



SUMMARY REPORT

TRADE BARRIERS FOR BLACK BUSINESSES IN CANADA

August 2022

Canada

 **EDC**
TAKE ON **THE WORLD**

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**THE PURPOSE OF THIS
REPORT IS TO SHARE
THE KEY POINTS RAISED
DURING THE CONSULTATIONS.
IT DOES NOT REPRESENT
THE FINAL OUTCOMES.**

INTRODUCTION

Research shows that Black-owned businesses face unique challenges and significant barriers to growth. In addition to the burden of racial discrimination in business and society, Black communities have systemically been excluded from banking and the financing sectors, and experience greater difficulties securing capital, developing networks and accessing information.

In an effort to create fairer conditions for businesses in Canada owned and led by members of equity-seeking groups, Export Development Canada (EDC) has committed \$200 million in equity support to address the lack of access to equity capital—one of the main barriers to growth and expansion into international markets. The Inclusive Trade Investment Program (ITIP) was launched as part of EDC's broader inclusive trade strategy to support businesses owned or led by women, Indigenous Peoples, Black Canadians, racialized persons, members of the 2SLGBTQ+ community and persons with disabilities. To deepen its impact on inclusion, diversity and equity, EDC is committed to extending its support and providing equity capital to Canadian businesses owned and led by equity-seeking groups.

With a heightened focus on anti-Black racism, the Inclusive Trade team was given the mandate to support Canadian Black exporters and ensure EDC is responding to the realities and circumstances the Black exporter community faces in Canada's economy today. Unfortunately, very little data exists that could inform the development of strategies and supports specifically targeted at Black exporters. To address this information deficit, EDC engaged with Black entrepreneurs and Black business-serving organizations to gain a thorough understanding of the barriers Black exporters encounter.

As part of those engagement efforts, EDC conducted eight separate virtual consultation sessions throughout the month of April 2022. A total of 70 attendees (of which 52 were Black entrepreneurs) came together to share the challenges Black businesses face when doing business abroad.

The consultation participants came from a wide variety of industries and occupations, representative of Canada's diverse exporting landscape, including:

- Restaurants and grocery stores
- Real estate development and consulting
- Information technology consulting
- Education consulting and contracting
- Agricultural technology
- Craft supply
- Agri-food import and export
- Cyber security
- Software
- Service sector
- Construction
- Trade investment
- Accounting
- Automotive
- Arts and culture
- Investment management

In addition, representatives from non-profit organizations and business/industry associations contributed to the consultations.

In 2013, the UN General Assembly proclaimed 2015 to 2024 to be the International Decade for People of African Descent, recognizing them as a distinct group whose human rights must be promoted and protected.

As the end of this decade nears, EDC is committed to strengthening within its own institution the three pillars laid out by the UN: recognition, justice and development.

EDC's ITIP is specifically tasked with addressing the lack of equitable access to capital and creating more opportunities for Black exporters to grow and pursue their business objectives.

During the sessions, the participants were placed in break-out groups to facilitate in-depth conversations. The discussion moderators were given a set of questions to learn more about the exporters' businesses, challenges and strategies, financing needs and previous experience accessing financial supports.

EDC is grateful that the participants agreed to share their personal perspectives and experiences and pledges to use the findings to develop solutions that will enable the Black exporter community to grow to and thrive at its full potential. This includes co-creating solutions with organizations that serve Black businesses and to contribute to a trade ecosystem that is responsive to the needs of Black-owned businesses.



“ I WOULD LIKE TO CAUTION ABOUT HOW THE BLACK COMMUNITY HAS BEEN TREATED IN THE PAST. PEOPLE WERE CONSULTED BUT IT NEVER AFFECTED THE OUTCOME OF ANY PROGRAMS. CONSULTATIONS SHOULDN'T JUST BE EXTRACTIVE BUT SHOULD EMPOWER THE BLACK COMMUNITY.”

—MEETING PARTICIPANT

COMMON THEMES

A LENS INTO TRADE BARRIERS FOR BLACK-OWNED BUSINESSES IN CANADA

The consultations provided participants with an opportunity to share their thoughts on the conditions of conducting international trade from Canada and to offer recommendations for EDC to improve their financial and knowledge services to Black exporters.

Across all sessions, there was a deep concern by participants to address the systemic inequalities Black exporters face. Participants told their stories of exclusionary support systems and described the difficulties of accessing financial assets and information. Many shared experiences of not being taken seriously or being treated dismissively and with prejudice by financial institutions.

More specifically, participants elaborated on discriminatory practices when it comes to renting commercial space and obstacles at ports based on racism and ethnic backgrounds. “It is really about getting rid of the historical biases and the systemic racism,” one participant explained. “Because the current policies were designed without Black people in mind.”

One participant pointed out that for many Black entrepreneurs, their exporting business is a part-time occupation and that they also have to hold a full-time position elsewhere to pay the bills. “With insufficient time for networking, marketing and meeting new clients, these businesses will never get off the ground,” the participant remarked. “Access to loans and financing would provide great relief and opportunities for so many businesses and the community.”

It was also mentioned that Canada’s exporting ecosystem is an “old boys club” beset with gender biases, prejudice and racism, which makes it extremely difficult to have Black peoples’ voices heard.

“The stories have been told over and over, but it seems no products have really been developed to cater to Black exporters and the markets we are seeking to enter.”

—MEETING PARTICIPANT

CANADA'S BLACK EXPORTERS AND THEIR VISION FOR THE FUTURE

When asked about business strategies and goals, participants pointed out that, historically, traditional financing models have been ineffective for or inaccessible to Black exporters, leading many to be reliant on their personal finances and relations. Several participants referred to mistrust and inhibitions to working with financial or government institutions due to their experiences of discrimination. As a result, Black business owners have had to set up their own co-ops and organizations to pool their financial and other resources. For example, the Black Women Professional Worker Co-op channels their resources to one business at the end of each month to help with operations such as market research and website development. “We want to work with the existing systems,” one participant pointed out, “but sometimes we have no other choice but to create our own.”

These co-ops are unable to keep pace with the growing demand for support, meaning many Black entrepreneurs are overextending their personal finances in order to grow their businesses—or are deterred from doing so entirely. While programs have been set up to address some of these concerns, they are still in their early stages and consistent support systems are still lacking.

When discussing key objectives for growing their businesses, participants said they would like to scale their operations to enter new markets, unlock new business opportunities and meet changing customer demands. Similarly, interest was expressed to diversify offerings, procure larger clients and expand into the green sector. One topic that came up consistently was the desire to create more opportunities for networking, mentoring and peer-to-peer forums where entrepreneurs from different fields and industries can exchange information and help each other.



“To address and break systemic inequalities, a systemic approach is required. As a co-op of Black women, we benefit from our different backgrounds and our wide skillset. Each of us leverages the network we have—we are a community of knowledge. Wherever there are resources, we show up and provide feedback to our co-op community.”

—MEETING PARTICIPANT

During the consultations, there were repeated mentions of the desire to develop a better understanding of the complex Canadian export economy and provide opportunities for future generations. Suggested was an online platform for businesses that would provide an opportunity to network, increase visibility of Black exporters on search engines, and better equip entrepreneurs for growth and advancement of export-specific skills and competencies. Such a platform would also help micro businesses without a fully developed network to make connections and enable alternative forms of advertisement.

Business growth is central to the survival of small businesses. Therefore, it is vital for exporting businesses to understand the needs of foreign markets and communities, diversify their export offerings, and offer products that are relevant and in demand. Many of the participants expressed a desire to improve their business’ market access and to create greater brand awareness. However, several groups acknowledged that these activities are even less feasible and accessible for further marginalized groups, such as Black women.

GROWTH TACTICS FOR INCREASED EXPORTING OPPORTUNITIES

Discussing growth tactics for their exporting businesses, several participants noted that growth requires support beyond funding; training, networking and connecting with the community are also essential to attaining success. For example:

- Many Black exporters stated their appreciation of readiness training to increase access to the export market.
- Many participants said they count on mentorship, peer-to-peer support groups and knowledge products to optimize their decision-making processes when looking to stimulate business growth.
- Partnerships are considered key to promoting growth and sharing tools and resources can be a gamechanger for start-ups or small business owners. “The overhead cost drops down significantly if you have a joint venture or a partner with whom you can share an office space,” said one participant, emphasizing the enthusiasm among Black-owned small business owners to help one another.
- Several participants noted that they had leveraged personal relationships to grow their client base and generate funding for growth.
- Black exporters with sufficient resources have found that focusing on marketing efforts has helped increase exposure, name recognition and brand awareness.
- Some participants are trying to develop a better understanding of the legal aspects of international trade, such as permits and licences.
- There was a broad consensus that word of mouth proves to be very effective in engaging customers who are willing to trust in the services and goods being offered.

“People get discouraged when they apply and don’t get the loan or support. A lot of times, loans go to the people that can write the language. We need testimonials and success stories to show the community that the system works.”

—MEETING PARTICIPANT

ACCESSING FINANCING AND SUPPORT THROUGH THE LENS OF BLACK BUSINESSES

FINANCING AND FINANCIAL PRODUCTS TO GROW THE BUSINESS

When asked what type of financial support would help most with their operations and growth ambitions, many of the participants highlighted the fact that initial financial support could prevent exporters having to rely on their personal assets or private investors to obtain start-up and working capital at very high interest rates. Instead of taking on more loans, business grants could relieve some of the stress about interest rates and payment schedules for businesses that are absorbing a lot of the risks as well, especially during challenging times such as the pandemic.

Participants stated that the required financial products and services must be nimble, agile and responsive to their diverse needs. Several expressed the need for bridge financing to fulfill large orders as well the need for funding to enhance their operations in areas such as storage, expansion, or transportation and delivery.

Accessing these financial products, however, has been challenging for many Black exporters. Elaborating on their experiences, participants shared countless examples of racism and discrimination. Communication with banks is described as fraught due to a lack of trust and difficulty accessing personal assistance. While financial institutions are the main gateway for business owners to access EDC's products, many do not adequately market or promote those services—meaning some entrepreneurs might not even know they exist. Further, EDC's products are only offered through a few financial institutions' small business divisions which limits access to our solutions.

Several participants spoke about difficulties in accessing funding from banks due to specific and exclusionary qualification criteria. Scaling businesses to reach the thresholds set out by financial institutions is difficult for small business owners. Others lack the financial resources to make the required down payments or to hire an accountant who can help keep the books in order—creating a vicious cycle of never attaining the required status to apply for support.

Participants noted that a majority of Black-owned businesses in Canada consist of three or fewer people and that financial supports typically do not cater to micro or small businesses. The majority of grants are reserved for enterprises with a certain minimum number of employees and getting across the required employee threshold can present a significant barrier to applying for funding. "Large organizations may have the resources and the staff dedicated to researching funding opportunities and writing applications," one participant highlighted. "But for the majority of Black exporter businesses that is simply not an option."

There were repeated concerns about the stigmatization of export partner countries by financial institutions. The risk classification systems used by banks add to the already challenging aspects of exporting overseas and preclude business activities in countries that lie outside of the thresholds they can and want to bond. Financial institutions' discrimination against businesses dealing with higher-risk countries—without engaging in the exporter's story and understanding their depth of experience in these countries—impedes opportunities and growth.

Many participants emphasized that the rating system typically applied by financial institutions is too rigorous and restrictive. "These assessments do not account for the relationships and the market intelligence that have been developed abroad," one participant explained. "Everyone is missing out due to these restrictions." Exporters must often rely on partners in other countries to provide financial statements in order to secure funding, which could greatly affect the trust developed between the partners. Exporters engaged in high-risk markets without repeat customers and historical trade records need a financing model that does not exclude them on the grounds of their business' location of transactions.

"Black entrepreneurs are subjected to additional risk assessments based on the race of the business owner."

—MEETING PARTICIPANT

Many Black business owners lack or feel they lack the required trade history, liquidity or assets to engage in meaningful conversations with banks and expressed the desire for mentorship to navigate these perceptions. In addition, environmental, social and corporate governance (ESG) reporting often requires the input of someone with experience to navigate the many complex frameworks and regulations that exist, creating barriers for small business owners who may lack the required resources to meet reporting expectations.

The frustration of failed funding applications was a common theme among participants. Some also felt that the metrics or key performance indicators (KPIs) used to evaluate applications should be shared with applicants. “When only one percent of applicants are being approved, that’s a slap in the face,” said one participant. “Stipulate what you are targeting and what you want to see. Be transparent.”

While poor credit scores and insufficient bonding, trade histories, assets or liquidity present barriers to accessing financial services, for Black exporters, the biggest obstacle remains systemic racism and discrimination. Many meeting participants spoke of discriminatory practices by financial institutions based on their race and how that limited the funding made available to them. “Even when 90% of our employees have their PhDs and there are multiple projects in the pipeline, banks still asked for photos of the office! We applied for \$200,000 and the banks delivered half that amount,” recalled one participant.

“Support is so much more than just financing—for me it can be money, it can be training and it can be networking.”

—MEETING PARTICIPANT



Overcoming financial obstacles

When it comes to financing exporting activities, the following approaches and tactics were considered useful by the Black exporter community:

- Creating track records and reports to procure opportunities and attract future partners and clients
- Approaching the bank for a line of credit once growth and projections are established
- Accessing every possible avenue of non-repayable loans
- Accessing programs to grow business skills

Additional common challenges Black exporters have encountered when trying to access financial support include:

- Shorting and bonding requirements for contracts
- Citizenship requirements for company ownership
- Businesses not being assessed on their own merit but their holding company
- Personal investments are required to secure a business loan
- Insufficient loan amounts
- Support needed to bring books in order and create business plan
- Lack of solutions from financial institutions that are tailored to Black exporting industries

TOOLS, RESOURCES AND OTHER SUPPORTS TO OVERCOME BARRIERS AND KNOWLEDGE GAPS

Participants spoke of their difficulties navigating the different policies and the wealth of information that is available online, aggravated by a lack of time to search for the specific answers that are needed. It was mentioned that a meaningful conversation with an advisor who takes the time to understand their specific situations and requirements would be most helpful to those seeking support. Participants also said financial support to consult with ESG experts or to network with other community members would prove beneficial to Black exporters.

In terms of specific tools and resources Black exporters believe could help overcome some of the issues they face, many participants noted the value of accessing information and receiving guidance on cash flow and business planning—to help bridge the education

Other barriers to growth

The difficulties of accessing funding, the overall lack of resources and information, and the discrimination experienced by Black exporters compound other challenges to business growth identified by the participants:

- Small business owners often don't have the capacity to fill entire containers and be more cost-efficient when making shipments. At the same time, periods of extremely high demand require unattainable investments to purchase equipment to meet that demand.
- Worsened by the pandemic, supply chain interruptions and rising fuel for delivery trucks and cargo airlines contribute to inhibitive transportation costs that prevent businesses from growing their export portfolios.
- Currency fluctuation and expensive money transfer fees can have a big impact on the profits of exporting businesses.
- Complex tariffs, regulations and custom protocols further exacerbate the difficulties Black exporters face when trying to increase their impact on national and international markets.
- Affordable commercial space is scarce.

“In large metropolitan centers, such as Toronto and Vancouver, the supply chain and commerce can move fairly easily. But there are others, located in Nunavut, the Northwest Territories or the Yukon, who don't have that luxury. These entrepreneurs face more than just the obvious issue of transportation—the Internet is also an issue.”

—MEETING PARTICIPANT

gap so they can fully understand and take advantage of financing opportunities. It was mentioned that although there is a wide variety of programs that cater to Black businesses (e.g. FACE Black Entrepreneurship Loan Fund, Futurpreneur Black Entrepreneur Startup Program), it is challenging to navigate them all and find out which one is most suitable for one's specific needs. It was suggested that resources and information specific to the community should be amalgamated so that entrepreneurs can find support more easily.

Several Black exporters mentioned the need for assistance in finding the information they need, particularly when applying for projects in other countries, which can be quite complex and time-consuming. As one participant pointed out, “Even if we have the connections across the pond, help is still necessary.” Accessing networks outside of Canada is also challenging and requires significant investment. Attending tradeshow is prohibitively expensive and programs such as CanExport by the Trade Commissioner Service are not suitable for start-ups.

It was brought up frequently that entrepreneurs would see benefits in a mentorship program that could enhance and promote a broader understanding of application procedures, legal requirements, financing, import licences, certificates and other steps to take during the exporting process. Several participants also noted the need for assistance to expand their e-commerce platforms and to develop business strategies that could facilitate expansion into foreign markets.

CONSIDERATIONS FOR EDC SHARED BY PARTICIPANTS

It was mentioned that the service offerings by EDC are often not well known and Black businesses' interactions with EDC are limited. Nevertheless, many participants expressed the desire to connect with an advisor to gain a better understanding of EDC's services. Participants suggested that EDC could launch a portal specifically for Black exporters to offer an opportunity for knowledge exchange between people with the same lived experiences.

"The global market is so massive," noted one participant. "EDC could provide a way to expand entrepreneurs' mindsets beyond the Canadian borders and to prepare them for the barriers they will come up against and how to navigate them." This might include help with accounting, financial and business plans, as well as support to deal with complex customs regulations and legal aspects of exporting overseas. The idea that EDC could provide a form of endorsement for Black-owned exporting businesses (which could then serve as a powerful marketing tool) was also well received.

Finally, participants voiced their desire for EDC to specifically support and advance the causes of the Black exporter community and other marginalized groups—and to tip the scale for projects that otherwise don't meet funding prerequisites. EDC must re-evaluate its required criteria to ensure that more Black people can qualify for loans.

"OUR COMMUNITY IS SO DIVERSE AND IT'S ALSO EVOLVING SO YOU CAN'T JUST TAKE ONE SNAPSHOT AND EXPECT IT TO BE REPRESENTATIVE OF GENERATIONS OF BLACK PEOPLE."

—MEETING PARTICIPANT





EDC'S NEXT STEPS

This report is the first step in understanding the challenges to exporting faced by Black-owned businesses. The findings will be shared with the community and inform upcoming EDC projects.

EDC will continue to discover and identify exporting needs and barriers for Black entrepreneurs.

EDC will conduct an equity lens review to analyze the criteria and parameters affecting the accessibility of its financial products. This review will be instrumental in the incorporation of Universal Design principles to ensure EDC's products are accessible to businesses owned by members of equity-seeking groups.

KEY TAKEAWAYS

The consultation sessions provided a wealth of information and insights to the Black exporter community. There were several central concerns that were shared among the various groups of participants:

- There is a lack of trust in financial institutions.
- Systemic inequalities need to be addressed.
- Black exporters have been forced to rely on their own support systems and personal financing.
- Many Black exporters would welcome opportunities for networking.
- The community would benefit from and welcome training opportunities.

PARTICIPANT RECOMMENDATIONS

Participants offered valuable insights and suggestions for EDC to advance its mandate of supporting the Black exporter community:

- Promote information about EDC's supports
- Provide an online platform for Black exporters to exchange information and support
- Make resources and information easily accessible
- Offer one-on-one information sessions with financial advisors
- Re-evaluate qualification criteria for financial supports
- Be transparent about assessment and acceptance metrics
- Re-evaluate the sovereign credit rating system
- Actively advance the causes of the Black exporter community

APPENDIX: CONSULTATION QUESTIONNAIRE

To better understand Black exporters' needs, facilitators chose from the following list of question to generate fruitful and informative discussion within the breakout group sessions:

1. Tell us about your business.
 - What are your goals and growth strategy?
 - Tell us about when you needed financing and what that experience was like for you.
 - What type of financing would help your operations and growth ambitions?
 - Where do you typically look for financial support?
2. What has worked well for growing your business?
3. What has been challenging for growing your business?
4. What challenges have you faced doing business outside Canada?
5. If you could have anything to grow your business, what would it be?



“ TO REACH THE BLACK EXPORTER COMMUNITY, AVOID TOKENISM AND INSTEAD IDENTIFY THE COMMUNITIES’ GATEKEEPERS: PEOPLE WHO HAVE MEMBER-DRIVEN ORGANIZATIONS, PEOPLE WHO ARE ACTIVELY ENGAGING WITH THE COMMUNITY.”

— MEETING PARTICIPANT



ABOUT EXPORT DEVELOPMENT CANADA

WHO ARE WE?

Export Development Canada (EDC) is a financial Crown corporation dedicated to helping Canadian businesses make an impact at home and abroad. EDC has the financial products and knowledge Canadian companies need to confidently enter new markets, reduce financial risk and grow their business as they go from local to global. Together, EDC and Canadian companies are building a more prosperous, stronger and sustainable economy for all Canadians.

For more information and to learn how we can help your company, call us at 1-800-229-0575 or visit www.edc.ca.

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