



**Investing in Canada's Communities:  
CCEDNet's Policy Framework**

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If you have comments, questions or suggestions, please contact us.

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## The CCEDNet Policy Agenda

The Canadian Community Economic Development Network (CCEDNet) believes that now is the time for the deliberate construction of government and/or private sector policies that will both scale up the level of CED activities in Canada and improve the effectiveness of those activities. To develop an agenda that CCEDNet can vigorously and credibly pursue, a series of five regional meetings, culminating in a National Policy Forum, discussed a range of ideas provided by a widely circulated draft framework. This present statement, then, arises from the consideration and analysis by several hundred participants (organisations and individuals) in these forums, and it represents the official policy position of CCEDNet.

We recognise that all of us can do things differently and better, and in fact one of the prime purposes of founding CCEDNet was self-improvement of its own member groups. However, this document deals only with the way new government and private sector policies would help us do our work better.

## Why Investing in Communities Is Important

When communities are by-passed or marginalised by the ordinary processes of regional or national economies, a vicious circle of destructive social and economic forces tends to reinforce the trouble and consign such communities to continuing problems with disinvestment and declining human resources. These economically challenged communities (whether urban neighbourhoods, rural villages, towns and regions or disadvantaged segments of local populations such as women, immigrants, Aboriginals), instead of contributing what they might to the strength of the country, exacerbate national social and economic problems of unemployment, business failure, family stress, crime, deteriorated housing, and poor health, among other ills. Thus even in times of prosperity, Canada experiences a dual economy of mainstream growth but with continuing, even expanding pockets of poverty.

Fortunately, some of these same communities have found a way to successfully combat socio-economic decline and reverse destructive local processes in order to move toward a healthy setting for living and working and for the disadvantaged citizen to move forward. They have done so through a community economic development (CED) strategy—that is, through a comprehensive, multi-purpose social and economic strategy, conceived and directed locally, aimed at systematic revitalization and renewal. With a CED approach, these communities are making Canada stronger as they make themselves more vibrant and attractive places to live and work.

**We believe that the current proven status of CED in many different communities from coast to coast now argues for scaling up this sort of effort in other communities and therefore requires scaling up senior government and other support for the effective initiatives.**

Our own and other research documents the successes of the techniques and systems put in place by such groups as (to name only some examples) the Great Northern Peninsula Development Corporation (Newfoundland); New Dawn Enterprises (Cape Breton Island); Human Resources Development Association (Halifax); RÉSO (southwest Montréal); Learning Enrichment Foundation (York/Toronto); Lutherwood-CODA (Kitchener-Waterloo area); Women in Rural Economic Development (rural Ontario); Kitsaki Development Corporation (northern Saskatchewan); Quint Development Corporation (Saskatoon); and the Enterprise Centre (Revelstoke, BC).

These, together with some of the more elaborated Community Futures Development Corporations (CFDCs) throughout the country, all have certain common characteristics of structure and operation (generally, for example, an independent non-profit status), despite innovative individuality cued to local conditions. The key characteristics of all these community economic development organisations (or CEDOs) can be described and specified as a development system that is both locally accountable and directed locally. **The central feature of the development system is an integrated comprehensive or multi-purpose social and economic strategy for broadly strengthening the economically challenged community, bringing new resources to marginalized groups to participate effectively in the nation's economic mainstream as well as working for necessary structural changes.**

However, that strategy is not necessarily the activity of a single lead community organisation in a single locality. It might also be located in the shared agenda and operations of a network of community groups in one or a group of localities which work together on broader issues that no one of them alone can address effectively. Thus, for example, one group may concentrate on employment training for those without jobs, another on housing, and another on services by and for the disabled; and all of them may join in the effort to promote local business and entrepreneurship, as well as other community-strengthening tasks. (The Revelstoke Enterprise Centre and its related activities is just such a joint effort, melding a number of initiatives, most importantly the economic development programs of the municipality and an independent CFDC.) Similarly, a rural region of several small towns and villages or several urban neighbourhoods in a metropolitan area might join in a collaboration because the possible scale of effort and the smaller populations of each constituent locality could not alone support the necessary comprehensive effort.

In its most general sense, then, CED embodies an integration of many varied approaches to reversing the processes by which individuals, families, and communities are shut out of the economic mainstream. The tools and the results for them are not only economic assets like businesses and housing but also cultural self-respect and community hope. Thereby CED offers the means by which their contributions to the nation and its economy can be strengthened. Each Canadian region represents a somewhat different set of problems and pattern of community-based efforts. Quebec, for example, probably has a much more varied set of community-based organisations with specialised interests and capacities to devote to what is there termed the social economy.

Whatever may be the local solution to fielding an integrated, comprehensive, multi-purpose approach, it will require ‘importing’ resources as well as creating them and mobilising them locally. Because, after some years of experience, we now have a much better idea about how communities can right themselves, now is the time to systematically scale up the flow of such resources to all CED efforts in order to have a national and not just local impact. We view this enhanced flow of resources as a critically necessary investment in our Canadian communities.

To use the term “investment” is not to imply that dollars are solely what is needed. We mean the term in a very broad sense. What we seek includes the interest, concern, time, and thought that goes into determining how our society can change so that the less advantaged among us in communities and families and individuals have a greater opportunity to both contribute to, and get rewards from the Canadian economy.

Finally, there are certain threatening national trends affecting all community-based, non-profit service organisations, such as the shrinking appropriation of public money to support such programs. So in some declining communities there is also unproductive competition for limited resources among the service groups. This makes an investment approach to build assets even more urgent. Further, the globalization of economic processes and the potency of multi-national corporation decisions provoke recurrent and severe stresses on the businesses and general economic processes of all localities but particularly the smaller, the depleted, the vulnerable. CED offers a dynamic alternative to this picture, once the community economic development process is firmly in place and has the initial resources to become self-sustaining for the long haul.

### **The Three Fundamental Targets for Investment**

The successful experience of CED in Canada (and, for that matter, elsewhere in North America and Europe) highlights three broadly conceived tasks or targets for investment in communities through federal, provincial, and private sector collaboration with local groups. The investment from all such sources for these tasks will invigorate three associated forms of local capital:

1. To help build the local capacity of communities to systematically address the problems of their economies—strengthening social capital at the local level.
2. To help increase the competence of local citizens to get and hold good jobs or build their own businesses, as well as to provide essential local leadership for the development process—strengthening human capital at the local level.
3. To help improve the private investment resources and practices available for local businesses, for affordable housing, and for alternative financial institutions (as well as for the two previously mentioned tasks)—strengthening financial capital at the local level.

We see senior governments as having a key role to play in these tasks because their efforts can serve as a model and catalyst for similar activities by municipalities and by crucial actors in the private sector, such as the major banks, corporations, credit unions, foundations, and faith-based institutions. None of these tasks have been foreign to the attention of public or private sector actors, which have in fact contributed over time to the evolution of the CED process. However, we now propose that government efforts (a) be more focused, (b) make specific use of what has, by now, been learned about CED, and (c) on this basis be increased in scale and scope. Moreover, we suggest here some basic principles by which any support of CED should be guided. After reviewing those principles, we will discuss the three investment targets and specify the particular actions we recommend.

## Principles for Investment in Community Economic Development Efforts

1. CED is not a short-term affair, and it has suffered from the expectations of private and public funders that the results from funding CED ought to be visible in one or two years. While, of course, some milestones can be documented as attained annually, over-all CED is actually a matter of a much longer term effort. If communities have suffered from decades of disinvestment and population decline, then recovery and new patterns for a healthy economy cannot be expected in a couple of years. A prime policy principle derives from this fact: **Funding programs must embody multi-year commitments, however linked to mutually agreed-upon annual milestones.**

2. CED rests upon the foundation of local knowledge of varying local conditions and requires local control and flexibility in decision-making in order to take advantage of that foundation. Governmental and other support all too often ignores local variations in the problems addressed and imposes inapplicable common conditions as a part of their funding decisions. A prime principle of policy for CED programming must be the devolution of substantive and operational decisions to the local CEDOs, such as setting their own social and economic priorities and designing the trade-offs that make sense locally. Such devolution does not mean unrestricted support, but it does mean that **locally adjusted standards and milestones should be mutually arrived at and mutually agreed upon by finance sources and the local group, rather than set as a priori program requirements for groups to access the financing.**

3. Effective CED strategies involve the melding of both social and economic goals and techniques in a multi-purpose design, such that multiple goals are concurrently pursued as an integrated whole. But CEDOs are often caught in conflicting expectations of federal programs designed only for a single objective. For example, the so-called stovepipe perspective in each program of a federal agency or among agencies presses local groups into overly specialised activities and does not fit the key CED feature of multiplicity of integrated initiatives. Similarly, provincial and private sector support all too often proceeds on the same track, concentrating on only one of all the necessary initiatives a community must take. But any single initiative needs to be enhanced and expanded by a multi-purpose strategy that addresses the health of a community in a holistic manner. A prime policy principle, therefore, has to **establish flexible expectations across all finance sources so**

**that each community can integrate its activities and funds from different government agencies, programs, and other sources.**

4. Many innovative communities have demonstrated remarkable ingenuity in melding and joining dollars from a variety of sources. If a source does not insist on an over-specialised program, CEDOs can successfully argue for supplemental or complementary funds from other sources. This experience leads to another prime policy principle—namely, reliance upon leverage. **When CEDOs have garnered in-kind or dollar support from any source and for any community initiative, dollars from other sources should be readily available on a matching or super-matching basis for the same or other initiatives.** The analogy (and reality) of equity dollars as a way of accessing credit is *a propos* here.

5. Each CED strategy derives its strength and its ideas from resources in its own community base, but that base is impotent without the organising and strategizing capacity of a multi-purpose community group or network of collaborating community groups that addresses the full range of local social and economic problems. **Funding policy has to be founded upon active and independent CEDOs (or analogous community organisational tools) that are not conceived as agents for outside-designed programs but as partners in the investment process for enhanced communities.** Thus CED cannot be a government program. Provincial and federal initiatives can only offer resources to a community that is creating its own tools for its own improvement. By the same token, not even the most far-sighted foundation or even local government can on their own carry out community economic development; however, they can offer their support to community organisations that in their own design mobilise themselves and others to field a comprehensive program.

6. Finally, senior governments are far too influential in their activities to proceed as if each is independently concerned with one or another economic or social problem. Their seeming lack of knowledge or even concern about how their policies impact on each other is a grievous handicap for localities struggling to field a consistent and effective effort. **The federal and provincial governments must put more time and effort into the co-ordination of their policies and programs if CED is to achieve its full effect.** Thus it is appropriate here to stress anew that financing is not the only way in which public and private institutions can foster CED. They can shoulder a variety of responsibilities in their own realms for strengthening Canada's communities.

## **How Investment in CED Can Increase Social, Human, and Financial Capital**

The three targets that any policy relevant to CED must address concurrently are also, of course, the central tasks that the various groups in the local communities set for themselves, and indeed very often effectively pursue, but at a low level of activity that is enforced by lack of resources. Investments by the federal government, as just one source of support, can change that picture of restricted resources when targeted as we recommend in the following:

1. Strengthening the Local Capacity of Communities (social capital). Re-building local economies so that they are no longer a drag but a positive component of the national economy requires local organisational tools to design and carry out the strategies. Historically, neither governments nor the private sector nor the market mechanism have been able to do what CEDOs and their network analogs set out to do. It is essential, then, that local groups get the resources to develop themselves and their programs, so that they can make other private sector and government efforts more effective. In this respect, it is important to recognise that investment for this purpose must not be dismissed as just “core funding.” The fact is that CED depends upon a strong local organisational tool such as the CEDO to carry it out. Foundations or governments or others that aspire to assist communities to reverse decline and to move forward socially and economically must recognise that each community has to create its own tool for a comprehensive strategy and will need help financing and thinking through that tool.

We have discerned four recognisable stages of organisational evolution in capacity, each of which can and must receive particular types of support for scaling up what CED can do for the nation. Each stage has its own performance features and thus offers concrete indicators for providing or denying committed follow-up support. We suggest, only tentatively, what has often been the timeframes for each of these stages, but we stress that local conditions can mean different time perspectives.

Stage One is the period in which the community is undergoing a systematic self-examination and self-education that is bringing about a shared analysis and community dialogue for consensus on first steps toward renewal. Depending on the community this probably could take from three months to two years. For example, in Montréal the YMCA funded two organisers for 24 months to build the necessary awareness and ideas among the groups of a Montréal neighbourhood that years later eventuated in the stunning successes of RÉSO. Three benchmarks in this period are a visioning process, the enlistment of all sectors in a collaborative effort, and a resourced plan for Stage Two activities. There is no way that this process can be underwritten without a specific grant program that recognises the tasks involved in this stage and commits to follow-on support upon successful completion of the objectives. **We therefore recommend that programs of community organisational support be established with the expectation of thereby seeding the ground for the creation of many new CEDOs in economically challenged communities and with the expectation that follow-on support will be awarded throughout each stage of their evolution.** It should be understood, however, that attaining the suggested benchmarks in any stage may not in fact lead to a viable strategic organisation in later stages, mainly for reasons of intra-community competition and dissension. In short, failures must be expected, although our experience is that in time the community is likely to try again, in the model of the failed entrepreneur who sticks to his vision of a successful venture.

Stage Two, consisting of, perhaps, six to twelve months, is a phase of planning and concrete organisational development, which establishes the new fully-armed CEDO (or, alternatively, either realigns an existing organisation to take on CEDO-like responsibilities or binds the key existing local groups in a vigorous and innovative collaborative network). The applicable benchmarks here relate to a workable format for broadly supported community action;

democratic local accountability and conflict of interest protections; and a consensually arrived at strategic plan with clear, significant and reachable objectives. This second stage thus works through some very difficult issues in organisational development, democratic control, and community goals; such a process demands committed support, to be confidently anticipated in Stage One.

Stage Three (of about two years perhaps) occurs as the CEDO (or its analog) begins its initial full operations as a nascent development system. It tests whether in fact the CEDO can reach its early self-set objectives in venture development especially, and in social projects and other programs such as housing. Other benchmarks are to be found in such things as broadening and deepening democratic community participation, creating working partnerships with governments, private sector actors, and other crucial community groups, as well as refining the structure and internal operations of the CEDO itself. Actual housing units produced, jobs generated, skills created, business ventures expanded or launched are involved here, but these themselves involve a complex and extended schedule of internal milestones as benchmarks, not just the ultimate statistics. Here the mutually understood set of milestones will be particularly important, with an understanding that the health of the development system itself is key.

For example, the very early and solid accomplishments of New Dawn Enterprises in founding dental clinics and producing affordable housing can be seen as predicting its multi-million-dollar status today in business ventures, health services, and various forms of extensive housing development. New Dawn, for local reasons, was able to maintain itself with only one early and very modest core funding grant from Health and Welfare Canada. Other CEDOs will not be that fortunate. Thus in Stage Three, again, administrative support-funding must be committed as a follow-on of the previous stages. This support will be particularly important to defray the preliminary costs of project selection and early development, the R&D effort that is so difficult to fund otherwise. At the same time, the CEDO's projects, once designed, themselves require separate equity and/or credit resources, as was true for New Dawn, which relied heavily on the now-discontinued CMHC programs. **For project investment resources, therefore, we recommend exploring a specifically targeted tax incentive program. Here investment dollars would be levered from the private sector for the local projects, some of which might be wholly owned by the CEDO, others of which might be joint ventures with private sector partners—entrepreneurs or companies.** With the tax incentive resources in hand as equity, the CEDO could qualify for standard credit union and bank loan arrangements—for example, mortgages. We discuss the details of the tax incentive recommendation later on, in connection with the third fundamental task, strengthening financial capital resources.

Stage Four will be characterised by more of the same sort (or more complex) projects foreshadowed in Stage Three—and needing similar access to the tax incentive advantages (or other specific project support). However, this stage, occupying perhaps three to five years, has the CEDO reaching to maturity and ultimately able to generate its basic operational expenses outside of the program(s) that have been supporting it all along. Thus diversifying its funding would be a key benchmark for creating avenues to self-sufficiency, while still benefiting from core costs support through this stage. Other benchmarks, aside from successfully launching additional ventures or other projects, would include internal generation of organisational income

and the critical activities of self-examination and self-evaluation in annual performance reviews that look at the self-renewing processes of the organisation as well as at its program benchmarks. The conclusion of this stage is self-funding of central administrative costs.

As can be seen, altogether the stages of organisational and strategic development can stretch over a period of approximately ten years, during which some support is required for strengthening community capacity. Of course, these stages are merely a conceptual aid for overlapping periods and activities; they are not absolutes, nor are the time periods strict. On the one hand, as is clear, the four overlapping stages of CEDO evolution each need to be characterised by a different mix of funding and funding sources, as we have outlined. On the other hand, as important as it is, organisational development (the creation of essential social capital like the CEDO) is only the prime tool for substantive objectives and achievements. Among these are successes in the two other fundamental tasks: the enhancement of the human resources of the community and the improvement and deployment of financial capital. Both of these other tasks the local groups and their various funders need to address concurrently with attention to building community capacity in the CEDO or other locally appropriate model. Finally, currently existing (and strong) organisations that are addressing CED concerns may already be at one or another early stage today, but will also need support to expand their reach and move through the final stages toward long-term sustainability in defraying their own administrative costs.

We have dealt with this first fundamental task, capacity-building, in considerable detail here, because we believe that it is conceptually and historically antecedent to successful action on all other tasks and because it is, perhaps, less well understood by governments and other funders than the tasks of human resource development and financial capital mobilisation. Yet we must hasten to re-emphasise still again that building the organisational tools is meaningful primarily in the context of the local process of concurrently clarifying and planning the local goals in both the other two tasks.

2. Increasing Human Resources (human capital). Just as a community economy can be unhealthy and handicap the best efforts of individuals and families in the community affected, so too the residents of those communities can be unhealthy in personal, bodily, and vocational skills to the degree that their communities are thereby handicapped. Low levels of physical, mental, educational, and vocational skills are, of course, a long time focus of generations of government and other programs. However, in these respects, community-based organisations can often attain higher returns, simply because, again, local knowledge of local conditions and history, as well as the intensity of local commitment, can pay off in more targeted and effective efforts. For example, community groups can put together constructive relationships with local employers, know more intimately their constituents' situations, and have a comprehensive socio-economic perspective to set up effectively designed and integrated training and job programs that will fit the local labour market. That is, the social capital of community capacity will be at work here. And the same can be said for effective health and other local programs.

Government-sponsored programs need to learn from the community-based groups to offer more flexible, broader, and more integrated initiatives for human development viewed in a holistic perspective. In addition, errant policies at all levels of government that now inhibit the improvement of local human resources need to be recognised and revised—such as those that prevent recipients on social assistance from accumulating assets that will be used for advanced training. CEDOs like SEED Winnipeg have actually helped change provincial restrictions so that all Manitoba groups can more effectively aid people trying to establish their own businesses for self-employment. Another CEDO, Lutherwood-CODA managed to get an experimental though only temporary lifting of restrictions on the accumulation of assets in an Individual Development Account process. Even though that experiment was a success, those same restrictions still apply generally. More systematic efforts are needed to correct these destructive policies.

With particular reference to government-supported employment programs, **we recommend adopting the goal of creating an integrated employment development system that will meet the needs of all Canadians, not just the limited groups now targeted by labour force programs.** This must recognize the human assets or strengths that all potential program clients possess. To do all this will require addressing a broad range of policy changes to:

- (1) Broaden the eligibility criteria for programs so that all unemployed and underemployed people (including, for example, the self-employed or contract workers) can access the supports they require, especially training itself and any necessary loans to pay for training.
- (2) Diversify criteria for program success to fit the variation in needs and strengths of different groups (e.g., youth, seasonal workers, immigrants, women, persons with disabilities, recently versus long-term unemployed persons). Thus, for example, programs should adopt the CIDA principles for greater equity and for appropriate evaluations.<sup>1</sup>
- (3) Initiate programs to address problems not now given specific attention: that is, to meet the needs of recent immigrants (e.g., for gaining recognition of their non-Canadian credentials) and to address job retention and job advancement issues for all employment program clients.
- (4) Modify welfare to work and other employment assistance programs to ensure the availability of critical employment supports (e.g., child-care, transportation, and accommodations for persons with disabilities).

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<sup>1</sup> See *Policy on Women in Development and Gender Equity*, CIDA, 1995.

- (5) Create a more co-ordinated and graduated process for the reduction of the income assistance and other benefits during the transition from welfare to work.
- (6) Adjust government regulations so that individuals whose health or other circumstances (including family responsibilities) limit the extent of their labour force participation can supplement their earnings with social assistance benefits on an ongoing basis.
- (7) Expand efforts to co-ordinate programs among all levels of government (federal, provincial, regional, local and aboriginal) and across departments that deal with different aspects of labour force development. In particular, for example, the stalled federal-provincial labour market agreement with Ontario should be vigorously promoted, with mediation, if necessary.

In the provision of employment programs and projects, community groups are all too often seen by government as agents or merely contractors for the delivery of government services. This does not recognise the ingenuity and innovation of local groups to design and administer creatively the services needed by their constituencies, even finding ways to get around unworkable government regulations that operate to the detriment of those being served. Government practices of 'micro-management-by-audit' instead of using forthright and insightful performance measures further interfere with the effectiveness and efficiency of local programs, taking time away from more productive activities—and incidentally, involving government officials in less productive work too.

**We recommend that government agencies concerned with employment recognise CED organisations as full partners in a national employment development system, thus allowing CEDOs to devote local energies solely to making their full contribution to that system.** To this end, the following specific policies should be adopted:

- (1) Enter into on-going and regular dialogue with CEDOs for designing and implementing employment strategies geared to local conditions.
- (2) Adopt three-year funding regimes to provide financial stability for local groups to concentrate on building effectiveness and efficiency.
- (3) Adopt, in consultation with CEDOs, a framework of performance-based partnerships with qualitative as well as quantitative service measures adapted to local variations in programs and program goals.
- (4) Establish an educational program for government officials to learn about and understand the special perspective of CED. To this end, utilise a range of techniques from orientation and training sessions that familiarise government officials with CED strategies and resources to job shadowing and exchange programs that provide hands-on experience with the challenges and opportunities of CED work.

Government agencies concerned with human resource development can benefit by seeking out the successful CEDO models in order to multiply those models (as always, locally re-designed) throughout Canada. For example, the Learning Enrichment Foundation has pioneered a human resource development system, ranging up from basic literacy concerns to job training programs specifically designed with employer participation to lead to immediate placement. In addition, LEF has joined its labour-oriented activities with its own community businesses—preparing people for jobs in LEF ventures that have further community benefits, notably their network of daycare centres. Some of LEF's work has been government supported, but not consistently. We believe that private funds levered through the tax incentive (to be discussed later) will be required, but the relevant government agencies themselves need to scale up the success of the experienced and enhanced groups. Agencies must use their mandates in order to expand and sow the insights of such models, including, for example, supporting site visits by CEDOs and government officers to groups like LEF together with program consultation by their specialists and leaders, so that other communities can benefit from the established successes.

Finally, in the realm of human resource development, we recognise that our own skills definitely need to be sharpened and improved. To this end, **we recommend a new, broadly conceived and continuing initiative to underwrite improvements in technical capacity and leadership for CED and other community-based endeavours in the economically challenged communities.** While the McConnell Foundation CEDTAP program is a significant factor in this field, a broader scope will be needed. This particular improvement in human resources would include funding for (a) designing and operating leadership development courses and curricula targeted to CED volunteers in such communities; (b) transferring the lessons of CED through, for example, translations of technical publications and curricula; (c) supporting CED scholarships and internships, particularly for younger practitioners; (d) promoting research and further technical assistance activities; and, especially, (e) sponsoring informational regional and national conferences of practitioners. The last-named needs to be recognised as perhaps the critical tool for the most powerful formal and informal person-to-person dissemination of knowledge, insights, and specialised techniques for CED, especially in the current context of a field that requires systematic scaling up of efforts at the community level but is handicapped by national distances.

3. Fostering Financial Capital. Typically, communities in decline are capital-starved, both for equity and credit. This is the result of institutional practices, as well as a lack of local organisational capacity and local technical skills to properly use financial capital. When, however, well-established community groups have the technical resources and skills, they have imaginatively put together dollars from a variety of sources to finance their projects. They have also created community-based mechanisms and institutions to establish long-term sources of capital. For example, they have designed their own investment groups that are mission-driven to include both social and economic goals, optimising, not maximising profits, in order to focus on community well-being.

However, even the more successful CEDOs know that they can use more capital than is readily accessible. New Dawn, for example, has estimated that it could absorb \$1 million annually in new equity over the next four years for projects it has already spotlighted. Thus government

action on a number of fronts to assure the availability of such investment funds can make a significant impact. It should be emphasized again, however, that financial capital can be absorbed effectively only if there is the community capacity and the local technical expertise to use it properly—social capital and human capital. That is why financial capital by itself always turns out not to be the answer for our marginalized communities and populations.

New federal policies in a variety of arenas can make a difference in facilitating the accessibility of private capital, mainly in credit formats, by properly aligning current federal programs so that they can serve CED purposes. For example, the federal government is considering a revision of the banking laws and regulations that would encourage banks to offer their services (profitably) in communities that now are by-passed. Such so-called Community Reinvestment changes should not be seen as punitive but as urging Canadian banks to discover the same opportunities in marginalized communities as U.S. banks have discovered. Also, the application and tools of the Small Business Loan Act should be expanded and re-shaped to offer services to non-profit community enterprises and other CED ventures. While a pilot program of this sort is now being constructed, the design must take into account the particular needs of non-profit-sponsored, community-based ventures, which differ considerably in scope and scale from the usual SBLA client businesses. Moreover, the test must also involve organisations with the requisite capacity to use the loan services that will be offered. The participation of CCEDNet in the design of this test could assure that the findings are a meaningful assessment of what the SBLA can do.

But pilot programs are not enough. When successful, they must be permanently instituted. For example, one fine innovative initiative by the federal Western Economic Diversification agency deserves generalisation not only in the west but in the comparable agencies nation-wide. WED pioneered provisions for loan loss reserves for a credit union CED-oriented lending program in Vancouver, which has been extended to Saskatoon and Winnipeg. This can indeed be a very useful technique to underwrite expansion of the alternative financing mechanisms rising from CEDO initiatives anywhere, including CFDC and other community-based lending programs. Finally in the realm of policy changes is the encouragement of charitable contributions to CED activities. Revenue Canada has recently modified its regulations somewhat in ways that may indeed better promote this end. However, the results must be reviewed to determine if the changes are broad enough to be effective and if the benefits truly go to CED efforts.

There are other issues with regard to credit. For example, community-based loan funds would benefit from a secondary market for their loans. If they were able to package and sell their performing loans to a federal agency or other financial intermediary, they would free up those dollars for re-lending. But credit itself, however important, must be linked to equity resources. Generally speaking, our surveys of community groups indicate that equity, more so than credit, is the most pressing problem in financial capital for CED. It is that flexible early dollar that can jumpstart local projects so that they can qualify for the credit dollar. For that reason, we focus our strongest recommendation regarding financial capital on what can be done to foster the availability of equity dollars in CED.

**To facilitate the accessibility of equity capital for CED, we recommend one major new initiative, as already briefly mentioned—namely, instituting a tax incentive instrument, a targeted tax credit that will allow advantages to private sector contributors of financial capital to a community group for any of a full range of CED projects.** Such an incentive could be cost-shared by the federal government and participating provinces. The specific details of this approach will have to be determined through a systematic policy research initiative. For research purposes in considering exactly how to structure such a tax incentive program, there are two currently operating models that can be looked at and that we find attractive. One is the program of the Nova Scotia government, “Community Economic Development Investment Funds (CEDIFs).” The other is a program of the state government of New Hampshire, administered by its Community Development Finance Authority (CDFA).

In the Nova Scotia model, any locally-directed group of citizens planning “to improve the economic viability” of their community can organise a CEDIF, which obtains its investment dollars from individual Nova Scotia residents buying shares in the Fund. The cost of such shares is eligible for a 30 percent provincial personal tax credit and moreover is partially guaranteed by the province and is RRSP eligible for deferred taxation. The Fund must invest the proceeds of its share sales in a corporation, co-op, or some other type of revenue-generating CED initiative in which at least 25 percent of wages and salaries are paid in Nova Scotia. The Fund share-holders may plan from the beginning to invest in a particular venture or set of ventures or may envisage a “blind pool” from which funds are invested in ventures not yet determined.

The New Hampshire program begins not with an investment fund but with a specific CED project sponsored by a community group, which seeks to get it certified as tax credit-eligible. Eligible projects are defined broadly to include businesses and commercial property development, housing, human resource development, entrepreneurial support activities, community loan funds, technical assistance, and organisational self-development. Upon certification by the New Hampshire Community Development Finance Authority, any business, bank, or other for-profit organisation that makes a contribution to this eligible project can receive a tax credit of 75 percent of the contribution, a credit that can be applied against the business taxes levied by the state.

We are aware that at least one province (B.C.) has been exploring the New Hampshire financing mechanism. Their work can be used to think more broadly about it as a national mechanism that could be integrated with provincial programs, or supplement them, or fill a gap where there is no provincial program. We see an inquiry on existing CED tax incentives as an exciting opportunity for creative thinking to provide non-categorical equity funds where they can do the most good.

Simply for reasons of focus, we have not stressed the importance of housing development so far in this presentation, but clearly new affordable housing is of prime importance in the regeneration of declining areas and in any case for those who are shut out of the market for liveable space. The tax incentive approaches described here are thoroughly amenable to

fostering the kinds of housing that Canada most needs today. The same can be said for other initiatives that are often at the core of CED, such as environmentally sustainable development, or transportation facilities, improved health services, child and elderly daycare. All these and similar activities can be integrated with business development as a part of any community's vision and plan for resilience and vigour, according to their local needs and priorities.

## **Summary**

We have proposed a set of policy changes and new initiatives for governments and the private sector that will target the needs of marginalized and stressed communities throughout the nation. An appendix summarises the five key recommendations. The set of recommendations is designed to be interactive and reciprocally reinforcing. We see them as being based upon proven experience in CED and upon previous but limited actions taken by government agencies and others to aid the most challenged of our people and communities. What is important is to build on that foundation to scale up the processes of community economic development so that new productive capacity is released for a stronger nation. We believe that if senior governments take the initiative here, other sectors of our society will be encouraged to take up the same agenda. It, of course, remains our own specific responsibility to encourage this process and to respond productively to any initiatives that may be taken.

## **APPENDIX:**

### **Five Primary Policy Recommendations**

1. Create a specialised program of flexible financial support that will apply to all stages of community organisational development for CED. The particular format of the organisational tool (e.g., a new CEDO, re-design of an existing agency, or a concerted network or partnership of local groups) should be left to each local community. Support throughout the stages of organisational development should hinge on mutually agreed upon, locally designed milestones.

2. Adopt a federal-provincial goal of building a well-integrated employment development system to meet the needs of all Canadians, not just selected target groups. To this end, broaden the eligibility criteria for employment programs; diversify criteria for program success to fit variations in client needs and strengths; institute programs to meet the needs of recent immigrants and to underwrite services for job retention and advancement for all program clients; modify welfare to work and other employment assistance programs to ensure the availability of critical employment supports (e.g., child-care, transportation, and accommodations for persons with disabilities); design a more co-ordinated and graduated process for reducing benefits during the move from welfare to work; adjust regulations so that individuals whose health or other circumstances limit the extent of their work force participation can supplement their earnings with social assistance benefits; and fully co-ordinate employment programs throughout all levels of government (federal, provincial, municipal, aboriginal).

3. Recognise CED organisations as full partners in the employment development system, by using multi-year funding; by entering into regular dialogue with them for designing employment strategies geared to local conditions; by adopting a framework of performance-based partnerships that use qualitative as well as quantitative measures adapted to local variations in programs and program goals; and by establishing an orientation and training program that will use various means to familiarise government officials with CED strategies and resources, including providing hands-on experience with the challenges and opportunities of CED work.

4. Establish a new initiative that will strengthen the technical and leadership resources for CED. To this end, underwrite leadership development activities to increase skills in local CED volunteers working in economically challenged communities; translations of curricula and technical publications, etc.; scholarships and internships, especially for younger practitioners; research and technical assistance activities; and, most particularly, regional and national conferences of CED practitioners for crucial formal and informal knowledge exchange.

5. Upon the necessary policy research, looking especially at the Nova Scotia and New Hampshire models, institute a new tax incentive program or any other financing mechanism that will encourage individual and/or private sector provision of equity capital to CED projects.