

## Why Community Economic Development?

Community Economic Development (CED) is community-led action to create economic opportunities that improve social and environmental conditions. Community leaders understand that complex community challenges require multi-faceted responses. Governments and businesses cannot solve these challenges alone. The responses which have proven to be most effective and sustainable are those that are community-led.

Our country is confronted with steep challenges. Persistent poverty and hollowed First Nations communities remind us of centuries of colonial and prejudiced policy. Our economy is stretching our limited resources further than ever, continuing on a disastrous course of perpetual growth dependent on non-renewable resources and worsening climate change. All the while, too many Canadians cannot find jobs.

Faced with these evolving problems, CED is more relevant than ever. Examples from across the country demonstrate how targeted investments in CED initiatives provide a cost-effective alternative that reduces medium- and long-term pressures on public expenditures by strengthening individual self-reliance. CED produces a demonstrated return on its investment – it results in stronger local economies, reduced poverty, healthier people, and more sustainable communities that have more control over their future.

Members of the Canadian Community Economic Development Network (CCEDNet) have contributed to the introduction of many sound CED-focused policies and programs stimulating community action: CED tax credits, new hybrid legal structures, impact investment funds, neighbourhood revitalization programs and innovative procurement practices are a few examples.

The Federal government has the opportunity to scale up these effective approaches and ensure its investments target successful poverty reduction initiatives. Working together, CED initiatives and governments can face complex community challenges with community-led solutions, creating inclusive, resilient communities and economies that serve the well-being of our citizens and future generations.

## Key Policy Recommendations for CED

### Finance and Investment

The Government of Canada is exploring new ‘pay-for-success’ and performance-based contracts. In order to facilitate a shift in the way governments, businesses, non-profits, charities, and foundations work together to improve social and economic outcomes for Canadians. This

shift can represent more than simply a move toward procurement of outcomes – it can be a strategy to build local capacity and reduce red tape. CED organizations have a long history of outcome-based contracting that can facilitate the government’s efforts in this direction.

As recommended by the Canadian Task Force on Social Finance report “Mobilizing Private Capital for Public Good,” in order to mobilize new capital for impact investing in Canada, the Federal government should partner with private, institutional and philanthropic investors to establish the Canada impact investment fund. To kick-start this initiative, the Federal government should invest \$20M per year (for five years) in first loss capital, to be matched by private, institutional, and foundation investors in a fund-of-funds structure. This would support existing regional funds to reach sale and catalyze the formation of new funds.

One example of CED funding is from Nova Scotia, where the Provincial government has had Community Economic Development Investment Funds established since 1999 – pools of capital from individuals, corporations and trusts within a defined community that are used to operate or invest in businesses within the defined community. Nova Scotia has seen 48 CEDIFs established, mobilizing 7500 investors, with total assets at more than \$56 million.

Funding for the replication of effective investment and development programs, such as RISQ in Quebec, Toronto Enterprise Fund in Ontario, and Enterprising Non-profits should also be available to communities across Canada.

### **Recommendations**

1. Build on the experience of the CED sector in performance-based contracts by documenting and adopting most effective practices.
2. Establish a Canada Impact Investment Fund in partnership with private, institutional and philanthropic investors. The Federal government should invest \$20M per year for five years in first loss capital, to be matched by private, institutional and foundation investors in a fund-of-funds structure.
3. Provide funding for the replication of successful community economic development investment initiatives across the country.

### **Community Enterprise**

Community enterprises operated by non-profits, co-operatives, and micro-enterprises established by or dedicated to supporting disadvantaged individuals and communities create wealth and respond to the needs of rural and urban communities. Contrary to popular misconceptions, community enterprises have a higher survival rate than traditional small- to medium-enterprises while offering an unparalleled financial and social return on investment.

Intentional purchasing targeted to community enterprise creates significant impacts for a people-centered economy. The traditional “price prevails” purchasing analysis does an injustice to the taxpayers. Greater return on investment for taxpayers can be achieved by governments using a blended value analysis in their purchasing, incorporating price, quality, environmental, and social considerations.

To this end, governments should adopt a social procurement policy, including the implementation of social value weighting in all RFP’s and contracts. Further, a Living Wage requirement for all contractors, including their subcontractors, should be mandatory on all government contracts.

As demand increases, the supply-capacity of blended value businesses will also need to be bolstered. To this end, all forms of incorporation, including not-for-profit, social enterprise, and co-operatives, should have equal access to existing government-supported business development tools, including business skills capacity building opportunities and advisory services, appropriate grant funding and a full range of capital tools.

### **Recommendations**

4. Implement social value weighting in all RFPs and contracts.
5. Implement a Living Wage requirement for all contractors, including their subcontractors, on all government contracts.
6. Provide social enterprises, non-profits, and co-operatives access to existing regulatory and tax measures and business development programs available to small- and medium-enterprises. This should be coupled with awareness-raising efforts for government officials to ensure a level playing field for alternative forms of incorporation.

### **Local Revitalization**

The federal government can play a lead role in addressing complex challenges in Canadian communities by implementing a Federal Community Economic Development Policy Framework.

Modeled after the framework active in Manitoba, a federal initiative would include CED principles, CED objectives, and a CED lens. The objective of the framework would be to ensure government initiatives effectively respond to the complex economic, social, and environmental needs of local communities – particularly vulnerable ones. A Federal policy framework would demonstrate foresight in governance by maximizing multiple economic, social, and environmental benefits for these communities, and thereby promoting strong, fair, sustainable and resilient local economies and communities.

### **Recommendation**

7. Implement a CED policy framework, inclusive of CED principles and a CED lens.

## **Making it Happen**

Communities working together are the primary drivers of CED initiatives, but governments have a significant role to play in supporting CED given their resources, capacities, and policy levers. This philosophy will only thrive if it is based on a philosophy of co-creation and co-production. A roundtable bringing together representatives from the CED community and government would facilitate the ongoing co-construction and refinement of public policy in support of CED. This would provide the infrastructure for meaningfully involving the CED sector in the development and regular review of government initiatives to ensure they meet shared public policy objectives.

In addition to supporting federal policy development, the roundtable could have a particular focus on supporting momentum in provinces and territories that lack a policy framework, but have substantial interests in public policy outcomes of direct relevance to CED, such as poverty reduction and sustainable development. Outreach strategies with other key stakeholders (e.g. private, philanthropic, labour) should also be used to build new partnerships.

### **About the Canadian CED Network**

The Canadian CED Network is a national association of community organizations, co-operatives, credit unions, foundations, municipalities, and practitioners reducing poverty, unemployment, and social disadvantage by building assets and creating opportunities. We have several hundred members, organizations and individuals, in every province and territory, including urban, rural, northern and Aboriginal communities.

The Canadian CED Network works to create a strong member-led voice. Our ongoing government outreach strategy builds partnership and mechanisms that will promote the co-construction of public policy with all levels of government.