



REPORT: PROGRESS ON BLACK ENTREPRENEURSHIP INITIATIVES

SENATOR AMINA GERBA AND SENATOR COLIN DEACON



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CANADA

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I. INTRODUCTION

Entrepreneurs in Black communities across Canada have long felt the impacts of systemic discrimination.

A 2021 report commissioned by the African Canadian Senate Group and Senator Colin Deacon found that 76% of Black entrepreneurs said their race makes it harder to succeed as an entrepreneur, while 75% of them expressed that it would be difficult for them to find \$10,000 to support their business.

That same report highlighted that trust in banks was low, given that only 19% of Black entrepreneurs trust banks to do what is right for them and their community. These challenges have limited Black entrepreneurs' capacity to achieve equitable outcomes for themselves, their families, and their communities. These impacts have also manifested themselves in limited access to capital, procurement, mentorship, and business networks.

Since May 2020, in an effort to challenge and change this reality, ambitious commitments have been made to support the Black entrepreneurship community, by the federal government, several financial institutions, and others. It was therefore important to assess the progress of these various initiatives focused on assisting Black entrepreneurs in an effort to identify possible public policy options that might help to accelerate success.

Between July to December 2023, Senator Amina Gerba and Senator Colin Deacon met with some of the 'Big Six' banks, the organizations involved in the government's Black Entrepreneurship Loan Fund, and other organizations (hereafter referred to as 'stakeholders'). The purpose was to discuss successes and challenges, best practices (including successful partnership models), and possible policy changes that might enable Black entrepreneurs to achieve increasing success. Twelve stakeholders were invited to discussions, out of which nine participated.

This report outlines the key learnings, areas of opportunity and public policy recommendations for consideration.

PARTICIPATING STAKEHOLDERS



- **FROM THE BLACK ENTREPRENEURSHIP LOAN FUND (BELF):** Federation of African Canadian Economics (FACE), Business Development Bank of Canada (BDC), Vancity, and Alterna Savings.
- **FROM THE 'BIG SIX' BANKS:** National Bank of Canada, TD Bank and CIBC.
- **OTHER ORGANIZATIONS:** BKR Capital, Groupe 3737.

With special thanks to:

Benedicta Arthur, Parliamentary Affairs Advisor, Office of Senator Colin Deacon

Thibaut Le Verre, Parliamentary Affairs Advisor, Office of Senator Amina Gerba

II. FOREWORD



SENATOR
AMINA
GERBA



SENATOR
COLIN
DEACON



At the heart of Canada's economic success lies the innovation, resilience, and grit of its entrepreneurs, especially those from diverse backgrounds.

The significance of Black entrepreneurs in Canada cannot be overstated. They drive economic growth and contribute innovative solutions to our business and public policy landscape, thus creating a more inclusive and prosperous Canada for all. It is therefore with great responsibility and humility that we share this report on the progress of Black entrepreneurship in our country.

This report is part of a continuing series of work aimed at developing evidence-based strategies to address the needs of Black entrepreneurs more effectively. The findings presented in this report underscore the importance of prolonged and substantial support and investment in Black entrepreneurship initiatives, the need to continue to strengthen the nascent entrepreneurial ecosystem and emphasize the importance of identifying the most effective methods of inclusive entrepreneurship through data-driven insights.

More importantly, this report reinforces the message that our work in improving the outcomes for Black entrepreneurs is demonstrating important progress but is far from finished.

We are committed to continuing this vital work and driving better program outcomes that ensure that Black entrepreneurs reach their full potential. This report should not be regarded as an endpoint, but rather as a guidepost in an ongoing journey towards bolstering economic inclusivity and opportunity for Black Canadians.

We would like to extend our appreciation to the **African Canadian Senate Group** members for their support on this pivotal project: **senators Bernard, Burey, Clement, Mégie, Moodie, Jaffer and Ravalia**. Their dedication to advancing the interests of Black Canadians has been instrumental in driving progress on this front. We would also like to thank Senator Tony Loffreda for his support throughout the process.

Additionally, we would like to thank **Groupe OBV INC** for their exceptional work in designing this report, which has helped to convey our message with clarity and impact.

Finally, we extend our gratitude to the Black community leaders and organizations whose unwavering partnership has been a cornerstone of their community, persisting even when the level of attention and action on this important issue fluctuates. Their steadfast commitment to creating an inclusive and equitable society inspires and challenges us in equal measure.

III. KEY FINDINGS



1

The conditions for success needed to access loans and other financial products are too often absent among Black entrepreneurs.

One of the biggest challenges identified by the stakeholders interviewed was the lack of financial and business literacy on the part of entrepreneurs applying for a loan. It is sometimes difficult for them to provide the documents required when applying for a loan, to build a business plan or even to fully understand what is being asked for. Furthermore, when organizations lack the experience or the right partners to work with Black entrepreneurs, it leads to negative outcomes at every stage of the loan application process, creating even further distrust among Black entrepreneurs.

2

Systemic biases still exist and affect lending and adjudication processes for loans to Black entrepreneurs.

Stakeholders noted that new approaches to data and investment in new technologies can help fight systemic biases. Examples include the need to assess creditworthiness using more modern tools that focus more on the entrepreneurs' cashflow, payments activity, their character, and other qualitative metrics. This is true for the Black community, but also across society as traditional methods rely almost solely on the use of bank-owned financial products.



3

When Black entrepreneurs do obtain financing, there are indications that the default rates may be higher, particularly for loans granted from the BELF.

Default rates were reported to be as high as 22%, which is comparatively higher than applicants on other organizations' portfolios. However, there were indications that the criteria used to report these rates were not consistent across organizations. Additionally, how these rates are evolving as lessons are learned and implemented is not known.

4

The access to private investment for Black entrepreneurs in Canada is still relatively absent, despite the tremendous opportunities in this space.

Institutional and financial support is needed to support VC firms working to bridge the investment gap and retain talented and innovative Black businesses in Canada.



5

Complementary business development programs that support Black entrepreneurs are usually tailored for start-up businesses.

Consequently, Black entrepreneurs who could benefit from different types of support services to scale and grow their businesses continue to receive little to no support, which is a significant lost opportunity.

6

Social factors are often neglected in designing program supports and policies for Black entrepreneurs.

For example, transportation, healthcare, childcare, and other factors can represent significant barriers that prevent potentially successful entrepreneurs from being able to achieve to their full potential, yet they are notably absent when designing business development and support programs for Black entrepreneurs.

IV. OBSERVATIONS



1

It was observed that the various financial institutions interviewed were not at the same level in terms of understanding the needs of Black entrepreneurs.

Some were very innovative and tried to tackle the problems faced by Black entrepreneurs head on, while others seemed less aware of the difficulties these entrepreneurs were facing. This differentiated understanding and awareness was reflected in the varying degrees of progress for each institution's initiatives.

2

Differing viewpoints were expressed as to the best organizational structure for Black entrepreneur-serving organizations.

Some suggested that organizations like FACE should be more structured like a financial institution or bank, that has the necessary expertise, and deploy capital, rather than a social organization. Others suggested the need for FACE and other similar organizations to be modelled after local, deep-rooted organizations. There was agreement however, that while Black entrepreneurship is certainly about solving a social problem, success is dependent on creating sustainable business opportunities. Therefore, the effectiveness of all policies and organizations should be assessed against the improved business opportunities and success that they create over a sustained period.



3

It was observed that information-sharing silos still exist between ecosystem organizations, despite best efforts and intentions. This problem increases the risks of Black entrepreneurs 'falling through the cracks' and not having their needs met when they go through the processes for lending and support programs. There is an opportunity to create a centralized, customer-centric ecosystem solution - such as a customer relationship management system- that would ensure consistent standards in managing and sharing customer information, along with consistent expectations of what entrepreneurs should expect from these processes. The recent announcement of the new Black Entrepreneurship Knowledge Hub's ecosystem mapping tool is a good step in the right direction.

4

The importance of more comprehensive data gathering to understand the broader effects and to identify the most effective methods, of inclusive entrepreneurship remains a crucial priority. As with any new initiative that is filling a longstanding void in our economy, society and communities, data need to drive decisions in advancing an inclusive entrepreneurship ecosystem.



V. CURRENT INITIATIVES AND PROGRAMS FROM INTERVIEWED STAKEHOLDERS

Black Entrepreneurship Program (BEP)

The Black Entrepreneurship Program (BEP) is a collaborative initiative involving the Government of Canada, Black-driven businesses, and financial institutions to assist Black Canadian entrepreneurs in growing and succeeding with their businesses. It includes **the Black Entrepreneurship Loan Fund, the National Ecosystem Fund, and the Black Entrepreneurship Knowledge Hub.**

BLACK ENTREPRENEURSHIP LOAN FUND (BELF)



The Black Entrepreneurship Loan Fund (BELF), which forms part of the BEP, seeks to foster the success of Black entrepreneurs and business owners by offering loans of up to \$250,000. The BELF has a total capital of \$160 million, of which \$30 million is contributed by the Government of Canada (through ISED) and the remaining \$130 million by the Business Development Bank of Canada (BDC).

The **Federation of African Canadian Economics (FACE)**, a not-for-profit entity established by several Black business organizations, handles the administration of the BELF. Both FACE and the BDC are responsible for different aspects of the loan application process – FACE receives and processes the applications, while BDC is responsible for servicing the loans and the disbursement of funds.

FACE also offers loans up to \$100,000, while BDC funds and disburses loans between \$100,000 to \$250,000. Between 2021 and 2022, FACE disbursed \$8.3 million in loans, and that number increased to \$17.23 million between 2022–2023.

The BELF also incorporates a pilot **microloan program for those seeking smaller loans between \$10,000 and \$25,000**, through Alterna Savings (Ontario) and Vancity (British Columbia).

■ MICROLOAN LENDING PILOT PROGRAM: ALTERNA SAVINGS

Alterna Savings is a member-owned co-operative financial institution that offers personal, business, and community-focused banking services. **Since its inception over 20 years ago, Alterna's flagship Community Microfinance Program has issued over 1,400 impact loans totalling over \$8.6 million (as of July 31, 2023).**

Their program aims to improve the economic participation of underserved communities and groups such as low-income individuals, self-employed individuals, business startups, new Canadians, and individuals transitioning into the workforce. In addition to being able to access lending services, Alterna works to empower small businesses and entrepreneurs to implement innovative ideas.

They have a considerable amount of evidence demonstrating that their efforts have created significant opportunity and a chance at a more secure financial future for those who don't ordinarily qualify for credit.

Alterna Savings is also a partner in the Microloan pilot program, which builds on their 25 years of specific efforts within this financial institution. **Since the BELF's inception, Alterna has received 69 applications. Of that number, 32 applications were approved and dispersed, with a value of \$660,000.** 18 applications were declined, 9 pending application, and 10 of those applications submitted were sent to the ecosystem for support.

■ MICROLOAN LENDING PILOT PROGRAM: VANCITY

Vancity is the largest credit union in Canada, based in British Columbia and are one of the organizations leading the Microloan pilot program under the BELF. The goal and objectives of that program was to serve that gap of financing for those typically much smaller entrepreneurs who needed smaller startup loans between \$10,000 to \$25,000.

As part of their efforts to build the capacity of the Black entrepreneurship ecosystem in BC, **Vancity has provided \$226,000 in grants to community Black Business Association of BC, the Black Entrepreneurs and Businesses of Canada Society and the Collective Bunch.**

The organizations not only support Vancity in lending referrals, but also provide additional supports needed for Black entrepreneurs to gain timely pre and post loan support, mitigate the risks of loan of defaults, and search for other resources to support their business beyond loans.

BIG SIX BANKS



***CIBC**

CIBC's Black Entrepreneur Program launched in 2022 with the goal to help entrepreneurs from the Black community achieve their ambition of starting, running, and growing their business. They have committed \$15 million to entrepreneurs from the Black community under the program. Of that amount, \$13 million is allocated for business loans and an additional \$2 million in non-repayable loans or grants. Thus far, they have engaged with more than 2,200 entrepreneurs, and \$6.5 million has been disbursed through the program, which is halfway to their goal.

Entrepreneurs who do not qualify for traditional lending apply for a non-repayable loan and leverage the wrap-around services and support offered through CIBC's partnership with the Black Opportunity Fund (BOF), in order to strengthen their business. In partnership with the Canadian Black Chamber of Commerce, CIBC also provides mentorship, financial education, and business planning to entrepreneurs.

***NATIONAL BANK OF CANADA**

In 2021, National Bank of Canada (NBC) announced a partnership with the Black Opportunity Fund (BOF) to set up a \$5 million investment fund for Black entrepreneurs. As of 2023, this partnership is still ongoing.

As an institution, NBC is focused on empowering Black entrepreneurs not only with financing, but also on building knowledge for them to manage successful businesses.

They have ecosystem partnerships with organizations that are helping Black entrepreneurs such as : Black Opportunity Fund (BOF), Groupe 3737 (for Black entrepreneurs), Réseau des entrepreneurs et professionnels africains (REPAF), Fonds Afro-Entrepreneurs which organizes the Gala de Reconnaissance des Entrepreneurs Noirs du Québec, African women entrepreneurs fund of Canada, Evol, which supports, among others, entrepreneurs from racialized groups (in Quebec), Being Black in Canada, etc.

National Bank is working in partnership with its suppliers and its clients to provide concerted support for Black entrepreneurs. The Bank is also active in simplifying access to financing for immigrants, which in turn also contributes to improving the situation of entrepreneurs from the Black community.

***TD BANK**

Launched in February 2023, TD's 'Black Entrepreneurs Credit Access Program (BECAP)' aims to address the unique needs of Black entrepreneurs through equitable access to credit and financial education through a dedicated Black Customer Experience (BCE) team, which is supported by 6 Regional Managers across the country and led by a National Manager, 50+ specialized and trained Account Manager Small Business (AMSB) and 250+ specialized bankers across Canada. The most common need from customers who access this program is a Business Line of Credit.

TD also invested \$10 million to the Black Opportunity Fund (BOF) to establish the 'Black Business Lending Program' to offer financing of up to \$50,000 to Black entrepreneurs who have been denied funding by a Canadian financial institution.

Finally, TD also delivers an ecosystem support for Black small business customers, through partnerships with key community organizations, with the goal of supporting the ecosystem to improve loan and credit readiness for Black entrepreneurs. These include FACE (Administrator of the Black Entrepreneurship Loan Fund), Groupe 3737, Black Opportunity Fund (BOF), HXouse, Canadian Association of Black Lawyers, Canadian Black Chamber of Commerce, Black and Business Professional Association (BBPA) and Black Entrepreneurs and Businesses of Canada Society (BEBC).



VENTURE CAPITAL

*BKR CAPITAL

BKR Capital is the first Black-led VC fund in Canada, focused on investing in Black-led pre-seed and seed stage technology companies. They raised \$22.3 million, oversubscribing their initial goal of \$10 million, and currently have a portfolio of 12 companies, looking to invest in 3 to 5 more.

Institutional Investors of BKR Capital include BDC, Export Development Canada (EDC), Fondaction, Globalive Capital, Golden Venture Partners, RBC, Roynat Capital (Scotia Bank), Telus Ventures, Caisse de dépôt et placement du Québec (CDPQ) and Vancity. In October 2023, they were one of five recipients of the first \$25 million awarded under the Inclusive Growth Stream of the Federal Government's Venture Capital Catalyst Initiative, an initiative being managed by BDC.

SUPPORTING BLACK CANADIAN COMMUNITIES INITIATIVE (SBCCI)

The SBCCI was established in 2019 to support Black-led organizations helping the Black community across Canada. **The SBCCI is a federal grants and contributions initiative aimed at building the capacity of Black communities in Canada, reflecting their voice in the policies that affect them, and eliminating systemic barriers to their participation. The SBCCI has partnered with four black-led organizations to support smaller, not-for-profit community organizations serving black people: Tropicana Community Services (Toronto), Black Business Initiative (Halifax), Groupe 3737 (Montreal) and the Africa Centre.**



VI. KEY INSIGHTS FROM INTERVIEWS

SYSTEMIC BIAS IN ENTREPRENEURSHIP AND BANKING: ADJUDICATION PROCESSES, CREDIT SCORING & FINANCIAL LITERACY

The traditional Canadian financial institution system's primary reliance on credit scores can disproportionately disadvantage Black entrepreneurs, considering that it does not take into account certain unique challenges that disproportionately affects them. For instance, unlike long-established Canadians, many Black entrepreneurs, particularly new Canadians, lack a credit history, a support network (including family, friends), and/or accumulated generational wealth, which can aid in supporting loan requests.



Stakeholder Perspective

...Repayment is very strong within newcomer communities... We see future affluent clients. We see very strong payment history. We really see them being critical to helping support our overall economy... as they come into the country.

This can be a disadvantage for those Black entrepreneurs who may have viable business plans, but have little, no, or poor credit history. Furthermore, this approach in lending practices does not consider the actual business risks and relies heavily on personal credit scores to determine the factors in approval of a loan, most notably as their most important measure of a borrower's ability to repay loans.



Stakeholder Perspective

We want to make sure that credibility is not only linked with a credit score.... What we want to understand is ... how can we champion you?

Furthermore, stakeholders noted a problem with the slow deployment of capital, and there are several reasons for this. Among them, lenders often deal with incomplete applications. Some stakeholders cited cases where some entrepreneurs misunderstood the questions, didn't have the answers, or skirted around them. As a result, the files were rejected, and never made it through to subsequent stages of the loan process.

Trying to eradicate this problem has challenged some of the 'Big Six' banks and the BELF organizations to address the root causes of this systemic challenge. Many stakeholders noted their efforts to improve financial literacy offerings and awareness to the Black business community. One in particular noted that it was sometimes difficult for applicants to provide the documents required when applying for a loan, or even to clearly understand what was being asked for. Many stakeholders pointed to this obstacle as a factor slowing down and complicating the adjudication of an application, and the granting and deployment of capital.

This problem points to the importance of supporting entrepreneurs, even before they submit their applications. They need more training in financial literacy, so that they are as well prepared as possible. Preparation and support are essential, even before deploying capital. The solution is not simply to provide entrepreneurs with funds because without this support, the key to entrepreneurial success will too often be absent. Hence, this support should be provided before, during and after the loan is granted.



Stakeholder Perspective

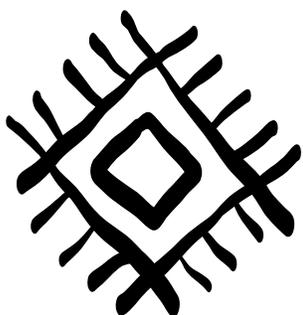
The permanence of the [BELF] program and its sustainability are important... We are only able to offer term loans at the moment, but we'd like to provide a fuller scope of financial products to Black entrepreneurs.

Some stakeholders offer more flexible lending parameters to Black small business, than what is the norm for traditional small business lending.

A leading example of this was seen in Alterna's Inclusive Character-based Lending, which considers applicants' "personal commitment, experience, and skills, along with concept and quality of business ideas" in addition to traditional criteria and financial metrics.

This kind of lending process is particularly beneficial to those with a credit score under 600, a group that often includes marginalized individuals, new Canadians, or others who may be deemed "uncreditworthy" by traditional lending standards. Despite their lower credit scores, Alterna has demonstrated that individuals with good character and a solid business idea can still be reliable borrowers.

By using a character-based lending approach, Alterna supports these individuals by adjudicating their loan applications based on a broader set of criteria, allowing them greater access to funding that they might otherwise be denied. This inclusive and equitable process therefore supports a wider range of entrepreneurs, particularly those from underserved or underrepresented groups.



Stakeholder Perspective

We are committed to continuing to seek out opportunities to work with the communities we serve to develop flexible financial tools to assist with financial education, housing, lending, and investment opportunities for racialized and underserved individuals.

Some stakeholders also mentioned the opportunity to leverage technology into adjudication processes to streamline loan applications and enable better return on investments into communities.

While the benefits of technology deliver improved performance and efficiencies for financial institutions, there is a high risk that leveraging Artificial Intelligence (AI) loan adjudication systems based on account history data could further entrench systemic biases for certain groups, including Black entrepreneurs and startups with no previous account histories.

Indeed, many of the lending programs and initiatives tailored for Black entrepreneurs by private financial institutions are relatively new, and as such, not enough data exists yet to assess a fulsome picture of the programs' effectiveness.

Nevertheless, some of the banks that were interviewed have already begun to reflect on their specific programs to understand what can be done differently moving forward, and how to improve over time. This commitment to change suggests a learning-focused approach and a willingness to adapt and iterate based on the insights gathered from their Black customers and current lending experience.

SAFEGUARDING THE SUSTAINABILITY OF BLACK ENTREPRENEURSHIP PROGRAMS & INITIATIVES: CAPITAL & INVESTMENT

The issue of capital for Black entrepreneurs, and more specifically its access, is central to achieving increased opportunity for them. Many stakeholders particularly emphasized the role that the BEP plays in facilitating access to capital for Black entrepreneurs. This initiative is at the heart of the system to support them and try to overcome the systemic discrimination they face. One stakeholder highlighted the fact that this was a historic initiative.



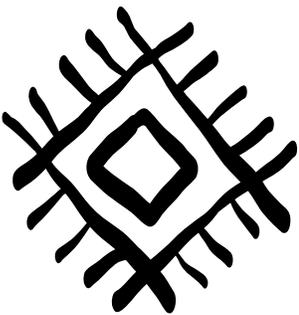
Stakeholder Perspective

This is the first time that concrete resources have been created for the Black community in Canada. The Black Entrepreneurship program has shown success and has shown impact



Since its launch a little over two years ago, the program has been hailed as having had a real impact for the beneficiary Black entrepreneurs, allowing them to grow their businesses and collectively participate in the prosperity of Black communities. One participant mentioned that about 2,700 jobs have been created across the country thanks to this program.

However, stakeholders also suggested improvements to the program. First, the expiry date of the BEP, currently set at 31st March 2025, casts uncertainty on the sustainability of a program that is a work in progress. Black entrepreneurs need predictability in the supports that they receive. Most stakeholders agreed that the possibility that the programme may not be renewed would be unfortunate, and risks erasing the progress that has been made. A non-renewal of the BEP would be interpreted by the sector's players as a regression. The long-term sustainability of the program was an almost unanimous request from the stakeholders interviewed.



Stakeholder Perspective

We are so motivated to see results, both the government and the industry itself, that the lack of those immediate results might temper our support for these kind of programs... that would be misguided. In fact, I would think that would be cause to double down on these supports, because building the ecosystem model is the most fruitful path to addressing the systematic barriers.

Moreover, the question of the amount of funds available was addressed. While the original endowment of \$265 million over four years has already produced encouraging results, future funding would be required to make and entrench a significant structural change across the country. Some stakeholders suggested that this amount should be increased by at **least four times** to achieve this goal.



Stakeholder Perspective

We need to double down in terms of the funding. Sometimes the impact of job creation itself, or just the success of these companies is underestimated. If we're trying to set people up for success, let's make sure that we're not coming in their way.

Furthermore, there has been constructive criticism of the deployment of BELF capital. A lot of stakeholders applaud the important work that FACE has done in recent years to set up a very innovative program. However, some stakeholders suggested that it could be structured more in the manner of a bank rather than a social organization in order to better deal with the challenges that the BEP entails.

Doing so could help them to strengthen their technical and financial services for the benefit of all applicants. Other stakeholders also suggested that the organization should be given more support in terms of building its own capacity. In particular, the issue of talent attraction was raised. Like many economic sectors, the financial sector is not immune to labour shortages and operates in a highly competitive environment. Particular attention should be paid to supporting FACE, which is viewed as a real linchpin of the program.

This study also looked at the role of Venture Capital and private financing in facilitating access to capital. An option that is still under-considered, investing equity (versus debt) in companies owned by Black Canadians has the dual benefit of being highly efficient while leveraging significant additional private funds.

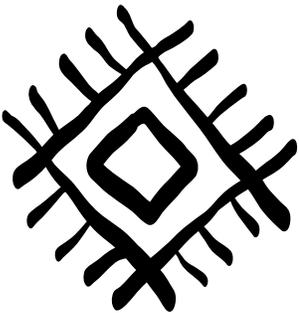




Stakeholder Perspective

In the United States, between 1995 and 2019, only 0.5% of start-ups received venture capital dollars, but they were responsible for 47% of IPOs. So when we're thinking about the impact of venture capital in terms of innovation, it's enormous

In this regard, BKR's initiative, the Black Innovation Fund, anchored by BDC and RBC, clearly deserves expansion and replication in other sectors. VC firms like BKR need institutional and financial support to fill the investment gap that will retain talented Canadian Black businesses in Canada.



Stakeholder Perspective

We need to make sure that whenever people think about Black entrepreneurs or Black investors, they think about credibility. That's the only way we can grow the space to make sure that people want to follow us.

As for the 'Big Six' banks interviewed, there was a general commitment from each institution to continue the path of investing capital into their respective programs aimed towards Black entrepreneurs. There was, however, a sentiment from one of the banks about the need to continue supporting and recognizing the banking sector's role in advancing this work. It was suggested that imposing significant regulatory burdens on the banks, for example, could hinder the existing efforts in supporting inclusive entrepreneurship.

This stakeholder indicated that the government should make more an effort to recognize the great contributions of the banks to the economy, including their efforts towards Black entrepreneurs.

FOSTERING A COLLABORATIVE AND EFFECTIVE BLACK ENTREPRENEURSHIP ECOSYSTEM

The ecosystem supporting Black entrepreneurship in Canada is actively evolving and has some key initiatives in place. The Black Entrepreneurship Program (with all its components), the SBCCI (Supporting Black Canadian Communities Initiative), and various ecosystem funds, including venture capital, exist to catalyze the Black entrepreneurial potential in Canada.

To sustain the momentum of the ecosystem however, more work is needed to foster a collaborative ecosystem that prioritizes Black business and entrepreneurship at its core.



Stakeholder Perspective

I think the way to do this work, I always say ecosystemic approach, right? You [have to] bring different players with different backgrounds, different expertise that are pertinent to support, in this case, Black entrepreneurs or the Black community.

One way to achieve this is by doubling down on the initiatives that have already been successful and scaling them more broadly in the ecosystem. For instance, one bank has a program that is specifically tailored to newcomers to help them navigate the Canadian system and integrate successfully into the country.

This includes providing financial advice and other resources to aid their transition. Additionally, the previously mentioned inclusive character-based lending process has been successful for underserved and Black populations that were previously deemed to be “uncreditworthy”.

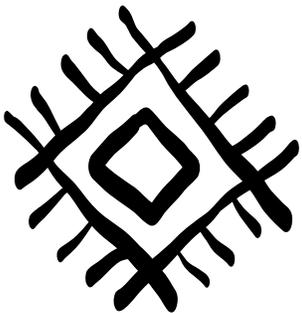
Collaborating more on these initiatives, and building their capacity, can increase the level of support provided to Black entrepreneurs and strengthen the ecosystem.

Doing so cultivates an "ecosystemic approach" that can reduce the duplication of efforts across the board, leverage existing structures and programs to address gaps in Black entrepreneurs' needs, while adding new resources to bolster Black businesses. One suggestion on this was to advocate for policy changes to promote collaboration among financial institutions, including Consumer-Driven Banking (or Open Banking), and consider other legislative changes to enable financial institutions to collaborate when there is a public policy objective at stake, such as inclusive entrepreneurship.

Some stakeholders also shared perspectives on how to re-envision ecosystem supports to Black entrepreneurs. One mentioned the importance of increasing 'wrap-around' ecosystem for businesses trying to grow and scale. Currently, business development programs that support Black entrepreneurs are usually targeted to start-up businesses. While there is a need for such programs, the absence of programs specifically designed for Black entrepreneurs to access from support services for businesses to scale and expand their business is a significant lost opportunity.

Stakeholders also advised that social factors - including access to healthcare, childcare, and transportation - must be at the forefront of designing program supports designed for Black entrepreneurs.

Furthermore, the ecosystem would benefit from more data collection efforts to understand the nuances and challenges faced by Black entrepreneurs.



This data could be used effectively to provide recommendations to government, banks, corporations, and businesses to effectively implement solutions to close the gaps in opportunities that Black entrepreneurs face, especially in investment and access to capital.

More incisive data and research is needed on the types of industries that Black entrepreneurs are in, which industries they are scaling up the most and those where they are stagnant, etc. Collecting robust data is the key to recognizing and addressing the specific needs of different demographics within the Black entrepreneurial community, including Black women entrepreneurs.



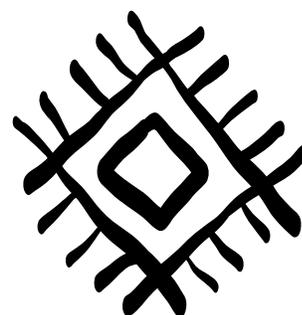
Stakeholder Perspective

“We need data to make sure that our institutions understand that there is a real opportunity investing in diversity.”

“How can we increase the data points and business [success] of Black entrepreneurs in Canada doing business outside Canada, especially in Africa, and vice versa?”

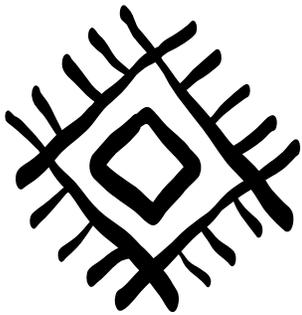
The Black Entrepreneurship Knowledge Hub (BEKH) at Carleton University is a good start, and the recent announcement of its ecosystem mapping tool will help improve programs and policies catered to Black entrepreneurs through data. However, other institutions such as Statistics Canada should be more aligned with this goal as well.

Finally, some participants mentioned the need to strengthen a specific and essential part of the ecosystem supporting Black entrepreneurs: non-profit organizations (NPOs).



These organizations support entrepreneurs in a variety of ways, by strengthening their expertise in specific fields, developing their networks or providing them with business opportunities.

This network of organizations is as essential as it is fragile. NPOs are key to solving the structural problem of financial literacy among fund seekers, as they enable Black entrepreneurs to be ready to receive and use the funding granted to them. As such, the SBCCI could see its capacity and scope to further support these NPOs, in order to solidify the entire ecosystem surrounding these entrepreneurs.



Stakeholder Perspective

We need to figure out how to support the community organizations. In many cases, the not-for-profit organizations delivering the wraparound supports [to entrepreneurs] ...are operating on a shoestring budget. They're fighting for talent, just like the rest of us. What they need is not just money, they also need support in how to run their businesses well. So, capacity building for the organizations out there in the community trying to do great things is absolutely critical.

The Black Entrance program, the SBCCI, the Black Philanthropic Fund, and the Social Finance Fund – these initiatives have made a big difference for the Black community across Canada. When I say difference, [I mean] in terms of impact, job creation, revenue generation... These initiatives have reinforced the Black community across Canada.

The ecosystem supporting Black entrepreneurship in Canada has made progress, but more work is needed to address persistent challenges, particularly around minimizing redundancy in the entrepreneurship ecosystem, scaling successful solutions, and data collection.

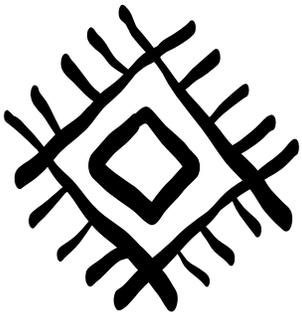
Improving cooperation on these issues may help create a more sustainable and impactful ecosystem for Black entrepreneurs.

FOSTERING INCREASED MARKET ACCESS FOR BLACK ENTREPRENEURS DOMESTICALLY & GLOBALLY



Canada has a diverse population with connections to diasporan communities around the world. Creating wider access to markets for Black Canadian entrepreneurs would require viewing the entrepreneurial landscape not only as local, provincial, or national, but international in its scope and potential.

This global perspective can open up opportunities for wealth creation and development beyond Canada's borders.



To do so, some stakeholders suggested that public and private actors should consider a range of strategies, including implementing trade missions, increasing the presence of portfolio companies in African countries, and making connections between Black entrepreneurs based in Canada and business opportunities in Africa. This would also require the government to provide adequate training, resources, and support to help Canadian businesses understand, access, and succeed in international markets.



Stakeholder Perspective

There's a lot of missed opportunities that [are] not seen. So, there are talented Canadian entrepreneurs who decided to build elsewhere and build very successful companies. But is that documented? It's not.



Another route for growth is through government procurement. On that front, some stakeholders mentioned their efforts in sharing information with Black entrepreneurs about government contracts and other procurement opportunities in the public sector.

The Supplier Diversity Alliance Canada was mentioned as one of those important initiatives to improve Black and other diverse entrepreneurs' access to procurement opportunities in the public sector.

The importance of government procurement in growing business investment was also highlighted in a [June 2023](#) report from the Senate Standing Committee on Banking, Commerce and the Economy.

However, while efforts have been made to increase awareness of procurement opportunities to the Black Community, some stakeholders emphasized the important role the government must play to ensure that contracts are fulfilled once they have been awarded. Some entrepreneurs have faced continuous delays in obtaining task authorizations and have experienced non-compliance with pre-established agreements after winning contracts. These actions negatively affect the federal procurement process for Black entrepreneurs, depriving them of what should have been a lifechanging opportunity.





VII. PUBLIC POLICY RECOMMENDATIONS

Based on the findings, the following recommendations are for public policymakers to consider in order to accelerate the progress of Black entrepreneurship in Canada.



1

The early successes and lessons learned suggest that permanent funding should be put in place to support the Black Entrepreneurship Program. Currently, the lending agreement for the Black entrepreneurship Loan Fund is in place until 2025. It would be important to institute a more permanent program that builds on lessons learned, implements the necessary changes, and continues to support Black entrepreneurs. Moreover, it would be desirable for the budget to be substantially increased, to close the gap even further between Black and non-Black entrepreneurs.

2

Entrepreneurs need to be provided with access to high quality financial literacy programs to support loan readiness. Capacity building within the entrepreneurship ecosystem is where the real success occurs. In most cases, programs that focus on building capacity for Black entrepreneurs to succeed before and during the loan applications are the most valuable to Black entrepreneurs – even more than the loans themselves. This is because that process helps to focus the business on identifying and managing crucial risk factors.



3

Federal entrepreneurship and economic development programs should include Key Performance Indicators (KPIs) that consistently track progress on policies and practices that are inclusive of Black entrepreneurs. It is essential to build on and scale examples of best practices. For example, inclusive character-based lending processes, which consider other non-financial factors of responsibility in loan applications, have been beneficial for Black entrepreneurs who are newcomers or have bad credit history.

4

Entrepreneurs need increased access to diverse forms of capital, especially equity, be it angel investment, venture capital or private equity. Traditional debt-financing instruments are not always sufficient or sustainable for Black-owned small and medium businesses. Mobilizing equity financing can be a powerful tool for Black entrepreneurs, offering substantial opportunities to scale and grow their business alongside other available financing options.



5

Government procurement policies need to be updated to ensure that Canadian innovators and entrepreneurs, including Black and other underrepresented entrepreneurs, gain access to these procurement opportunities. One such example is the government's measure to guarantee a minimum of 5% of public contracts to Indigenous-owned businesses. Furthermore, the success of these policies should be measured on how well these contracts are implemented, to prevent instances where awarded contracts are allowed to expire without being fulfilled.

6

Consistent standards and criteria need to be used to track success and report default rates across organizations involved in the Black Entrepreneurship Program.

7

Forums that share best practices and learning that can improve program outcomes for Black entrepreneurship initiatives should be prioritized. This will be important to maximize the value generated from each federal dollar invested through this initiative.



8

Public and private sector actors need to devise strategies that leverage diasporan connections into business partnerships and trade opportunities for Black entrepreneurs, especially in African and Caribbean nations. It is crucial to approach Canada's entrepreneurial landscape through an international lens in order to unlock economic development and trade opportunities for Black Canadian entrepreneurs.

9

Complementary policies that create the conditions for success for Black entrepreneurs should be prioritized. For example, Consumer-Driven Banking (or Open Banking) can support building credit history for Black entrepreneurs, especially those who are new Canadians.

10

Innovation programming in Canada needs to be developed in collaboration with the businesses whose growth it's designed to catalyze. Doing so will also benefit underrepresented innovation ecosystems, including Black businesses and innovators.

Implementing all these measures would ensure that, in the long term, entrepreneurs can join the traditional financing ecosystem and have sufficient autonomy to thrive.



VIII. CONCLUSION

Within the past three years, there has been notable progress of Black entrepreneurship initiatives in Canada. Collaboration between different stakeholders, including government agencies, private sector organizations, and community groups, will be key in driving this change. By working together, systemic barriers can be addressed to create a more equitable playing field for Black entrepreneurs.

Another important aspect is the collection of data on Black entrepreneurship in Canada. This will not only help us better understand the challenges faced by these entrepreneurs, but also allow us to track progress and make informed decisions on how best to support them.

Furthermore, it is essential that both government and private sector organizations take an active role in investing and funding Black entrepreneurship initiatives.

This will not only provide much-needed capital for these businesses but also serve as a catalyst for further growth and success.

By fostering ecosystem collaboration, addressing systemic barriers, collecting data, and unlocking government's catalyst role, we can create a more inclusive and prosperous environment for Black entrepreneurs in Canada. The success of these entrepreneurs will not only benefit them but also contribute to the overall economic growth and diversity of Canada's economy.

