to technology can be more limited; and
- There are fewer role models and it can be more difficult to develop business network connections.

2. Across the delivery agencies, the perceived need for the program tended to be higher amongst organizations delivering the UEDI (an average rating of 4.3) than amongst CFDCs (average rating of 3.4).

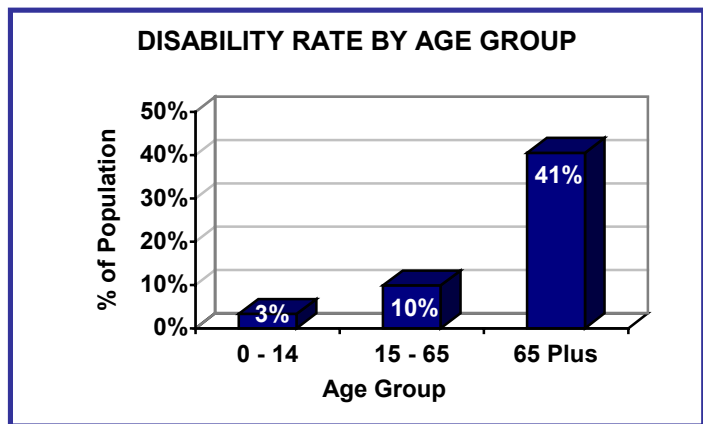
Many of the CFDCs indicated that demand for EDP services has not been high in their region and the many entrepreneurs with disabilities would be eligible to receive essentially the same services through the general loan fund as they receive through the EDP.

3. Over 60% of the stakeholders surveyed believe that the need for this type of programming has increased over time.

Factors that contribute to the increasing need include:

- The increasing awareness of disability issues;
- The increasing awareness of the option for entrepreneurship and self-employment; and
- The increasing rate of disability as the population ages.

The results of the PALS survey illustrates how the percentage of the population with disabilities increases as the population ages. The rate of disability increases from 3% of the population for people aged 14 years or younger to 41% for people aged 65 years or more as indicated in the chart.



B. FIT WITH ORGANIZATIONAL PRIORITIES AND OTHER RESOURCES

The major findings of our review between the fit of the program with priorities of the organizations involved as well as other resources in the community are as follows:

1. EDP and UEDI support the commitment of the Federal Government to help reduce barriers and increase employment opportunities for Canadians with disabilities.

The EDP and UEDI were created in response to the Federal Task Force on Disabilities, which identified employment as a major issue for persons with disabilities and a leading cause of the relatively high incidence of poverty. These concerns continue. The labour force participation rate of adults with disabilities was 46% in 2001 (including people who were employed as well as those who were unemployed but looking for work) as compared to 79% for those persons without disabilities. Only 42% of adults with disabilities were employed in 2001 as compared to 74% of adults without disabilities. The median income of adults with disabilities was \$15,921 in 2001 as compared to \$24,000 for adults without disabilities.

The Task Force recommended that changes be made to ensure that existing programs are inclusive for those with disabilities and that new programming be developed to address key barriers that have constrained people with disabilities from participating equally in the economy. EDP and UEDI create employment opportunities for persons with disabilities by facilitating self-employment and supporting entrepreneurship. The programs are also consistent with WD's focus on entrepreneurship and sustainable communities.

2. Fifty-seven percent of the delivery agencies indicated that their organization currently places a high priority on the program.

While the commitment to the target group is generally strong across the delivery agencies, some of the agencies (particularly some of the CFDCs) indicated that they do not currently place a high priority on the program because:

- In some regions, the demand for services is perceived as very low;
- The program represents only one of a variety of programs delivered by the organization;
- CFDC clients who may be eligible for loans under the EDP loan fund may also be eligible through the general loan fund; and
- No direct funding is available to CFDCs to support the level of precare and aftercare that may be required to serve the target group.

3. Apart from EDP and UEDI, there is little other programming available that specifically targets entrepreneurs with disabilities.

Twenty-three percent of clients and 50% of the stakeholders were aware of other programs and services in the community that could assist entrepreneurs with disabilities. In general, the programs are much more limited in scope than the EDP and UEDI with respect to the assistance that they can provide. It was noted that most programs targeted specifically at people with disabilities are employment programs rather than entrepreneurship programs while most programs targeted at entrepreneurs are not tailored to the needs of entrepreneurs with disabilities. A profile of other programs that were identified in Western Canada as well as in other regions is provided in Appendix V. The delivery agencies for EDP and UEDI have developed relationships with many of the other resources that are available such as the Opportunities Fund, Opportunity Works, and SEED Winnipeg.

V. IMPACTS AND EFFECTS

This chapter reviews the intended impacts and effects of the programs, and then summarizes our findings regarding the perceived effectiveness of the program, the impact in terms of increasing access to services and resources, and the impacts of those services on the clients and their businesses.

A. THE PROGRAM MODEL

A program model is provided below which summarizes the interrelationships between the activities, outputs and intended impacts of WD’s support for entrepreneurs with disabilities.

PROGRAM LOGIC MODEL FOR EDP AND UEDI

Activities	<ul style="list-style-type: none"> • Development of delivery capabilities through partnerships, association-supported projects, training, and other related activities • Marketing of the programs and services • Delivery of technical support services such as assistance with business plans, training, and counselling • Review of loans applications and management of loan portfolios • Referrals to other sources of assistance
Outputs	<ul style="list-style-type: none"> • Business plans • Loans • Training • Research assistance • Business advisory and referral service • Networking and mentoring • Information
Short-term Impacts	<ul style="list-style-type: none"> • Increased awareness of the entrepreneurship option • Increased awareness of, and access to, programs and services • Development of business, management and personal skills • Increased access to information for business decision making • Increased access to capital • Leveraging of funding from other sources • Increased networking • Increased awareness of the issues facing entrepreneurs with disabilities • Increased service delivery capabilities • Development of effective community partnerships
Intermediate Impacts	<ul style="list-style-type: none"> • Reduced barriers and increased opportunities for self employment amongst entrepreneurs with disabilities • Development of new businesses/maintenance and expansion of existing businesses • New investment in businesses • Improved management practices • Increased economic activity (e.g. revenues) • Increased job creation through self-employment and business development • Expanded tax base/reduced reliance on social assistance programs • Enhanced community capacity
Longer-term Impacts and Effects	<ul style="list-style-type: none"> • Increased rate of self-employment amongst western Canadians with disabilities • Development and diversification of the western Canadian economy (as evidenced by regional economic development, diversification, job creation, economic growth, and communities which are more self-reliant and sustainable)

A key objective of the evaluation has been to review the extent to which the intended impacts and effects have been achieved. The review has focused primarily on the short-term and intermediate impacts and effects because:

- Not enough time has elapsed for the intended long-term impacts and effects to have occurred;
- Short-term and intermediate impacts are more easily measured and directly attributed to the program activities; and
- The intended long-term impacts will only be achieved if the short-term and intermediate impacts and effects are realized.

B. ACHIEVEMENT OF PROGRAM AND CLIENT OBJECTIVES

The major findings of our review regarding the perceived effectiveness of the programs in terms of the achievement of program objectives and client objectives are as follows:

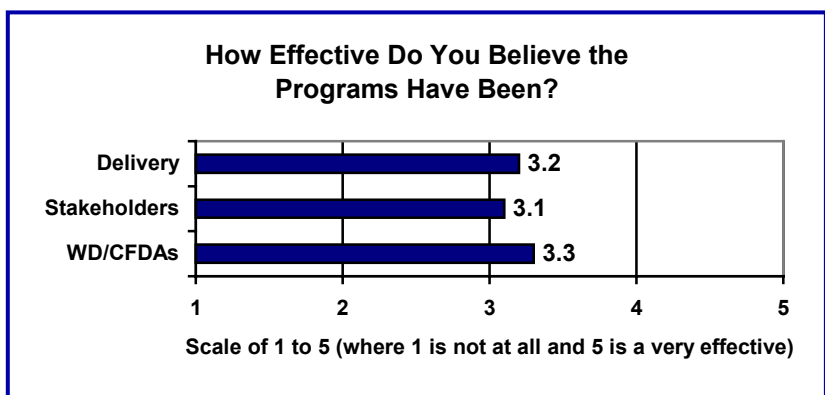
1. No formal objectives were established for the EDP and UEDI against which the success of the program can be measured.

When the delivery agencies, WD representatives, associations and stakeholders were asked to identify the most important indicators for measuring the success of the programs, the most common responses were:

- The numbers of clients assisted;
- The number of businesses developed and sustained;
- Impacts on the clients in terms of self-reliance, self-esteem and personal skills;
- The performance of the loan portfolio (e.g. default rates);
- The level of client satisfaction; and
- The number of jobs created in the economy.

2. The programs are considered to be somewhat effective in meeting the perceived objectives.

The delivery agencies, WD representatives, associations and stakeholders were asked to rate the effectiveness of the programs in light of the indicators they identified, on a scale of 1 to 5 where 1 is not at all effective, 3 is somewhat effective and 5 is very effective. The average ratings were relatively consistent across the groups, ranging from 3.1 amongst the stakeholders to 3.3 amongst WD and CFDA representatives.



The respondents indicated that the programs have been successful in:

- Helping clients improve their self-confidence, independence, self-worth, skills, and quality of life;
- Helping businesses get started, some of which have been very successful;

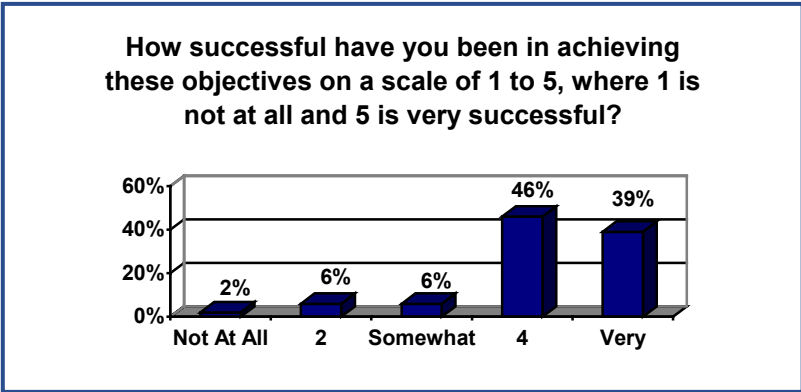
- Creating greater financial independence amongst clients;
- Increasing awareness of the entrepreneurial option for people with disabilities;
- Beginning to change the perceptions of the community regarding the capabilities of people with disabilities;
- Defining and developing delivery structures and systems; and
- Creating role models.

The success of the programs was attributed to the mixture of loans and other support that is available as well as the quality of the staff. Areas that were identified where the programs have been less successful include:

- Awareness of the programs is low - the numbers of services delivered is lower than many of the representatives expected;
- Some of the loan portfolios have experienced high default rates (on average, the delivery organizations estimated that 29% of their loans have been defaulted upon or written off);
- Not enough funding is available to provide the services that are needed by the target groups;
- Clients whose businesses are unsuccessful may be worse off as a result of participating in the program. Clients may lose their capital, lose their eligibility for income supports and medical benefits, and lose their self-confidence. It was also noted that the stress of operating a business can have a negative impact on the health of participants; and
- Support for the program amongst CFDCs has been eroding.

3. The majority of clients rated themselves as successful or very successful in achieving the objectives they held when they approached the program.

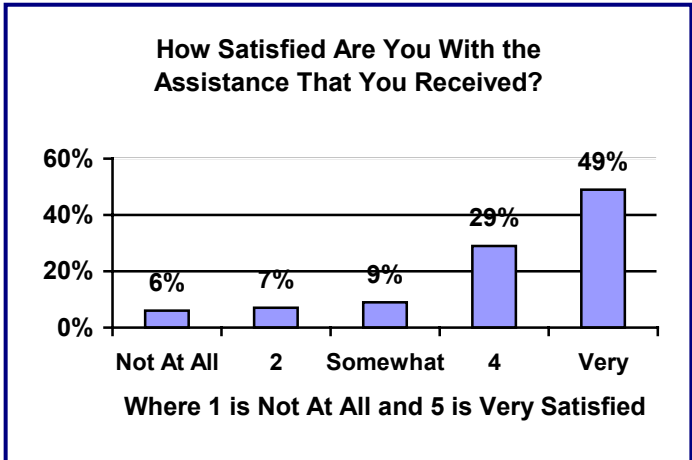
For most clients (72%), their primary reason for approaching the program was to obtain assistance in starting a business. Examples of other objectives that were identified were to access business services, expand an existing business, upgrade their skills, start a website, and obtain a loan.



On average, the clients rating their success in achieving these objectives as 4.0 on a scale of 1 to 5 where 1 is not at all successful and 5 is very successful.

4. Most clients are satisfied with the services that they have received.

The clients were asked to rate how satisfied they are with the assistance they have received on a scale of 1 to 5, where 1 is not at all satisfied, 3 is somewhat satisfied and 5 is very satisfied, The average rating was 4.1 and 49% of the clients indicated that they are very satisfied with the services received.



The clients noted that service was good, the loans and other services met their needs, and the staff were very supportive. Those who were less satisfied indicated that they were not able to get the assistance they needed (particularly loans) or that the process took too long.

C. INCREASED ACCESS TO SERVICES

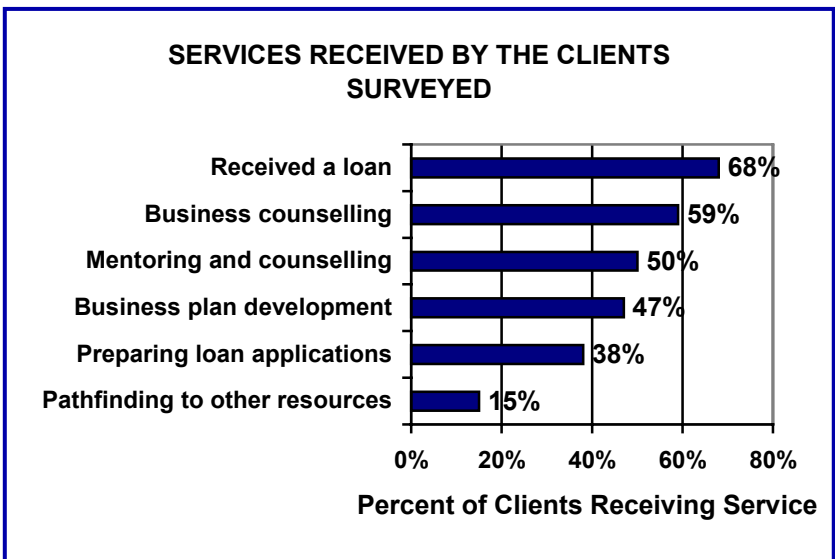
In reviewing the impacts of EDP and UEDI in terms of increasing access to services, we considered:

- The services that were utilized by entrepreneurs with disabilities;
- The relationship between those services and other services supported by WD;
- The extent to which the clients would have been able to access services, particularly loans, in the absence of the program;
- The demographic characteristics of the clients and how those compare to the characteristics of CFDC general loan fund clients; and
- The factors that may be constraining access to the programs.

The findings of our review are summarized as follows:

1. The programs provide a range of services to assist entrepreneurs with disabilities.

Most clients reported receiving more than one type of service. Of the clients whom we surveyed, 68% indicated that they received a loan under the program, 59% received business counseling and 50% received some form of business mentoring.



Apart from those shown in the chart, examples of other types of services that were received by clients included training related to topics such as computers, bookkeeping, and website development.

2. The EDP and UEDI have complemented the existing programs supported by WD in a number

of ways.

More specifically, the programs have enabled:

- Loans to be provided in urban areas where CFDCs are not located;
- Business counselling and support to be provided that is often over and above what would normally be provided to CFDC loan clients; and
- Loans to be provided on less stringent terms that would otherwise have been available (e.g. less security required, less emphasis on credit history, higher risk businesses, and more flexible repayment terms).

However, 10 of the 37 CFDCs surveyed indicated that there is no significant difference in the terms of the services they provide to EDP clients from what they normally provide to other clients through the regular loan fund. The CFDCs who noted a difference in the services were also those most active in providing EDP loans and other services.

3. On average, the loan clients received \$28,700 in loan funding from the programs.

The average loan amount received by loan clients surveyed is higher than the actual average loan amount (\$21,484 for EDP and \$19,679 for UEDI), which indicates that the client survey was biased somewhat towards larger loan clients.

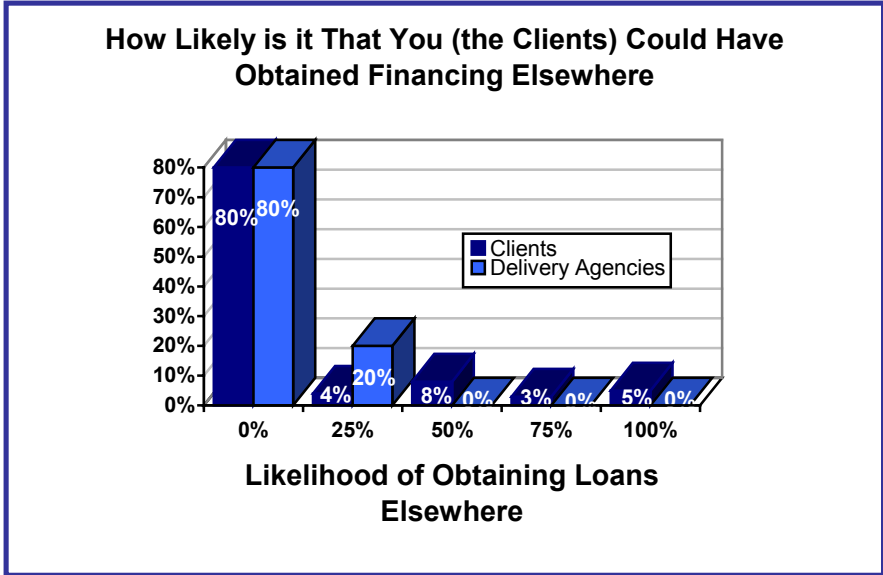
Of the loan clients surveyed, 34% received loans of \$10,000 or less, 27% received loans of between \$10,000 and \$25,000, and 37% received loans of more than \$25,000. According to the clients surveyed, the loans represent about 49% of the approximately \$58,000, on average, that has been invested in these businesses. The most significant other sources of financing have been funds invested by the client or partners. Other sources of funding that were identified include family and friends as well as commercial lenders.

4. In the absence of the program, the entrepreneurs with disabilities would generally not have been able to access similar services from other sources.

In particular, few of the entrepreneurs would have been able to access loan funding elsewhere.

- On average, the clients were only 12% confident that they could have obtained their loans elsewhere (e.g. from family members) if the program had not been available. Only 5% of the clients thought that they definitely could have obtained funding elsewhere while 80% believe that there is not chance that they could have obtained a loan elsewhere.
- On average, the delivery agencies estimated that only 9% of the loans received by the clients could have been accessed from sources other than the CFDCs or UEDI delivery agencies. In some situations, the loans clients may have been able to obtain a loan through the general loan fund if the EDP loan fund had not existed.

The distribution in responses regarding the likelihood that clients could have obtained a loan elsewhere are shown below.



- 5. In comparison to other CFDC loan clients, UEDI and EDP clients tend to be older and are more likely to be male.

We conducted an impact assessment of the Community Futures Program in Western Canada in 2001. As part of that study, we conducted interviews with 1,033 CFDC clients of whom received loans. In comparison to general loan fund clients, EDP and UEDI clients tend to be older (55% of the EDP and UEDI clients are over 45 years of age) are more likely to be male (70% as compared to 58% of all CFDC loan clients).

DEMOGRAPHIC CHARACTERISTICS OF CLIENTS AND BUSINESSES

Demographic Characteristics	Survey	
	EDP & UEDI Clients	CFDC Loan Clients ²
Age of Respondent		
24 years or under	2%	3%
25 to 34 years	8%	22%
35 to 44 years	35%	34%
45 to 54 years	33%	28%
55 to 64 years	19%	12%
65 years or older	3%	2%
Gender		
Male	70%	58%
Female	30%	42%

² Drawn from an extensive survey of CFDC loan clients conducted across Western Canada by Ference Weicker & Company in 2001

6. The educational profile of the EDP and UEDI clients is similar to that of the broader population of adults in Canada.

As indicated below, 54% of clients we surveyed identified their highest level of education as Grade 12 or less while 19% indicated that they have a university degree. According to Statistics Canada, only 11% of Canadian adults with disabilities aged 15 to 64 years have a university education as compared to 20% of adults without disabilities.

EDUCATIONAL PROFILE OF THE CLIENTS

Education level	Group (Aged 15 to 64)		
	EDP & UEDI Clients	Adults with Disabilities	Adults without Disabilities
Less than high school	28%	37%	25%
High school	26%	23%	27%
University degree	19%	11%	20%
Other post-secondary education	27%	29%	28%
Total	100%	100%	100%

7. There are a variety of factors that may constrain more entrepreneurs with disabilities from participating in the program.

Some of the factors that were identified in our interviews include:

- Relatively low awareness of the program.
- Limited pools of loan capital available (that have not been loaned out or written off).
- Financial constraints facing entrepreneurs with disabilities.
- Lack of confidence amongst potential clients.
- Reluctance of some entrepreneurs with disabilities to declare.
- Lack of skills and experience related to the development and operation of businesses.
- High degree of perceived risk for clients, particularly when they have limited personal capital and there is a possibility that they may lose access to income and medical supports.

D. IMPACT ON THE CLIENTS AND CLIENT BUSINESSES SURVEYED

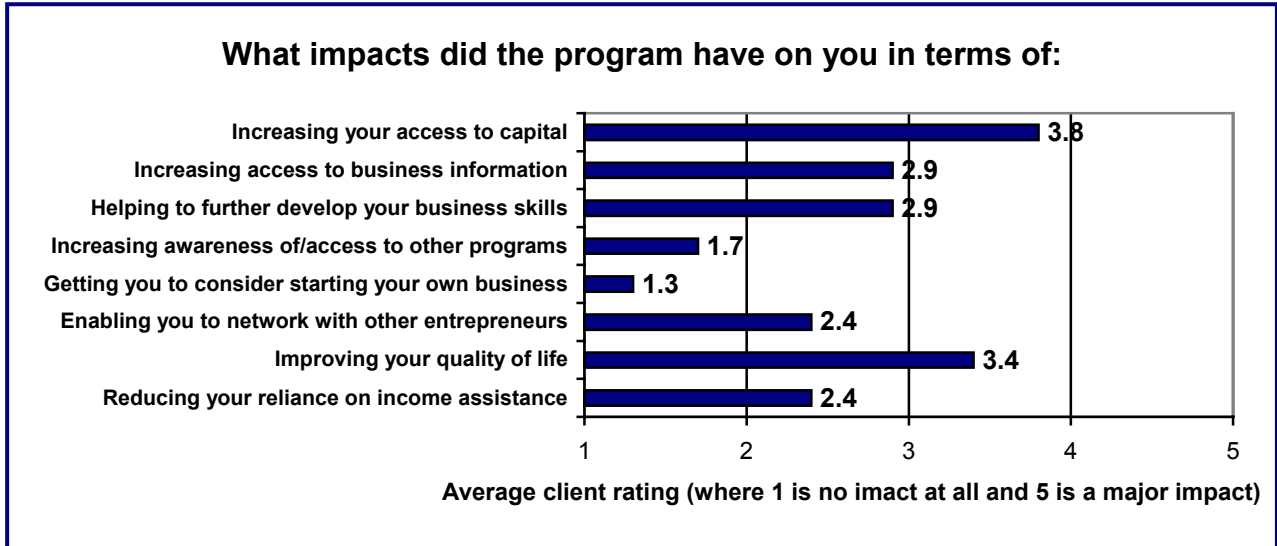
To review the impacts of EDP and UEDI on the clients and client businesses, we:

- Asked the clients to rate the impacts that the services had on themselves and their businesses;
- Tracked the change in the status of the businesses since the assistance was received; and
- Develop a profile of the businesses that have been assisted by programs and which are still operating.

The major findings are summarized as follows:

1. The EDP and UEDI clients indicated that the services had a wide range of impacts on themselves and their businesses.

The clients were asked to rate the impact that participation in the program has had on them on a scale of 1 to 5, where 1 is not impact at all, 3 is somewhat of an impact, and 5 is major impact. As indicated below, the impacts that were rated highest are increasing their access to capital and improving their quality of life.



Clients indicated that the program helped to improve their quality of life by improving their financial position, level of independence and self-confidence. Other impacts that were identified by clients included:

- Increasing access to business information through one-to-one communication with delivery agency staff or contractors, seminars & speakers, training and written materials.
- Helping them to further develop their business skills through training programs in areas such as accounting, marketing, legal issues, computers, and website development.
- Reducing their reliance on income assistance.
- Enabling them to network with other entrepreneurs.

The results indicate that the programs target individuals who have already decided to operate their own business and are designed to facilitate business development rather than encourage people to become self-employed or start businesses.

2. Only 17 of the clients indicated that they were already operating their businesses when they approached the delivery agency for assistance.

The other 131 clients were possibly interested in establishing a new business. Of the 17 clients operating existing businesses, 16 were approaching the delivery agency seeking a loan.

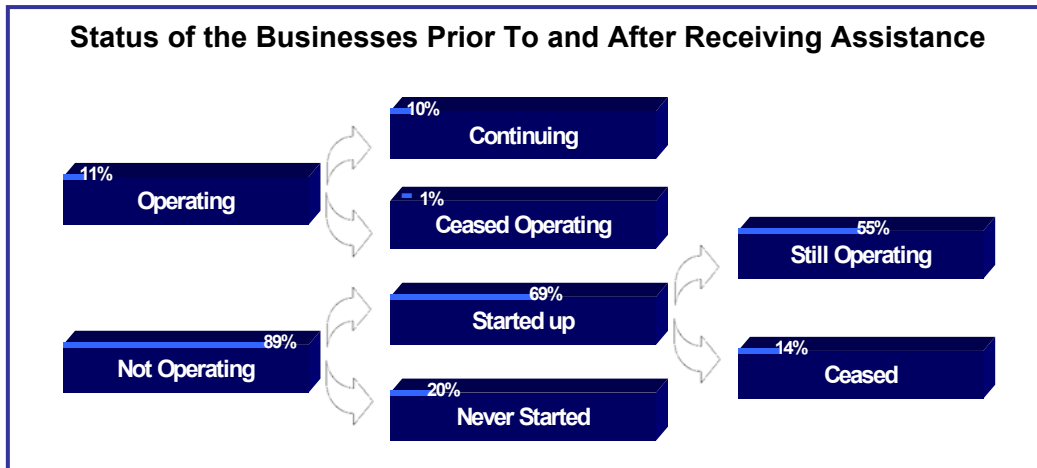
STATUS OF THE BUSINESS WHEN THE CLIENT FIRST APPROACHED THE PROGRAM

Type of Assistance Obtained	Status of Businesses Surveyed		
	Possibly Starting a New Business	Operating Existing Business	Total
Received business loan	85	16	101
Received other assistance only	46	1	47
Total	131	17	148

The annual revenues of the 17 businesses, that were already existing, ranged in size from under \$10,000 to over \$100,000.

- 3. **At the time of the survey, 97 clients were operating businesses, 22 businesses had ceased operations, 1 was sold, 14 are still in the planning stage, and 14 are no longer being planned.**

The following chart traces the evolution of the businesses from the first contact. As indicated, when the clients first approached the delivery agencies, 11% were operating businesses and 89% were not. Of that 11%, 10% are still operating and 1% has ceased operation. Of the 89%, 69% started-up operations of which 55% are still operating and 14% have ceased operations or were sold.



- 4. **Of the businesses that are still operating, most are in the service or retail sector, have operated for 4 years or less, employ four or fewer people, and generate revenues of \$50,000 or less.**

The following table compares the characteristics of the EDP and UEDI clients to those of the CFDC loan clients that we surveyed while assessing the impact of the Community Futures program in Western Canada in 2001. As indicated, the characteristics of the businesses assisted by EDP and UEDI are generally quite similar to those of all clients obtaining loans from CFDCs. Some of the differences are that EDP and UEDI clients are somewhat more likely to be in the services sector and are more likely to generate revenues of \$25,000 or less annually. The average EDP and UEDI client business estimates that they will \$173,227 in revenues in the current year while the average CFDC loan client business generated \$305,246 in revenues when the survey was conducted in

2001.

**COMPARISON OF THE CHARACTERISTICS OF EDP AND UEDI
BUSINESSES CURRENTLY OPERATING TO THOSE
OF ALL CFDC LOAN CLIENTS**

Characteristics of the Businesses Surveyed	Survey	
	EDP & UEDI Clients	CFDC Loan Clients (2001) ³
Sector		
Manufacturing	12%	12%
Retail	19%	23%
Wholesale	4%	3%
Primary Production	1%	6%
Construction	3%	4%
Real Estate or Insurance	0%	1%
Accommodation, Food and Beverage	3%	11%
Personal and Business Services	43%	33%
Other	15%	7%
Years in Operation		
Less than 1 year	26%	18%
1 to 4 years	38%	50%
5 to 9 years	32%	20%
10 to 24 years	3%	11%
25 years or more	1%	1%
<i>Average</i>	<i>1 to 4 years</i>	<i>1 to 4 years</i>
People Employed in Organization		
1 to 4	83%	79%
5 to 9	10%	14%
10 to 19	6%	5%
20 or greater	1%	3%
<i>Average</i>	<i>1 to 4</i>	<i>1 to 4</i>
Revenues		
\$0 to \$25,000	36%	19%
\$25,001 to \$50,000	14%	12%
\$50,001 to \$100,000	18%	18%
\$100,001 to \$250,000	16%	19%
\$250,001 to \$500,000	9%	18%
Greater than \$500,00	7%	14%
<i>Total</i>	<i>100%</i>	<i>100%</i>
<i>Average</i>	<i>\$173,227</i>	<i>\$305,246</i>

The average revenues of the EDP and UEDI businesses are inflated by a number of businesses

3 Drawn from an extensive survey of CFDC loan clients conducted across Western Canada by Ference Weicker & Company in 2001

that generate revenues of over \$1 million annually including two that generate over \$2 million.

5. Through the interview process, we heard many personal stories regarding the impacts that the EDP and UEDI have had on clients.

Some of the feedback we obtained from EDP and UEDI clients with whom we followed-up includes:

- The EDP program provided one client with the capital that she needed to expand her party rental business. She had not been able to obtain the funding from any other source. The expansion was very successful and enabled her to increase her earnings and, as she notes, “more money means more independence”. The business is outgrowing its current location and she will soon be approaching Community Futures for another loan.
- The EDP provided a client with the capital that he needed to set up a steam-cleaning service for the oil industry. The loan provided 60% of the money that he needed to start the business, with the remainder coming from a settlement and personal savings. He notes that, “at first we had to advertise, now they call us and we sometimes have to turn people away”. As a result of the program, he has gone from being reliant on Workers Compensation to earning up to \$10,000 per month. The resulting “economic freedom” changed his life in many ways. “I have the freedom to do what I want, travel, buy a car, help my kids buy a house, do things for my grandchildren that I couldn’t not afford to do with my own kids”. He attributes much of his success to research he did prior to becoming involved in the industry.
- A First Nation’s client approached the EDP program to learn more about electronic technology and access a loan to start-up a technology-based entertainment service. With support from the CFDC, he has been able to set up a mobile service that sets up equipment for conferences, DJ events, and karaoke. He received a loan of \$25,000, which made up 60% of the money invested in the business. He notes that he would have had no chance of obtaining loan funds from another source if the program did not exist, and is very satisfied with the assistance that he received. The program greatly improved his quality of life, reduced his stress, and enabled him to become more independent. He hopes to expand the business and buy some new technology to start operating in the nightclubs. The client advises others who want to start up their own business to be prepared for the hard work and long hours that are required. “Persistence is needed if you want to succeed”.
- A client received an EDP loan of \$31,000, which provided 75% of the capital he needed to start a pet store. He sells a wide range of pet supplies and pets and, next month, is planning to add more reptiles and expand the size of the fish section to three times its current size. He notes that, “Yes, my quality of life has improved, I am more independent, and I do not rely on the government for assistance. I do it for myself now”. His advice for other considering starting their own business is to research the industry, talk to a bunch of people who are already in the business, and get a good accountant.
- A client obtained a loan for almost \$100,000, which made up over 90% of the money he needed to start an excavation company. He notes that he also invested a lot of “sweat equity” into the business. As a result of the business’ success, he has been able to get off of income assistance and become financially independent, which has improved his confidence and self-esteem.
- Under the UEDI, a client received a small loan which, when matched with his own savings,

enabled him to start-up a mortgage brokerage and consulting company. He works closely with real estate agents and car dealerships, trying to give their customers the best interest rate possible. The client notes that his life has changed dramatically for the better, greatly reducing his stress and giving him much more independence. The advice that the client gives others is “Work hard! Have fun! And it is not easy.”

- A UEDI client received a loan for about \$15,000, which he used to start-up a small retail business. He noted that, without the loan and the hands-on assistance, he would definitely not have been able to get the business off the ground. The business has helped to improve his outlook on life and motivation, while ending his reliance on government assistance.
- For a client who received a UEDI loan for an existing business “this program was the turning point in my life. Before the program, I was in between jobs, out of options, and out of money. I was trying to run this business, but it was going nowhere”. The loans committee initially turned him down but a staff member ‘went to bat’ for him and was able to make the loan go through. “I am now making \$130,000 a year.” He notes that his business is going good now and he hopes to expand in the future and hire some staff to assist him on projects.

E. ESTIMATED ECONOMIC IMPACTS

One objective of our survey of clients was to develop an estimate of the economic impact (in terms of revenues and employment) that the assistance provided to EDP and UEDI clients has had. It is important to not only track changes in the client businesses over time but to also obtain input regarding the extent to which those changes are attributable to the services provided by CFDCs and UEDI delivery agencies. In reviewing the economic impact, we focused on loan clients because those are the clients most likely to be impacted by the services and for whom the impacts are most easily measured and extrapolated.

To assist us in this regard, we asked the clients a series of questions related to issues such as:

- How long the business has been operating;
- The status and revenues of the business when the first service (usually a loan) was provided that significantly impacted the business;
- The current size of the business (in terms of revenues and employment); and
- How important the service provided by the CFDC or UEDI delivery agency was to the development of the business (on a scale of 1 to 5) and how likely it is that the business would have developed to this stage without the assistance of the CFDC (expressed as a probability percentage).

Our methodology focuses on defining the cumulative economic impacts that are generated by a typical EDP or UEDI client business in the first five years after it receives assistance. A five-year period was selected because our sample was drawn primarily from clients who have received assistance during the past five years. To the extent that the impacts of the assistance provided under EDP and UEDI continue to go forward beyond five years, this approach under-estimates the ultimate cumulative impact of the assistance provided. To estimate the 5-year cumulative impact of the assistance provided, we divided the methodology into the following series of five steps:

- The first step was to determine the growth rate in the revenues of the typical client business

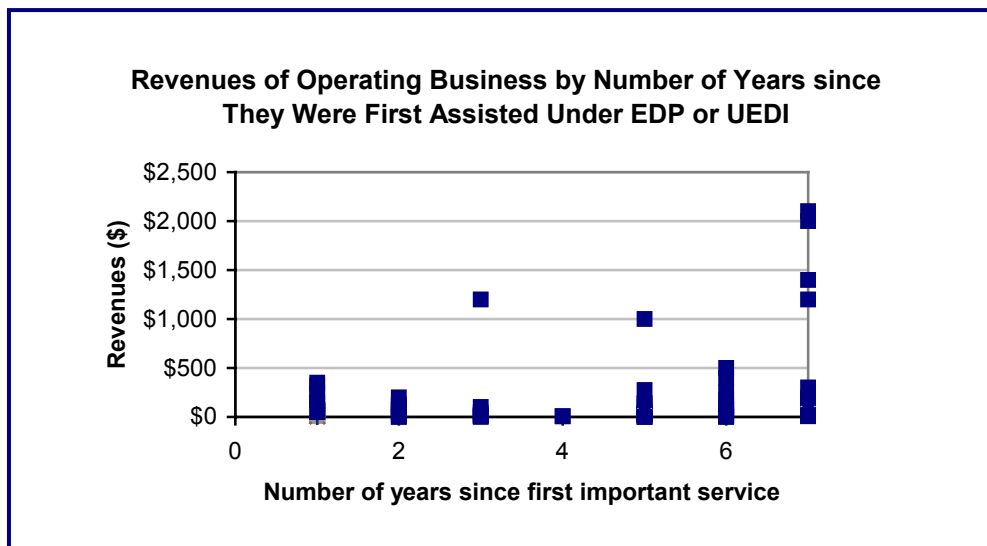
over a five-year period.

- The second step was to estimate the survival rates of the typical client businesses over a five year period. What percent of the businesses survive and how does that change over time? The survey results provided an indication of survival rates. However, we also had to adjust for the fact that the businesses which were surveyed tend to have higher survival rates than do those which we could not reach (i.e. the non-response error) or for whom we did not receive names (the frame error).
- The third step was to calculate the net economic activity of the client businesses. Taking both the growth rates and survival rates into consideration, what level of revenues does the typical client business generate over a five-year period?
- The fourth step was to determine the extent to which the economic activity is attributable to the assistance provided by the CFDC. In effect, based on the survey results, how much of this activity can services provided through EDP and UEDI take credit for?
- The fifth step was to extrapolate the results to the larger population of loan clients who have been assisted. To do so, we simply took the average impact per client and multiplied it by the value of loans provided.

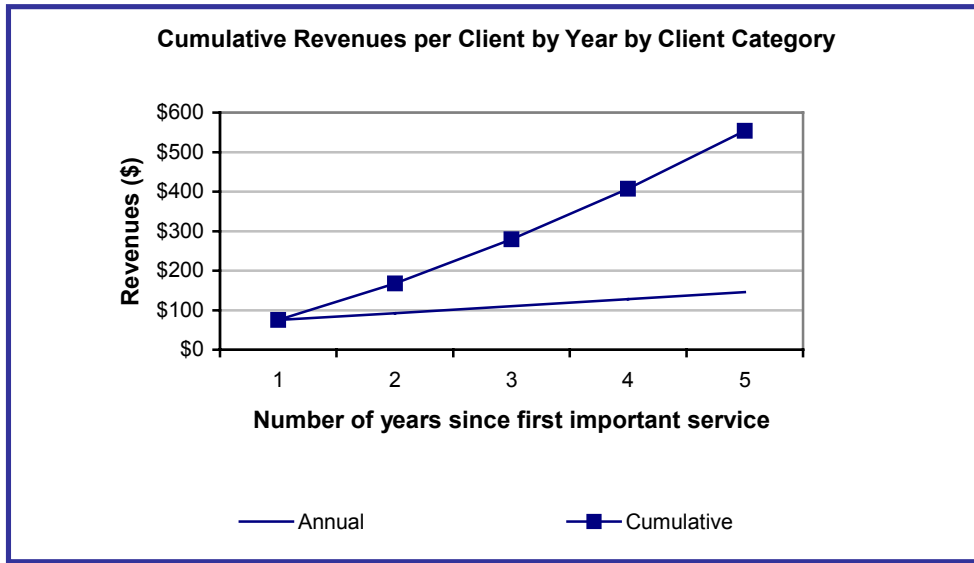
The results of each of the five steps are presented below.

1. The revenues of the EDP and UEDI assisted businesses tend to grow each year that operations continue.

To illustrate the growth pattern, we have developed a scatter diagram that shows the revenues reported by the loan client businesses by the number of years it has been since the first important service (usually a loan) was received through EDP or UEDI.



As indicated, the revenues of the businesses tend to increase over time. In the following table, we have developed a regression line based on the revenue data provided above (excluding outliers) and used it to calculate the cumulative revenues that would be generated by over a period of five years.



Over a five year period, the average UEDI and EDP client business would generate about \$554,000 in revenues.

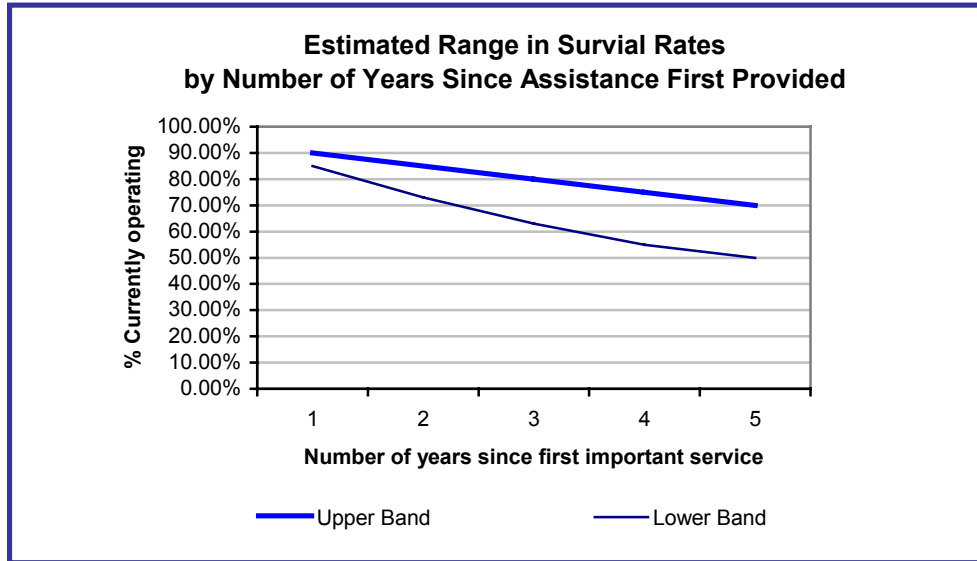
2. Business survival rates decline over time but are difficult to estimate because of the frame error and non-response error.

The second step is to determine the survival rates of the typical UEDI and EDP client businesses over a five-year period. Excluding businesses that were never started, about 20% of the businesses we surveyed have ceased operations. According to the survey results, the percent of businesses that are still operating declines over time. Whereas over 90% of the businesses are still operating one year after the client first received important assistance from EDP or UEDI, fewer than 80% are still operating 5 years after receiving assistance.

The survey results overstate the actual survival rates because:

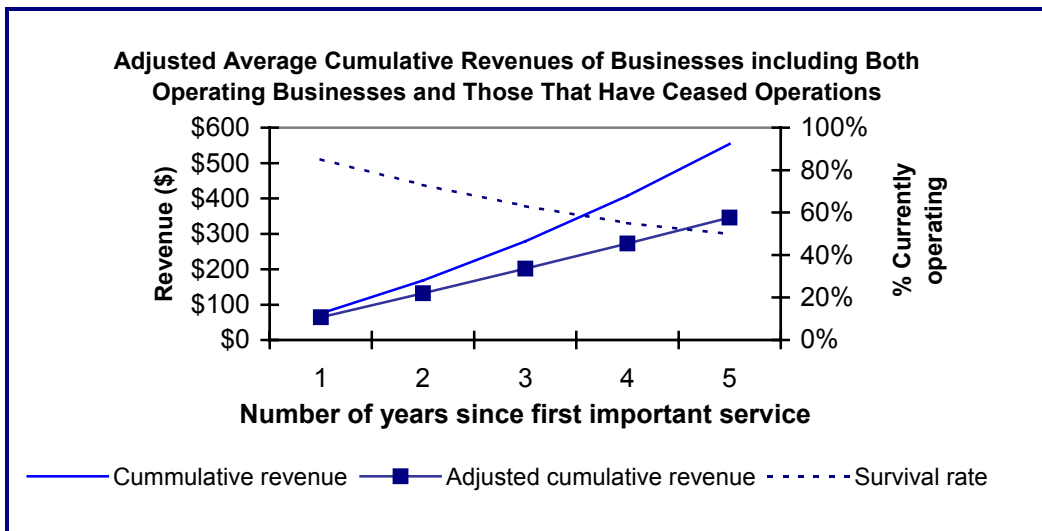
- Some delivery agencies sent us client lists which excluded the names of inactive clients or businesses known to no longer be in operation; and
- Even when delivery agencies provided us with full client lists, the businesses that were surveyed would tend to have higher survival rates than do those that we could not reach (i.e. the non-response error).

In attempting to adjust for these factors, we have taken into consideration the default rate on loans, estimates provided by representatives of delivery agencies, and the results of our previous assessment of CFDCs. Based on this information, we have roughly estimated that survival rates may range from 50% to 70% by the end of the fifth year as illustrated in the chart below.



- After adjusting for survival rates, we estimate that the average EDP and UEDI business (including those which are still operating and those which have ceased to operate) would generate revenues of approximately \$346,000 over the five year period since the first important key service was provided.

The following table shows the cumulative revenues of the typical firm, the estimated survival rate of the businesses (we have adopted the lower band from the previous table) and the product of the two, which is referred to as the adjusted cumulative revenue line.



If we assume that there is one-person year of employment for every \$42,500 in revenues (which is consistent with our past assessment of CFDCs), the average business would generate about 8 person years of employment over a five-year period.

- The majority of impacts generated by the services are incremental in that they would not have occurred in the absence of the support provided by the program.

To assess incrementally, we asked the clients a series of questions with respect to the assistance they received. The results indicate that:

- Most clients believe that the services they received have been very important to them in the establishment or further development of their business. When asked to rate the importance on a scale of 1 to 5, where 1 is not at all important and 5 is very important, the average rating was 4.3 and 59% of the respondents indicated that it was very important.
- The clients were, on average, only 12% confident that they could have obtained their loans elsewhere (e.g. from family members) if the program had not been available.
- The clients, on average, indicated that there was only a 22% likelihood that they could have developed to this point with the assistance of the CFDC or UEDI delivery agency.

Based on the responses, we estimated the extent to which the revenues of each client (or change in revenues if the business was already existing prior to receiving services) are attributable to the services received from the programs. Taken together, we have estimated that 76% of the revenues and employment generated by these businesses over a five-year period are incremental in that they would not have occurred in the absence of the program. More specifically, we estimate that the services provided to each EDP and UEDI loan client have, on average, over a five-year period generated:

- Over \$260,000 in revenues; and
- About 6 person years of employment.

Given that the average client we surveyed received an average of \$28,700 in loans, we therefore estimate that the loans result in about \$9.16 in incremental revenues for every dollar in loans provided and generate about 1 person year of incremental employment for every \$4,500 in loan funding provided over a five-year period.

5. By extrapolating the survey results to the entire population of EDP and UEDI loan clients, we estimate that (going out over a five year period from when assistance in initial provided) the loan programs have generated about \$117 million in incremental revenues and 2,680 incremental years of employment.

The following table summarized the estimates on a per business basis and extrapolated to the total population of loan clients.

ESTIMATE OF THE AGGREGATE ECONOMIC IMPACTS OF THE SERVICES PROVIDED TO EDP AND UEDI LOAN CLIENTS

Indicator	Per Client	Total Population of Loan Clients
Revenues Over Five Years	\$346,000	\$190 million
Incremental Revenues	\$260,000	\$145 million
Incremental Employment	6.1 person Years	3,400 person years
Value of Loans Received	\$28,700	\$16.1 million

These figures under-estimate the total economic impacts of the programs because they do not include the impacts associated with clients who receive technical assistance but do not receive a loan under EDP or UEDI.

F. COMPARISON OF THE RESPONSES OF UEDI AND EDP CLIENTS

The following table compares the responses provided by the EDP clients to those of the UEDI clients. As indicated, with respect to issues such as the achievement of client objectives, the level of client satisfaction, and ratings regarding various types of impacts, the responses do not vary significantly between the two groups. Other factors such as the average value of loans received, business status and projected revenues for the current year do vary somewhat between the two groups; however, it should be noted that these differences may reflect differences in the client lists provided (i.e. the CFDCs were more likely than the UEDI delivery agencies to provide a list of all of their active and inactive clients) rather than true differences between the two groups.

COMPARISON OF RESPONSES OF UEDI AND EDP CLIENTS

Issue	EDP Clients	UEDI Clients
Number of Clients Surveyed	99	49
Client Satisfaction and Achievement of Client Objectives		
Success in Achieving Client Objectives (average rating where 1 is not at all successful and 5 is very successful)	4.0	4.1
Satisfaction With the Assistance Received (average rating were 1 is not at all satisfied and 5 is very satisfied)	4.1	4.1
Information on Loans		
Average Value of Loans Received	\$32,624	\$18,426
Average Capital in Percent of Total Business Capital That Came from Loans	\$61,776	\$51,558
Loans as a Percent of Capital Invested in the Business	53%	36%
Likelihood of Obtaining Financing From Another Source	14%	6%
Importance of the Services		
Importance of the Assistance Received in the Development of the Business (average rating where 1 is not at all important and 5 is very important)	4.5	3.8
Likelihood of developing the business to this extent in the absence of the program	26%	12%
Impacts on the Business and Client (average rating on a scale of 1 to 5 where 1 is no impact, 3 somewhat of an impact and 5 is a major impact)		
Increasing your access to capital	3.5	3.0
Increasing access to business information	2.7	3.0
Helping to further develop your business skills	2.6	3.0
Increasing awareness of/access to other programs	1.6	1.8
Getting you to consider starting your own business	1.1	1.2
Enabling you to network with other entrepreneurs	2.2	2.2
Improving your quality of life	3.4	3.1
Reduced your reliance on income assistance	2.3	2.1

Issue	EDP Clients	UEDI Clients
Status of the Client/Business		
Operating	65	32
Ceased Operating or Sold	20	3
Still Being Planned	7	7
No Longer Being Planned	7	7
Projected Revenues in the Current Year	\$216,852	\$109,074

V. DESIGN AND DELIVERY

The chapter summarizes the major findings of our review regarding:

- The delivery components of the program;
- The broader delivery models and practices; and
- Respondent recommendations for improvement.

A. REVIEW OF THE PROGRAM COMPONENTS

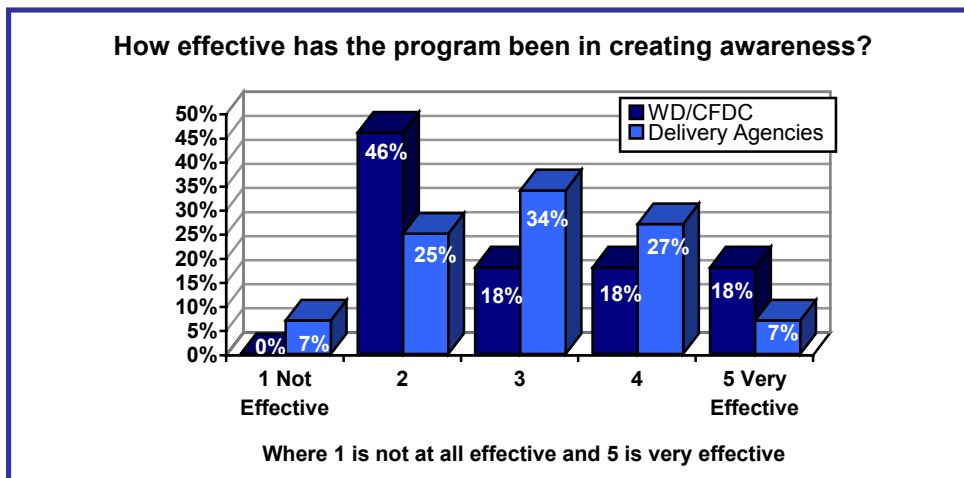
The major components of the programs include promotion of the program, the provision and management of loans, pre-care and aftercare services, and reporting. Our major findings regarding these components of the programs are as follows:

Promotion and Awareness

1. **On average, the delivery agencies rate themselves as somewhat effective in creating awareness of the programs.**

The mechanisms that have been most commonly used to create awareness of the programs included media (advertising and encouraging news stories), networking with partners and other groups serving a similar target market, brochures, websites, and presentations to key groups. Some organizations noted that they do not aggressively promote the program because resources are simply not available to meet the demand that could be generated. In Manitoba, a 1-800 number has been established which has generated referrals to both CFDCs and the organization delivering UEDI in Winnipeg.

The delivery agencies were asked to rate their effectiveness of their efforts in creating awareness of the program on a scale of 1 to 5, where 1 is not at all effective, 3 is not at all effective and 5 is very effective. On average, delivery agencies rated their effectiveness as 3.3, while representatives of WD and the provincial associations rated the effectiveness of efforts to create awareness of the programs as 3.1.



Many of the organizations noted that, while some progress has been made, both awareness levels and the numbers of clients served remain relatively low. Approaches such as setting up a common

1-800 number, networking with other organizations that share a similar target market, and the placement of news stories were identified as specific strategies that have been effective. Some of the constraints to increasing awareness include the limited amounts of funding available for promotion, entrepreneurs with disabilities are a difficult group to reach through advertising, and the name by which the programming is known (as well as the names of the delivery agencies) varies by region which has made it difficult to implement joint promotions.

2. Most clients found out about the program through referrals or seeing ads or newspaper stories.

Of the 148 clients surveyed, 24% indicated that a government representative had referred them, 16% had seen an advertisement or news story, and 11% were referred by another organization or individual. Many of the respondents could not remember how they first became aware of the program.

3. Approximately one-half of the clients (48%) indicated that they were aware that Western Diversification funds the program, even before participating in the survey.

4. Awareness of the programs is relatively low amongst the stakeholder organizations, indicating that the programs have a relatively low profile even amongst other organizations that serve people with disabilities.

Only 61% of the representatives from stakeholder organizations indicated that they were at all familiar with either the EDP or the UEDI. On a scale of 1 to 5, where 1 is not at all aware, 3 is somewhat aware and 5 is very aware, the average response was 2.4 and only 10 of the 75 indicated that they are very familiar with the program.

Of the 46 stakeholders who indicated that they were aware of one or both programs, 14 of the stakeholders indicated that they have interacted directly with the program before, 11 have been directly involved in the delivery of the program or related services (e.g. as a member of an advisory committee, as a contractor to the program, or through the delivery of joint or related activities), 10 have referred clients to the program, 5 had heard about the program through other people, 4 attended an information session on the program, and 3 have read literature on the program.

Loan Component

5. The processes used in reviewing loan applications and administering the loan portfolio can vary significantly across delivery agencies.

CFDCs use the same process to manage the EDP loan portfolio as is used for their General Loan Fund. The loan applications are adjudicated by a loans committee, which consists of volunteers from the local business community. The criteria for EDP clients are generally similar to that for general loan clients although certain criteria may be applied less stringently.

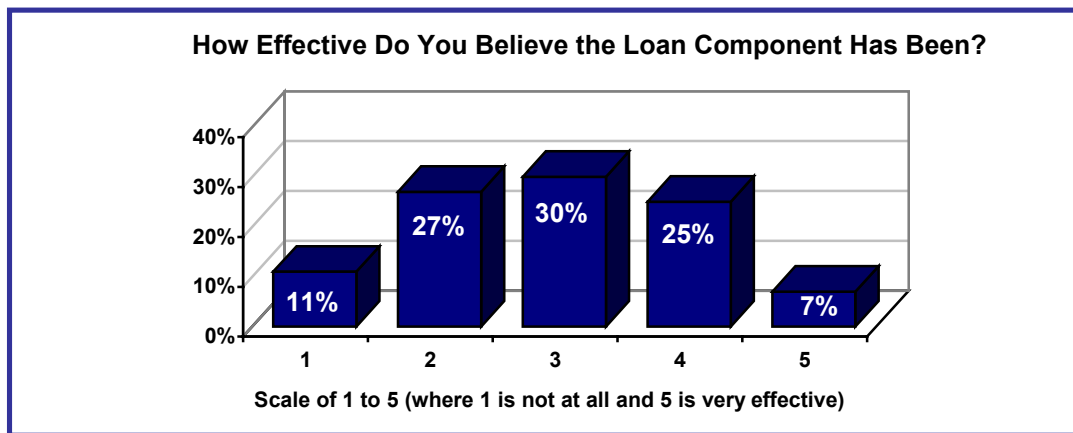
The UEDI delivery agencies have each developed standard processes for reviewing loan applications and administering the loan portfolios. Some of the ways in which the systems vary include:

- The processes involved in preparing business plans and funding applications as well as in screening applications;

- The composition of the loan committee and the relationship between the committee and the Board (e.g. who formally approves the loans);
- Whether other organizations or contractors are involved in assisting the client develop a business plan and loan application;
- Whether other organizations (e.g. Edmonton Loan Fund or the Assiniboine Credit Union) are involved in administering the loan portfolio; and
- Whether the client has an opportunity to personally present his or her business plan to the loan committee.

6. The delivery agencies rated the loan component of the program as being somewhat successful.

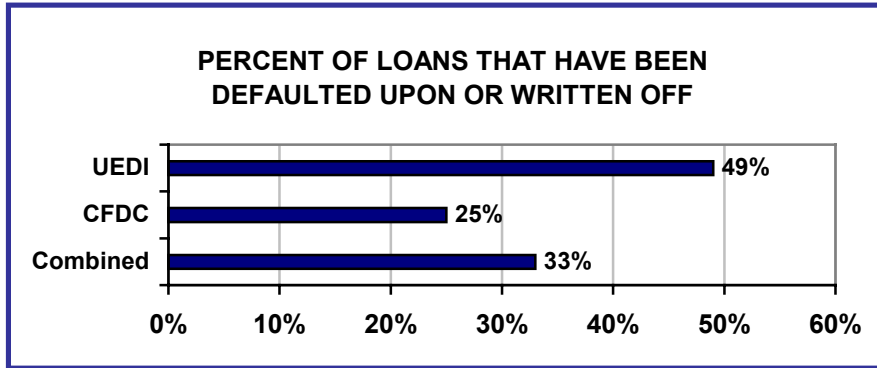
When asked to rate how successful the loan component has been on a scale of 1 to 5, where 1 is not at all successful and 5 is very successful, the delivery agencies provided an average rating of 2.9.



While some agencies noted that the loan component has been effective in supporting the development of successful businesses, others noted that there have been relatively few loan clients and default rates have been high.

7. The delivery agencies estimated that over one-quarter of the loans that they have advanced under the program have been defaulted upon or written off.

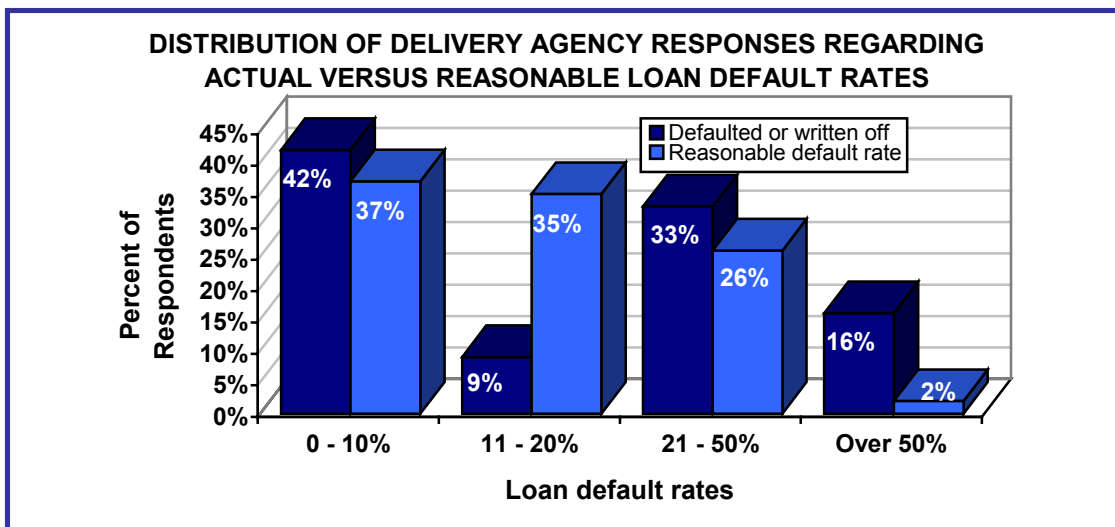
On a simple average basis, the delivery agencies estimated that 29% of their loans have been defaulted upon or written off. By multiplying the default percentages by the value of the loans issued by each organization surveyed, we can develop a weighted average default rate. As indicated below, on average, the CFDCs reported a default or write-off rate of 25% while the UEDI agencies reported a default rate of 49%. Overall, the weighted average was 33%.



Some of the factors that have contributed to a high default rate are that businesses operated by entrepreneurs with disabilities tend to involve a higher level of business risk (e.g. the business may be undercapitalized, there tends to be less security available, the entrepreneurs may have less experience, the nature of the disability can add an additional level of risk) and, at least in the initial years, the CFDCs and credit unions tended to have limited experience in working with entrepreneurs with disabilities while other UEDI agencies tended to have limited experience in preparing and reviewing loan applications as well as in managing loan portfolios. Several representatives also noted that, unlike the general loan fund, EDP loan funds are conditionally repayable to WD and, as a result CFDCs may have focused more on making capital available to entrepreneurs with disabilities and placed less of an emphasis on ensuring that the loan pool survives intact.

8. The delivery agencies suggested that a reasonable loan default rate for programming such as this would be about 20%.

When asked their opinion regarding what would be a reasonable default rate for loans to entrepreneurs with disabilities, the responses ranged from 0% to 50%. On average, the respondents identified a reasonable target default rate to be 20%, which is lower than the simple average of 29% and the weighted average of 33% that they have experienced to date. The following chart compares the distribution in responses regarding actual default rates to those regarding reasonable default rates.



Some of the representatives noted that a default rate lower than 20% may indicate that the loan criteria are too stringent while rates above 20% could mean that the negative impacts of the program (e.g. on the financial situation of the clients as well as their self-confidence, independence and health) may begin to outweigh the positive impacts.

Precare and Aftercare

9. Many entrepreneurs with disabilities require more intensive precare and aftercare support than may be required of clients associated with the General Loan Fund.

Entrepreneurs with disabilities often face more significant barriers related to the establishment and development of their businesses that need to be addressed in order to improve the likelihood of success. For example, it was noted that potential entrepreneurs often have limited business and work experience, under-developed skills and self-confidence, and more limited access to information and other resources. In addition, the disability itself can serve as constraint in terms of imposing additional costs, physical limitations, and the perception of the marketplace others in the business community.

10. The availability of precare and especially aftercare services is very limited in most communities.

In addition to providing loans, the delivery agencies may provide other services to both loan clients and other clients. Examples of these services include business counseling, assistance in the preparation of business plans, pathfinding to other resources, and access to training. Generally speaking, these services represent pre-care services in that they are most commonly provided before a client receives a loan and/or starts-up a business. Most services supported through the programs focus on enabling clients to prepare or finalize business plans in advance of an anticipated application for loan funding.

Representatives associated with both the EDP and UEDI programs indicated that few resources have been available to provide aftercare services to clients once they have received a loan or started-up a businesses without receiving a loan. The delivery agencies generally stay in periodic contact (e.g. monthly) with loan clients and usually request that the clients provide them with monthly financial statements (although this is certainly not always done). A few agencies are able to stay in more regular contact with loan clients, particularly clients whose businesses may be struggling.

With their core funding, the UEDI delivery agencies have been able to provide more extensive pre-care and aftercare services to entrepreneurs with disabilities than have the CFDCs. A few CFDCs and UEDI delivery agencies have been successful in accessing provincial government funding or HRSDC funding to expand the pre-care and aftercare services beyond that which could be supported with the funding provided by WD.

Reporting

11. The CFDCs prepare quarterly reports for submission to WD.

These reports are designed to inform WD about the loan activities of the organizations and the other services provided. The CFDCs report their activities on standard forms, which collect data on the numbers of information services, technical and advisory services, and training and skills

development services provided to clients with disabilities as well as data on EDP loans. This data is forwarded to headquarters in Edmonton, where the loan data is entered into a Lotus Notes database. However, the data on services provided to clients with disabilities has not been broken out from the data entered on services provided to all clients since CFDCs stopped receiving any direct funding for the delivery of services to entrepreneurs with disabilities (2001).

- 12. The data reported to WD by the UEDI delivery agencies is not standardized, but rather varies from organization to organization both in terms of what data is reported and the format in which it is reported.**

For example, the data provided on loans may include a listing of the approval date or date of the first advance, the client and business name, the original principal, the value currently outstanding, and the status of the loans. Some agencies go so far as to provide a narrative description of each of the loan clients. In terms of other types of activities, examples of indicators on which one or more of the agencies report include the number of inquiries, contacts made, new clients, attendance at orientation or information sessions, the number of people participating in training, number of referrals made, the number of business plans developed or in development, the number of businesses started-up, and the number of jobs created or maintained.

- 13. Clients service standards have not been established with respect to the EDP or UEDI.**

However, target clients have had some opportunity to provide feedback as well as input into the design and delivery of the program through mechanisms such as:

- A few advisory committees established at the provincial or local level which include representatives of the target groups; and
- Occasional surveys or focus groups with clients.

There was also an evaluation of the UEDI delivered by two of the agencies as well as an early evaluation of the EDP that provided an opportunity for clients to provide feedback.

B. DESIGN OF THE PROGRAM

Our major findings regarding the design of the program include:

- 1. The representatives of the delivery agencies were relatively evenly divided as to whether the programs are well designed given the perceived objectives.**

Of the 44 delivery agencies surveyed, 20 indicated that the EDP or UEDI program is well designed, 21 indicated that it is not well designed given the objectives, and 3 did not express an opinion. Some of the core strengths of the program design that were identified include:

- The design of the program reflects the need to provide both capital and other forms of assistance to entrepreneurs with disabilities.
- The structure enables the program to be delivered locally through organizations that either have extensive experience in working with entrepreneurs or in working with clients with disabilities.
- The EDP was able to build on the systems developed to deliver services related to the

general loan fund.

- Over time, the UEDI delivery agencies have been able to develop and enhance their services and systems.

By far the most common concern expressed about the design of the program is that more pre-care and especially more aftercare assistance is required to improve the success rates of the businesses. Given that the impact of failure can be very significant on the health, well-being and financial resources of individuals, several representatives noted that the program has a moral obligation to better prepare entrepreneurs to meet the challenges that they will face. Other concerns were expressed about the size of the available loan pools (including the need to replenish some funds), the need for more structure with respect to the focus and objectives of the programs, and the impact that uncertainty regarding the future of the programs is having on program delivery.

2. Budget reductions and restructuring has lowered the combined cost of the programs but, in the opinion of some of the representatives surveyed, has not necessarily improved the cost-effectiveness.

Some of the strategies that have been used to encourage the programs to become more cost-efficient have included:

- Reducing the overall budgets for both the EDP and UEDI over time;
- Providing funding to the provincial associations rather than providing EDP operational funding directly to the CFDCs. In the initial years of the program, some CFDCs received some operational funding even though they were not very active in delivering the program.
- Working through existing organizations who already have delivery systems in place. Many of the CFDCs and UEDI delivery agencies noted that they, in effect, subsidize delivery of the programs (i.e. the total cost of delivering the program, including operating and overhead costs, is greater than the funds they receive).

However, a common theme in our interviews is that keeping costs low does not necessarily equate to cost-effectiveness. Several representatives noted that a lack of funding has greatly restricted the level of pre-care and aftercare services provided, resulting in higher loan losses that, in turn, result in higher costs for the delivery organization and for the clients. Other agencies noted that, in the absence of adequate funding, there is no incentive for them to actively promote the program. In fact, given the higher direct costs (more intensive pre-care and aftercare services are required) and indirect costs (e.g. higher loan losses) associated with serving the target group, there is actually a disincentive to marketing the program. This may help to explain why over 30% of the CFDCs (28 of 90) have not made any EDP loans over the past three fiscal years.

3. The CFDCs are generally not very supportive of the transition which occurred in 2001 when WD changed from providing EDP operating funding for individual CFDCs to providing funding through the provincial associations.

The provincial funding has been used to fund projects and special initiatives. Numerous CFDCs have taken advantage of the funding and, in each province, some of the CFDC managers we surveyed identified some specific projects, initiatives, training or networking opportunities which they thought had been useful to them. The provincial associations were generally commended for their efforts in:

- Creating awareness of the funding;
- Working with the CFDCs in generating applications; and
- Creating committees to review and decide on funding.

In addition, it was recognized that there may be certain activities or initiatives which are best undertaken at the provincial or even the pan-western level. The major reservations or concerns expressed about the provincial model are that:

- In the opinion of many, the funding would be more effectively used at the local level;
- While some projects have been successful, others are considered to be a very low priority. Even some of the CFDCs that had received funding from the association indicated that there would have been better uses for the funding that they received. Several CFDCs specifically noted that they apply for funding because it is there, not necessarily because they support the provincial model; and
- The transition has resulted in some tensions between the CFDCs and the provincial associations.

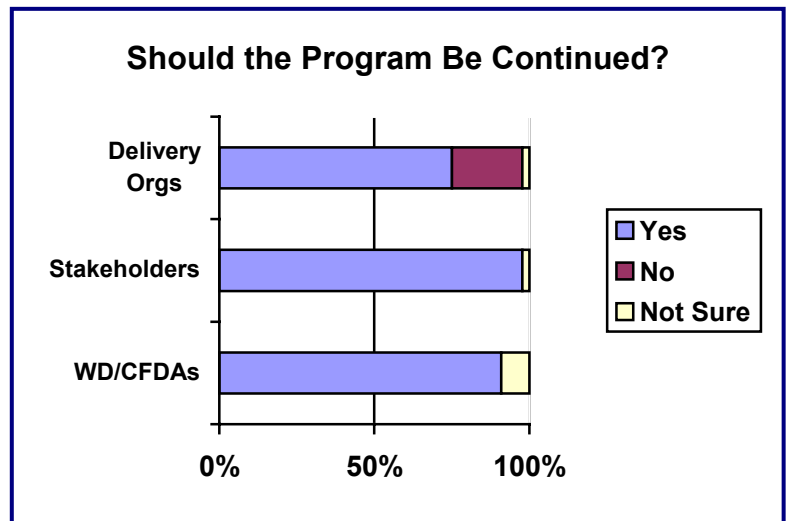
VI. FUTURE DIRECTIONS

This chapter reviews the level of support for continuing the programs, identifies areas where improvements could be made to the program, and defines a process for making those changes.

A. SUPPORT FOR CONTINUATION OF THE PROGRAM

There is strong support amongst the representatives surveyed for continuing the programs. Of the representatives surveyed, 98% of the stakeholders, 91% of the WD and CFDA representatives, and 75% of the delivery agency representatives recommended that the program or programs be continued. The rationale for recommending continuation of the programs included:

- Self-employment and entrepreneurship can be a viable option for people with disabilities and can enable them to better participate in the economy and integrate into society;
- Entrepreneurs with disabilities commonly require additional assistance and support to overcome barriers to business creation and development;
- There are few other sources of assistance available for entrepreneurs with disabilities;
- The programs has proven successful in helping the target group; and
- The program is needed to provide people with disabilities with more equal access to programs and services.



B. AREAS FOR FUTURE IMPROVEMENT

While there is strong support for continuing the programs, most representatives also believe that there is considerable room for improvement with respect to the effectiveness of the program. For example, as noted earlier, when delivery agencies, WD representatives, associations and stakeholders were asked to rate the effectiveness of the programs, on a scale of 1 to 5 where 1 is not at all effective, 3 is somewhat effective and 5 is very effective, the average ratings were relatively consistent across the groups and ranged from 3.1 amongst the stakeholders to 3.3 amongst WD and CFDC representatives.

As such, in the minds of most stakeholders and representatives involved in the program, the issue is not whether the program should be continued but rather how the programs can in fact be enhanced and improved so that they will become even more successful in meeting the entrepreneurs with disabilities as well as the objectives of Western Diversification. The purpose of this section is to highlight specific issues or concerns about the program that identified during the course of the research and, therefore, represent potential areas for future improvement.

Objectives and Shared Vision

- 1. There are currently no formal objectives, shared vision or agreed upon strategy that guides activities related to the programs.**

A well-developed strategy would clearly define the mission and goals of the program, the scope of the program including the target groups, the services that will be delivered and how those initiatives will contribute towards achievement of the goals, the operating model (particularly how the key services and initiatives will be resourced), the marketing strategy for the program, and the key indicators and methodologies that will be used to collect the data needed to effectively manage the program and report on its progress. In the absence of a clearly defined vision and strategy, there is considerable uncertainty amongst the delivery agency representatives regarding the objectives of the program and the basis on which their efforts will be evaluated. In addition, the level of coordination between the two programs, as well as between individual delivery agencies, is low.

Demand for Services

- 2. The programs have not been particularly effective to date in tapping into the potential demand that is believed by many to exist for the services.**

There is at least the perception that the potential demand for services is high, particularly in the major urban areas, given the rising percentage of the population that have one or more disabilities and the increasing interest in self-employment and entrepreneurship. However, it should be noted that no statistically significant research has been done to confirm the size or characteristics of the potential market.

Low awareness amongst potential clients and community stakeholders who work with persons with disabilities is a major factor that limits existing demand for services. Some of the constraints to increasing awareness include the limited amounts of funding available for promotion, entrepreneurs with disabilities have proven to be a difficult group to reach through advertising, and the name by which the programming is known (as well as the names of the delivery agencies) varies by region which has made it difficult to implement joint promotions. In addition, some CFDCs indicated that there has been little incentive for them to aggressively promote EDP given that they do not receive any additional funding to offset the higher direct costs (more intensive precare and aftercare services are required) and indirect costs (e.g. higher loan losses) associated with serving the target group.

In addition to low awareness of the program, other factors that constrain more entrepreneurs with disabilities from participating in the programs include the limited pools of loan capital available (that have not been loaned out or written off), financial constraints facing entrepreneurs with disabilities, a reluctance of some entrepreneurs with disabilities to declare, and a high degree of perceived risk for clients, particularly when they have limited personal capital and there is a possibility that they may lose access to income and medical supports.

Business Success and Loan Default Rates

- 3. In comparison to the other programs such as the Community Futures general loan fund, loan default rates for the EDP and UEDI are high.**

On average, the CFDCs reported a default or write-off rate of 25% while the UEDI agencies reported a default rate of 49%. Overall, the weighted average was 33%. Some of the factors that have contributed to a high default rate are that businesses operated by entrepreneurs with disabilities tend to involve a higher level of business risk (e.g. the business may be undercapitalized, there tends to be less security available, the entrepreneurs may have less

experience, the nature of the disability can add an additional level of risk) and, at least in the initial years, the CFDCs and credit unions tended to have limited experience in working with entrepreneurs with disabilities while other UEDI agencies tended to have limited experience in preparing and reviewing loan applications as well as in managing loan portfolios.

No guidance has been provided to the delivery agencies regarding what would be a reasonable default rate. On average, the delivery agencies proposed a target loan default rate of 20%, suggesting that a default rate of lower than 20% may indicate that the loan criteria are too stringent while rates above 20% could mean that the negative impacts of the program (e.g. on the financial position of clients as well as their self-confidence, independence and health) may begin to outweigh the positive impacts.

- 4. The high loan default rates suggest that the programs need to become more effective in screening potential loan clients and in providing the pre-care and aftercares services clients need to be successful.**

Entrepreneurs with disabilities tend to require more intensive pre-care and aftercare services because they may have less business and work experience, under-developed skills and self-confidence, and more limited access to information and other resources. In addition, the disability itself can serve as a constraint. The delivery agencies have noted that the resources needed to provide extensive pre-care and especially aftercare services have not been available.

Program Reporting

- 5. The existing management information systems for the programs do not provide useful information that will assist in making on-going strategic decisions regarding the design and delivery of the program.**

There are a number of short-comings with the existing management information system including:

- Data which reported is not consistent between the programs or across UEDI delivery agencies and cannot be aggregated.
- No common benchmarks or targets have been defined against which performance can be assessed. The establishment of annual targets related to the activities could help to focus the relative emphasis placed on specific services. However, it is important that any such targets be developed as part of strategic plan to ensure that the targets reflect program priorities. Otherwise, the targets could result in agencies emphasizing activities completed rather than focussing on the achievement of the intended impacts.
- Any methodologies to be used in assessing activities and impacts need to be clearly defined and those definitions need to be clearly understood across the agencies and staff.
- The information reported by the agencies tends to be activity-based rather than outcome or impact-based. The development of any impact measures will require first defining what measures are appropriate given the objectives and priorities for the program and then developing a methodology that will be capable of collecting information, reporting on the progress made, and determining the extent this progress is attributable to the efforts of the program.

Support for the Program Amongst CFDCs

- 6. Support for the program amongst CFDCs has been eroding.**

Evidence of the eroding support includes that over 30% of the CFDCs (28 of 90) have not made any EDP loans over the past three fiscal years and only 70% of the CFDCs we surveyed were in favour of the program being continued. Some of the concerns expressed about the program include:

- The level of demand in some regions has been low although this can be attributed, at least in part, to not being actively marketed.
- Resources have not been available to cover the additional costs associated with pre-care and aftercare and, in some instances, to replenish loan funds.
- Some CFDCs do not agree with setting up loan funds for specific target groups. Rather, in their opinion, all loan funds should open to any potential entrepreneurs who can meet the eligibility criteria.
- Many CFDC managers were not supportive of the transition which occurred in 2001 when WD changed from providing EDP operating funding for individual CFDCs to providing funding through the provincial associations. While some provincially funded projects have been well-received and the associations were commended for their efforts in administering the program, many managers suggested that the funding would be more effectively used at the local level.

However, should the program model be improved, all but two of the CFDCs indicated that they would be interested in continuing to deliver the program.

C. RECOMMENDATION FOR ACTION

The core recommendation of this report is that **a formal strategy should be prepared for the EDP and UEDI that defines the key elements and approach for the programs going forward.** It is an appropriate time to take a step back to clearly define the mission and goals for the programs and then develop a program structure that is consistent with those goals. We recommend that the strategy should build on the results of the evaluation by:

- Conducting an assessment of the potential market for services. This study has obtained feedback from existing clients and it would be useful to complement this information with input from potential clients who have not used the services of the programs. A survey and focus groups with potential clients and key intermediaries could be conducted with the objectives of estimating the size of the potential market (i.e. how large is the potential demand?) and determining the key services that are needed as well as possible options for delivering those services.
- Obtaining input through focus groups and planning sessions involving representatives of WD, CFDCs, the provincial associations, and UEDI delivery agencies as well as representatives of other organizations with whom the program could work. It will be important to build on the experience of the front line staff.

Based on the results, a formal program strategy should be prepared. The strategy should define:

- **What is the mission and goals of the program?**

A strong mission statement and series of outcome-based goals is required to provide direction for the program. The evaluation indicates that perceptions regarding the goals and objectives of the program vary significantly across the delivery agencies. A fundamental question is where should the program be along the risk spectrum. If, for example, CFDCs are expected to apply

the same loan criteria for the EDP loan fund that they apply for their general loan funds, is there a need for the program at all in the regions? If the objective is to provide loans and services to clients who may not otherwise be able to obtain those loans and services from a CFDC, then the program needs to expect that default rates will be higher (and loan funds may need to be topped up periodically) and the cost of delivering services will be higher.

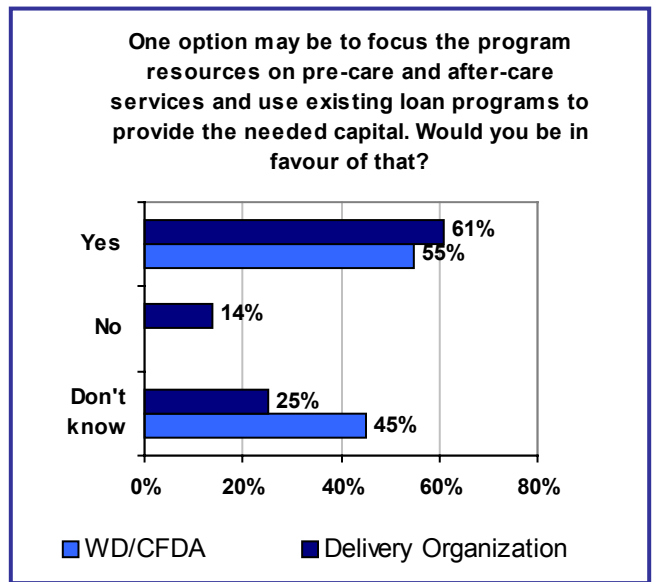
- **What key services will be provided and how will those services contribute towards achievement of the goals?**

Given the overall mission and goals of the program, the next step is to define the specific services that will be needed to meet those goals. Two key issues are:

- What level of pre-care and aftercare services should be provided?
- Should a separate loan fund be available (or should other loan funds such as the general loan fund be used where possible)?

The most common recommendation provided by the delivery organizations to improve the effectiveness of the program is to increase the level of pre-care and aftercare support. Such support is considered critical to the survival and development of the businesses and has a major impact on the ability of clients to repay their loans. Other suggestions were to provide more 1:1 consulting with clients, establish incubator services to assist new businesses or common services such as bookkeeping support, provide support for additional training, and establish job coaches or a mentorship program. It was also recommended that the delivery agencies work to improve the screening process to make sure clients are suited for entrepreneurship and self-employment.

One specific option that was discussed with the CFDCs, WD representatives, and CFDA representatives was the possibility of focusing existing resources on pre-care and aftercare services and using the existing loan programs to provide the needed capital. The majority of respondents were supportive of that approach noting that if sufficient pre-care and aftercare support will be available to clients, there is no need for a separate EDP loan fund in the rural areas. Clients will be able to utilize the general loan fund. However, others were in favour of maintaining a separate loan fund for EDP because they were concerned that clients may not be able to meet more stringent loan criteria associated with the general loan fund and they were concerned that, in an absence of a loan fund specifically targeted at entrepreneurs with disabilities, the CFDCs may place a lower priority on this target group.



Other recommendations we received with respect to the loan funds that could be considered in a new program model are to reduce the burden on clients (e.g. reduce interest rates, provide interest free periods, or incorporate a grant component), establish a micro-loan component with less stringent eligibility requirements, and reduce the emphasis on security in the loan criteria.

- **What is the relationship of the program to other resources in the community?**

One of the advantages of using arms-length agencies for delivering services is that they may be able to attract other public sector and private sector funding unavailable to government departments. Some CFDCs have been very successful in developing relationships with other programs that can provide specific types support to entrepreneurs with disabilities such as income supports, assistive devices, training, technology and small loan funds. Overall, however, most of the delivery agencies have not made extensive use of the complementary resources that may be available. A key strategy in any renewed program structure, therefore, may be to become more proactive in identifying and developing resources (e.g. HRSDC, provincial government programs and private sector partnerships) that can complement the support provided by Western Diversification.

- **What is the marketing strategy for the program?**

The goals of the promotional strategy should be to increase the effective demand for services by increasing awareness of the program amongst both potential clients and stakeholders who work with those clients. Some of the strategies that could be considered include:

- Developing a clear brand identity for the program (that would be consistent across delivery agencies). A key step in this direction would be to adopt a common program name and visual identity across both programs and all of the delivery agencies;
- Working to develop closer relationships with other organizations that interact with potential entrepreneurs with disabilities;
- Undertaking joint advertising programs and promotion initiatives, including the placement of news stories and articles;
- Establishing a common 1-800 call centre number for the EDP and UEDI in each province (perhaps using the Canada Business Service Centres in each province); and
- Developing a website specifically for the program.

- **What is the operating model and funding structure?**

The existing delivery structure, which utilizes local delivery agencies that provide other services related to the target market, appears to be appropriate. Three key issues are:

- Whether the two programs should be formally merged or whether they may simply share a common branding.
- The need for, and potential role of, a structure to administer projects at the provincial level. Although the associations are generally commended for the way in which they have administered the funds, the model itself is not well supported by the CFDC staff who have indicated the highest priority is to increase access to funding for pre-care and aftercare services. An alternative model could be to maintain the position of EDP provincial coordinator but to find ways to directly apply more of the funding towards the direct costs of delivering services at the local level. A provincial program coordinator could play a very useful role in assisting in the development of the program strategy, developing and implementing marketing programs at the provincial level, networking with other organizations to access additional resources for the program and strengthen the referral networks, facilitating the sharing of information and best practices, and identifying special initiatives or projects which could be funded through other channels. The coordinator could work with both programs, supporting the activities of the CFDCs

and the UEDI delivery agencies.

- To determine the most appropriate level and allocation of funding, it will be important to ensure there is consistency between the target objectives and resources that will be available (i.e. that the targets are reasonable and sustainable given the resources that WD is able to commit to the program). Over time, funding may be needed to both cover direct costs and replenish loan funds if they are not self-sustaining. In our interviews, both CFDCs and UEDI delivery agencies highlighted the importance of obtaining a commitment of longer-term support for the program (e.g. a 5 year commitment).
- **What key indicators and methodologies will be used to collect the data needed to effectively manage the program and report on its progress?**

It will be important to develop a set of performance indicators that are consistent with the specific goals and objectives of the program as well as consistent across the delivery agencies. Specific methodologies and standard reporting forms can then be developed.