REINVENTING THE LOCAL ECONOMY

What 10 Canadian Initiatives Can Teach Us About Building Creative, Inclusive, & Sustainable Communities

by Stewart Perry & Mike Lewis

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Initial research on five of the ten cases presented in this book (ACEM, A-Way, Homes First, RESO, and WECV) was carried out by Jean-Marc Fontan. The authors express their gratitude for his early work and for discussions with him. Further research was done by Stewart Perry on those cases and on the five others. Chapters 1-11 were written by Perry, and chapters 12-13 by Mike Lewis, but both authors provided ideas and critiques for the other's work.

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Mike Lewis, Executive Director
Centre for Community Enterprise

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[1] The other books are Stewart E. Perry, Mike Lewis, and Jean-Marc Fontan, *Revitalizing Canada's Neighbourhoods: A Research Report on Urban Community Economic Development* (Centre for Community Enterprise, 1993) and Jean-Marc Fontan, *A Critical Review of Canadian, American, and European Community Economic Development Literature* (Centre for Community Enterpise, 1993).

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Chapter One

THE CONCEPTION OF COMMUNITY ECONOMIC DEVELOPMENT

This book examines ten local initiatives that combine social and economic objectives in their effort to improve the life of marginalized Canadians in urban settings. Although the examples are Canadian, they can stand for similar efforts anywhere when the initiative has been stimulated by the ideas of community economic development (CED). We have chosen these ten cases out of a larger number that we have studied[1] in order to demonstrate in depth the creative capacity of citizens for reinventing their local economies. The key issue here is always how to integrate the social and economic dimensions of development. We stress that issue, but in the course of our analysis we hope that the reports will also illuminate other general issues in the field of CED for practitioners, policy-makers, and students.

Community economic development is a relatively young field. Indeed economic development itself as a concept and as a deliberate practice did not attain prominence until after World War Two. It was then that both the post-war reconstruction of Europe and the needs of newly independent former colonies made the idea significant as intentional public policy. A variety of international institutions were eventually created to assist nations in their development tasks. The development targets were conceived as major physical infrastructure projects (highways, hydroelectric dams, etc.), monetary reforms, and/or major export activity. Results were to be measured in terms of the production of wealth as seen in national statistics like median family incomes or Gross National Product.

Only much later, in the mid-1960s, did the idea of community-based economic development take shape, beginning in the special situation of inner-city black ghettos in the U.S. and the self-determination movement among black Americans.[2] In two or three swift years CED became broadly conceptualized as a strategy for the renewal of any depressed or depleted community, rural or urban, of any ethnic or racial concentration; and soon thereafter CED took root in Canada as well. The experience of North America was observed and systematically put to use in Great Britain and other parts of Western Europe, although there were already indigenous European CED initiatives, such as that of Mondragon.[3]

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[1] See Stewart E. Perry, Mike Lewis, and Jean-Marc Fontan, Revitalizing Canada's Neighbourhoods: A Research Report on Urban Community Economic Development (Vancouver, B.C.: Centre for Community Enterprise, 1993). This book analyzes 44 CED projects throughout urban Canada.

[2] Stewart E. Perry, "Black Institutions, Black Separatism, and Ghetto Economic Development," Human Organization (1972) 31: 271-279. See also Perry, "Federal Support for CDCs: Some of the History and Issues of Community Control," Review of Black Political Economy (1973) 3: 17-42.

[3] The most outstanding example of CED as an indigenous phenomenon independent of the North American experience was the Mondragon experiment in Spain, begun in the mid-1950s. Its success was not recognized in Europe or North America until about 20 years later. See Alastair Campbell et al., *Worker-Ownership: The Mondragon Achievement* (London: Anglo-German Foundation for the Study of Industrial Society, 1977). And even then its significance was for a long time reviewed primarily as a matter of worker co-operatives, not as a

What was critically different in the community-based approach was not just that it took a specific community rather than a specific nation as the arena for economic development but that it defined economic development in a fundamentally different way. The conventional view stressed expanded business (especially manufacturing or farming for export) together with the monetary reforms and physical infrastructure needed for business. And again the desired result was an increase in national wealth. The new community-based conception insisted that successful business development as a wealth-producing activity in the community context required systematic attention to *resources for the whole round of life* in the particular community. Economic development was thereby seen as a broader effort that included aims and techniques not traditionally considered to be economic. Without that broader effort, it was observed, any new business, sooner or later, was apt to move away to a more attractive location or even to fail, exhausted by the struggle to exist in an inhospitable environment.

There had earlier been attention paid to localized economic development, especially in the years of the Great Depression when localities struggled to deal with their unemployed residents. In North America this effort took the shape of boosterism, industrial recruitment, and physical infrastructure projects sponsored by municipal governments and/or the local private business sector. These techniques were repeated in the massive international efforts after World War II. But in the new definition beginning in the 1960s, industrial recruitment and the provision of physical resources had to share priority with many other and different techniques and objectives. Among these were affordable housing; nonmanufacturing businesses (including retail and services) to meet the immediate needs of local residents; cultural facilities and other amenities; and improved social services (in health, training, public education, etc.) to foster an efficient, skilled, healthy, and evolving resident workforce.

Thus economic development on the community base was clearly a much more complicated affair than the outlines presented in the traditional definition. All communities engaged in CED had to deal with business development (for both jobs and accessibility of goods or services), but business development by itself was not enough partly because wealth-generation as such was not enough or fast enough to provide for a satisfying round of life. Indeed development was complicated by the evolution of a whole new set of goals and activities that in the most general sense were social rather than economic.[4]

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community-based development effort.

It should be noted also that in Canada the co-operative structure was a significant feature in economic recovery strategies in both the maritime and prairie provinces beginning in the Great Depression years.

[4] In 1971 two social scientists produced evidence of the cogency of the new definition, quite independent of the CED activities that were concurrently occurring. They studied the development of small towns in New York State at two time periods and determined that *institutional differentiation* (including the number of medical specialties available) had advantages over the conventional indexes of development like median family income. Their work can lead both theoretically and empirically to the broader definition of development that is inherent in CED. See Paul R. Eberts and Frank W. Young, "Sociological Variables of Development: Their Range and Characteristics," Chapter Five in: George M. Beal et al., *Sociological Perspectives of Domestic Development* (Ames: Iowa State University Press, 1971).

Another research tradition also can contribute here---namely, the study of 'business climate' and industrial location---which has evolved considerably. In the United States this had taken the form of assessing the attractiveness of individual states or regions for business. See, for example, Rodney A. Erickson, "Business

Interestingly enough, in the very period that the CED approach was fleshed out conceptually and practically so that its lineaments as a comprehensive multi-functional and multi-dimensional approach became clear, the international institutions for economic development began to change their focus.[5] No longer did assistance to the third world put primary stress on physical infrastructure and major manufacturing or industrial farming for export. Instead the World Bank and its fellow institutions began to think in terms of education and health facilities and other aspects of social rather than physical infrastructure. And small businesses or even micro-businesses were fostered rather than just the major industries for export. Third world nations were seen as needing a much richer range of effort than the stirring but over-simple megaprojects of the past.

This is not to say that international development agencies (led so dominantly by the United States) necessarily took their cues from what was happening in the United States. Nevertheless, the two processes advanced in parallel lines on this aspect. What the international development agencies certainly did not adopt from the community-based approach was reliance upon local decision-making.[6] The World Bank (considered here as a metaphor for all international development agencies) still operated on the basis of the best expert judgement---from experts internal to the system of international agencies or outsiders hired as consultants.

There were and are a lot of reasons---some quite compelling and others less so---why foreign development aid is ordinarily planned and governed by the international experts and not by the countries aided. On the one hand, for example, the centres of power and influence in many third world nations have been known to divert development aid for personal aggrandizement and so are often not trusted to make the program decisions. On the other hand, those offering the aid may feel that they have the right to use it as best benefits them. Whatever the reasons may be, they support a manner of operation that loses certain crucial advantages of the community-based approach. Those advantages are inherent in the premise of local decision-making.

CED quite clearly foresees that the people for whom the development means the most must be the people who set the priorities and choose and execute the tactics that the strategy implies for them. Of course, that is easier said than done when there are no established avenues for such decision-making---which is often true in a Third World nation whose culture gives public decisions to persons rather than to collective institutions. A premise for CED activity is that the intended beneficiaries are

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Climate Studies: A Critical Evaluation," *Economic Development Quarterly* (1987) 1: 62-71; and John P. Blair and Robert Premus, "Major Factors in Industrial Location: A Review," *Economic Development Quarterly* (1987) 1: 72-85. In the same year as these reviews were published, the notion of a state business climate that would affect industrial location was expanded in a study by the Corporation for Enterprise Development to become "economic climate"---actually redefined in terms of a development index that included many social indicators. *Making the Grade: The Development Report Card for the States* (Washington, D.C.: Corporation for Enterprise Development, 1987).

[5] Even the textbooks in the field changed. See Perry, *Communities on the Way: Rebuilding Local Economies in the United States and Canada* (Albany, N.Y.: State University of New York Press, 1987), esp. pp. 229-231 and 233-234. Particularly the notion of "human capital" began to be prominent.

[6] A distinction probably needs to be drawn between the government-sponsored development programs and private development agencies. The latter may not share the perspective or practices of their home governments or the public international agencies. Compare, however, Graham Hancock, *Lords of Poverty* (New York: Atlantic Monthly Press, 1989).

institutionally and otherwise prepared to undertake the effort. In CED the devolution of control is not merely an ideological commitment to a democratic ethic; it is also a practical avenue to successful development.

The practical advantages of real community control deserve detailing here. They include the utilization of local knowledge (for example, of previous failures and successes), which is so often ignored by outside initiatives. Local people understand how local values and customs influence work efficiency, and they can accommodate and adjust programs to take advantage of that understanding. Especially important is the enthusiasm of effort that comes from 'ownership' of the decisions; local energy can be mobilized for local decisions when they cannot be for outsiders' decisions. A particularly subtle advantage, not often recognized, is the effectiveness of sanctions levelled to enforce local decisions and priorities, an effectiveness that comes from a local foundation of acceptance.

R. A. Lockhart, a commentator who has worked with many community groups, has noted still other advantages.[7] These include a higher potential for innovation as contrasted to the regulated solutions of government programs. Significant too is the fact that local control generates local learning that is usually public and collective and thus not easily ignored or forgotten---or co-opted by outside interests. Devolution of decisions to the local community also breaks the all-too-frequent pattern of dependency on the outside, a dependency that is symbolized in reliance on transfer payments. A further advantage derives from the definitional change that adds social goals to economic goals. Namely, there is a concentration on quality of life (coming from attention to the whole round of life, not just to businesses or jobs, for example), which contrasts with the conventional emphasis of economic development theorists who stress growth---that is, quantity of consumption.

All these features stemming from local decision-making are powerful ingredients for successful development. Local governance of the development process is particularly important because of the more complex context of the multi-dimensional, multi-functional strategy that tries to integrate social and economic efforts. Multiple concurrent goals inevitably involve internal conflict between them. The complexity of the CED strategy lies especially in the potentially conflicting tactics and objectives that are part of working on many different dimensions at the same time. For example, there may be a choice to be made between, on the one hand, increased company profits over the long as well as the short term and, on the other, using the company as a training site for employees who will often go on to other jobs in other local or distant businesses. To lose trained employees is a costly result for a company's training investment. From the standpoint of the community, the choice between the two alternatives is not an easy decision; it would probably be a fairly easy decision for a conventional business, which would not dally long with that sort of costly activity.

In summary, community-based economic development has re-defined what economic development as a concept and a practice means. And the practical effectiveness of that re-definition lies in part in two features: first, the devolution of decision-making to those who are most affected by the decisions and who must carry out the decisions and, second, the stress on a multi-functional, multi-dimensional, multi-purpose development strategy. It is this strategy that fundamentally implies the melding of social with economic goals.

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[7] We are indebted here to an unpublished memorandum by Sandy Lockhart, 1994.

In the literature, economic development at the local level has been discussed in two different action frameworks, which elsewhere have been called the liberal and the progressive perspectives.[8] The liberal perspective stresses local business growth, especially for job opportunities, and the importance of the municipal government activity. The progressive perspective stresses institutional change or diversification with the empowerment of marginalized people. In both perspectives decision-making is devolved to the local level. In the liberal perspective this is apt to be located in municipal institutions. In the progressive perspective, municipal institutions are generally not viewed as adequate to the task, and so private nonprofit CED organizations must be created.

Creating new institutions to substitute for the nonperforming existing forms and/or modifying the existing institutions to assure that they perform better is the outcome of the progressive perspective, where marginalized citizens thereby have a greater opportunity to exert influence over their own lives. Thus, the progressive perspective clearly requires social goals in addition to economic ones. That is, to seek change in institutional behaviour is per se one type of social goal, with whatever economic side results that may follow. From this standpoint the progressive perspective is more hospitable to the integration of social and business objectives.

Social and economic innovations like CED take hold and expand if they find a responsive environment, or at least do not confront a totally hostile environment. Historically, some businesses based upon a CED rationale have at times encountered hostility from other businesses that fear unfair competition, but usually that hostility has dissolved once the business sector is reassured that the competition is fair or, in many cases, not even real. We shall present one such instance as a minor event in our report of the case of the Homes First Society. However, CED ordinarily has received an increasingly positive, if sometimes weakly positive, response from private industry, government, foundations, and religious or other socially sensitive institutions. That support, even when weak, has been critical to the growth of CED activities, but it usually comes at a price.

Support for CED from each of these societal sectors has stemmed from a recognition that the sector can realize one or more of its own objectives in CED projects. Government programs in job creation hope to harness a local group to create jobs; religious institutions hope to strengthen moral commitments to the disadvantaged; foundations seek opportunities to invest dollars in innovation and in the particular goals set by their founders; and private industry seeks a good public image that will enhance its sales appeal or, sometimes, merely discovers a useful supplier or customer.

The entry into the CED field of societal sectors that see a possibility of realizing their own objectives by CED partnerships or by, no doubt at times, exploitation of CED projects have added another complication to the local initiatives, while concurrently bringing new resources to bear. Although CED begins with local resources, importing others on local terms is always necessary, and so the interest of other sectors is ordinarily welcomed. The only trouble is that such importation brings with it the objectives of those

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[8] See Jean-Marc Fontan, *A Critical Review of Canadian, American, and European Literature on Community Economic Development* (Vancouver: Centre for Community Enterprise, 1993). See also pp. 5-6 of Perry, Lewis, and Fontan, work cited.

furnishing the new resources, and somehow those objectives too need to be integrated in the strategic mix of CED goals. Sometimes the new objectives can be readily integrated; but other times they cannot and so either the new resources must be rejected or some local goals must be jettisoned or at least given a lower priority. Our cases offer several illustrations of the latter difficult scenario.

In any event, today there is a growing segment of locally engendered initiatives in Canada that are self-consciously conceived as community economic development because they stress local self-determination and the integration of social and economic objectives. But such projects are not necessarily sufficiently similar for them all to be termed CED initiatives in the same sense. Matters of definition still intrude here, and the different cases presented in this book will demonstrate the variation that makes CED still characterizably a young and evolving perspective and practice.

Perhaps the most fundamental issue that is raised in looking at the initiatives that consider themselves or are considered by others to be CED is the question of what is the community base upon which they rest. Two quite different approaches to this question occur and are represented in this book. One defines the base in terms of a locality to be benefitted, the other in terms of a category of individuals to be benefitted. Both approaches see community as a matter of interaction around shared interests and values that are represented in institutions or organizations in which the interactors hold membership and by which they try to achieve common goals. But only one approach adds to that particular feature of community another feature---namely, the interaction takes place within a more or less defined locality such as a neighbourhood.

The idea of locality as a fundamental feature of community was, of course, embodied in the original conception of CED as it arose in urban and rural settings. The geographic setting itself was essential to the CED effort in that it symbolized a common destiny around which the interactors mobilized themselves; and each locality contained both the limitations and the resources that a local CED effort had to work with. The locality was in fact the envelope of the round of life that a CED strategy sought to impact on many levels with a multi-purpose strategy. It was the base upon which the generative qualities of local businesses had to be built; and businesses and their setting together were understood as mutually supportive, mutually interdependent, and mutually essential.

The CED idea of business development as an instrument to produce social as well as economic benefits does not today seem as unusual as it did originally when such efforts were variously called black capitalism (because it involved renewal of Afro-American communities), community capitalism (to refer to any ethnic or other community), or even decentralized socialism (because community-owned rather than privately-owned ventures were often sponsored). CED no longer seems so idiosyncratic because in recent years the broader social impacts of business development have been increasingly recognized in entirely different contexts. For example, increasing attention to the environmental impact of business activities has sensitized all nations (and communities) to recognize that business per se is not necessarily nation-building or good for the economy and may in some circumstances even be destructive. So development now may be reviewed as to whether or not it is sustainable; and long-term sustainability naturally implies broader social concerns. Social impacts have also been recognized in the globalization of business and the multi-national corporations, which highlights the vulnerability of any development program that depends simply upon attracting (or creating) any new businesses. In sum, the potential of business for social impact (good and bad) is more generally understood.

So it is perhaps not hard to understand that at the local level, any single group of people sharing common interests in social outcomes might look at establishing a business that could promote those outcomes by carefully catering to a selected economic need. The single aspect of CED as fostering businesses in pursuit of social goals has thus been adopted by groups that do not share a common locality for the round of life but do share strongly held values and goals.[9] Thus a business that specifically hires people with shared goals and values has often come to be termed a CED initiative. Such a business always offers jobs to individual members of the common interest group (usually exclusively to them), but it might or might not stress profitable operation---that is, it might rely upon private or public subsidies to cover a portion of its costs. In this context a CED business might range from a profitable car dealership owned and run by the Black Muslims to a nonprofit thrift shop operated by the clients of a social welfare agency.

What can be called the traditional definition of CED as a multi-dimensional strategy for the recovery and empowerment of a marginalized locality thus has been paralleled by a definition of CED as a business development strategy for the recovery and empowerment of marginalized individuals. The newer definition is an individual-based strategy, as contrasted to a locality-based strategy. The meaning of CED has been enlarged at the same moment that its scope is diminished.[10]

The two CED approaches should not be assessed in comparison to each other because they have different aims and therefore different results. That is, the community concept and practice that includes locality implies an attempt to make an impact on a wide range of features of the total round of life in that locality. It is thus a more ambitious strategy than the approach that does not address the needs of a locality. The more ambitious locality approach must address a wider range of problems, but it also can utilize a wider range of resources to deal with those problems. It may, for example, try to deal with problems of physical infrastructure, and it can, for example, use political muscle to get municipal improvements in the local physical infrastructure. The individual-based concept and practice may use political muscle for the benefit of its constituency but ordinarily is not concerned with physical infrastructure.

The individual-based approach focuses more precisely on a set or category of individuals to be benefitted through a business development activity, and it is easier to see the immediate advantages. Although the locality-based approach has also selected a certain set of beneficiaries by virtue of residence in the locality, the benefits are often designed to be indirect and collective rather than direct and individual.

The individual-based approach is pretty much limited to business development alone and does not take a wider economic arena for its activity. Moreover, the individual-based approach is usually taken by a group that starts only a single business, while the locality-

[9] The group ordinarily requires propinquity for interaction and thus will usually be drawn from a location that is convenient for that interaction; but the locality itself is otherwise not particularly significant to the group and its aims. Further, in order to mobilize enough members, the group will usually draw upon a wide geographical area which includes a number of different local communities.

[10] This recalls Lasswell's cogent political concept of restriction by partial incorporation. Cf. Harold D. Lasswell and Abraham Kaplan, *Power and Society: A Framework for Political Analysis* (New Haven, Conn.: Yale University Press), pp. 282-283.

based approach always aims for multiple businesses.[11]

All these differences of ultimate objectives make moot any attempt to evaluate which approach is more effective, and indeed each is valuable for different reasons and probably ought not to be considered under the same rubric. The individual-based approach probably ought to be termed *social business development* rather than community economic development.

At this point it seems appropriate to consider what is really meant by “economic” and “social.” What has been noted so far already suggests that economic development does not mean solely business development, and indeed it really never has. In the economic dimension, development refers to all sorts of wealth-generating or wealth-managing activities by which many different resources are used in a matrix of revenues and expenditures to produce income or profit. In the social dimension, development involves the interrelations of people apart from but nevertheless related to the wealth production process. These include relations of power, respect, information, and status (ranging from gender and family memberships to participation in all other consensually defined groups or classes). Thus in the social dimension, the development process allocates benefits of a noneconomic kind (not wealth or income), which, nevertheless, have economic implications. Conversely, of course, wealth and income in the economic dimension influence the social relations of status, power, respect, and information. That is why CED must and does integrate both the social and the economic (including merely business) activity. Moreover, CED, with its focus on institutional change and building alternative organizations that empower marginalized people, is directly concerned with linking the wealth production process explicitly to change in the social relationships within the community. CED in action seeks to integrate social and economic goals into practical strategies and projects.

The Ten Cases in Summary

The cases presented in this book demonstrate a range of techniques for integrating the social and economic dimensions. The techniques vary in accordance with the community base upon which the broadly economic (or merely business) development activity is built. We have arranged the presentation of the cases more or less along a continuum reflecting the breadth of their defined bases of operation, from a very limited base of a specific category of individuals to an amorphous and widely flung base of the residents and institutions of a large geographic area.

The ten cases illustrate how very differently CED can appear in different settings because of variations in local conditions, priorities, and strategies. Yet all the cases equally document the critical importance of the community base upon which a particular strategy is built; and they demonstrate the essential melding of social goals with economic goals in that strategy.

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[11] A valuable report from the Aspen Institute discusses some cases in the United States in which the individual-based approach has been powerfully used to create a system of businesses linked to industry networks. The most successful of these are also concerned with local institutional change and collective empowerment and tap into local community organizing activities; thus they merge somewhat with the locality-based approach---although the report seems to deny that relationship. Fred Regan and Maureen Conway, *From the Bottom Up: Toward a Strategy for Income and Employment Generation Among the Disadvantaged* (Washington, D.C.: Aspen Institute, 1993).

The first case, *A-Way Express* of Toronto, offers the simplest version of CED and is a good example of the aforementioned "social business development." The community base is simply a special category of needful individuals as potential beneficiaries of the business development rather than a locality requiring revitalization. That is, A-Way operates a business that offers the benefits of a job to former mental patients. The specific type of business was chosen for creating jobs that fit psychological needs as well as provide income. For purposes of the book, A-Way illustrates most effectively the critical difference between social costs and economic costs borne by businesses developed within a CED framework. Thus the so-called social business contrasts with conventional business in its explicit effort to meet social goals and handle the specific costs thus entailed. Its central task is meeting those costs while at the same time operating in the mainstream market economy.

The *Cape Breton Labourers Development Company* (CBLDC), like A-Way, was organized to combine social and economic goals for a particular constituency, the members of a local labourers' union. But in contrast, CBLDC has a potentially broader base in that it is open to serving other unions and non-union participants; also it specifically intends to provide substantial spin-off benefits for the entire economy of Cape Breton Island through both housing and business development. CBLDC has received national and international recognition for the self-reliance of its members and their innovative financing mechanism for constructing affordable single-family homes. They use the resources of a benevolent fund built up by member contributions through an hourly wage check-off system. This and other details of the financing and construction process make homeownership possible on a lease-purchase plan that is affordable even to a family on welfare assistance. In this way, CBLDC satisfies the need for highly desirable housing for a disadvantaged constituency in a high unemployment occupation in a depressed community.

West End Community Ventures (WECV) arose from re-examining the needs of public housing residents in one district of Ottawa. The local social service centre saw that a new locally-controlled organization could offer a range of both human and business development services. WECV is a kind of conceptual bridge between a community made up of disadvantaged individuals and the community of a specific locality. Moreover, WECV explicitly adopted a multi-functional strategy so that social goals are always a part of its business development activity. Currently it is particularly stressing business development in the environmental technology sector.

The *Saskatchewan Community Bonds* program is the sole case in the book that emerged as a government initiative rather than as a local or grassroots project. It offers a guarantee program to enable localities to raise local capital for financing businesses that will fit local conditions, plans, and needs. However, this CED inititative also illustrates how the limitations of government programming can handicap localities in their self-development. Two examples of the use of the bond program demonstrate both its potential and its liabilities, although it has recently been adopted by other provinces.

In Canada, co-operatives have long been an important fixture of local efforts to produce local economic resources. So included among the cases is a particularly ambitious program of co-operative development. The case of *Co-op Atlantic* and its "Initiative for Renewal" is important also for a number of other reasons: It aims to facilitate local coalitions (co-op development councils) to improve their own economies and strengthen themselves by interlinking co-op supply and co-op markets and by the creation of new (usually worker-owned) co-op businesses. Also, this initiative is designed to equip the entire Atlantic region and its co-ops to handle the economic trnsformations of a globalizing economy and the increasing competition of multi-national corporations. And finally, the entire attempt is a particularly instructive example of self-directed institutional change at Co-op Atlantic itself so as to increase the social pay-off of its $450 million a year business operations.

Perhaps the best known CED project in Canada is the *Human Resources Development Association* (HRDA) of Halifax. While its name seems to predict some sort of training or social services mission, it is in fact a very successful venture capital and business development group in service to those dependent upon welfare assistance. Through its subsidiary, HRDA Enterprises Ltd., it has been producing new small businesses since 1978 that have taken more than 1400 people from the welfare rolls and put them into newly created jobs. It also runs an effective jobs training program. HRDA's innovative contribution to CED is its technique of using welfare transfer payment funds themselves for capitalizing the businesses that hire welfare recipients. The same technique is open to the private business sector of Halifax, but private enterprise has not used it. An analysis of this fact shows why the community-based and nonprofit sector of CED business, able as it is to combine social and economic objectives, can contribute in a market economy where private business cannot. A perplexing question is why HRDA's work has not been replicated in other similar cities throughout Canada.

The *Homes First Society* uses housing development both as a means to provide affordable housing for the homeless and to create new communities as such, facilitating the integration of the homeless into the mainstream society. Enormously successful and internationally recognized, Homes First is instructive also because it illustrates the interdependence of other elements of a community. That is, housing is not enough, Homes First has found; it must also address issues of human development and business development, and all these are amalgamated into the organization's innovative projects. No case in the book epitomizes so well both the requirement and the reality of merging social and economic goals. However, the financial insecurity of this group, despite the fact that it has $14 million in assets and a $900,000 revenue flow, demonstrates a fundamental problem for CED in Canada. Namely, the central costs of research and preliminary project development, strategic planning, liaison, and the general work of core staff---none of these essential expenses can be readily met in the project-by-project CED process, as it is currently organized and financed in Canada. Thus long-term planning and continuity of even successful CED organizations are always being threatened by the need for annual fund-raising. How the development process should be organized and financed and how the assets can be managed are critical policy issues, affecting the long-term self-sufficiency of organizations like Homes First.

RESO, a Montreal initiative, exemplifies the hallmark institutional format for the most effective community economic development---namely, the community development corporation or CDC. RESO, in the depressed area of southwest Montreal, has helped change agency policies and procedures at all three levels of government, in order to serve the needs of its disadvantaged neighbourhood base. At the same time, it has created a productive relationship with local firms, to improve the availability of jobs and services and to promote the general economic stability of the community. It has also helped create new businesses, but its major activity is well-focussed training programs geared to the actual labour market. Its labour market intelligence strategy has involved local unions as well as businesses, and in fact its general success probably rests upon the systematic networking it engages in. Its very name is a play on the French word *réseau*, meaning network, and its board represents all sectors of the local economy, as well as community resident organizations. It demonstrates the massive efficacy of the locally-controlled development group that engages in a comprehensive multi-dimensional strategy.

The final two cases in the book involve development finance institutions. *ACEM* is an independent micro-business lending group that serves the entire city of Montreal but relates particularly to the business development needs of the community groups in the disadvantaged neighbourhoods. ACEM has very limited capital assets, but like the U.S. community loan funds upon which it was modelled, it has maintained an excellent record in lending for community-oriented micro-businesses and community development groups. However, unlike its U.S. counterparts which stress housing development, it has concentrated on the more difficult and risky field of business development. The province of Ontario used ACEM as a guide for creating its new government program in support of community loan funds. (A critique of the Ontario program appears in a concluding chapter.)

The *Vancouver City Savings Credit Union* (or VanCity, as it is commonly called) offers an exciting history of institutional innovation over the past ten years, combined with a record of outstanding financial performance. Now with $3.8 billion in assets it is one of the top 25 private or government banking institutions; yet it has also created a number of inventive community-oriented subsidiaries and services, including a community foundation specifically focussed on CED, an affordable housing development group, an ethical mutual fund, and a community investment deposit plan. In some of its work it has been first among the banks of the city if not of the nation, and this has stimulated other private sector banks to new services. It has been especially attentive to the improvement of its own internal operations, seeing to the implications for minority and women employees, environmental issues, and any potential biases in its financial services. Like Co-op Atlantic, VanCity is a story of internal institutional change, beginning with a revitalized board elected by member-depositors. In all this it has nevertheless continued to outperform other Vancouver banking institutions on the financial dimension, demonstrating the real possibilities of combining social and business goals. As such, it suggests an encouraging potential for changes in the banking sector and elsewhere that can meet hitherto ignored needs of disadvantaged groups and communities.

Each case is introduced by a brief commentary that highlights how “community” is defined to allocate and meld social and economic benefits. After we present and comment individually on the ten cases, two concluding chapters review them all to draw conclusions on effectiveness and best practice in the context of their overall implications for national policy in Canada.

Chapter Two

A-WAY EXPRESS: SHAPING A BUSINESS TO SOCIAL PURPOSES

This successful attempt to create a business that serves social needs of former mental patients as well as their job needs illustrates the particular kind of program that is often called community economic development but that may perhaps be more precisely termed social business development. Such social business development projects have in recent times been organized mainly as training sites for inexperienced youth, but A-Way does not stress training and is solely concerned with the benefits it can provide to a different constituency or specialized community---people who have shared the experience of being hospitalized for psychiatric problems and need a means of returning to a meaningful degree of independence through a job. A-Way rests on an ingeniously designed job structure that fits the special needs of its constituency. It provides them with a steady job where they can perform well and, potentially, use that experience to find other employment.

A-Way offers its constituency a community in the workplace and by so doing provides a limited antidote to the anomie of the metropolis. However, the community is based upon a very limited group of people, separated from each other by dispersed residence. Therefore, the participants do not have a strong reason to work together on the wider issues that confront the different neighbourhoods in which they live.

"What this place does for people is simply fantastic. Even their physical health improves, not to mention their mental health. Of course, their self-respect shoots up, and even academic performance improves for those in college." So says Mike Nickerson, the former[1] business manager of A-Way Express, a Toronto courier service staffed by former mental hospital patients. Operating since 1987, the business was started by a partnership of two mental health services and a group of their clients. It was specifically designed to provide meaningful jobs for people finding their way back from the mental hospital, back into the mainstream world again.

A-Way combines the income-generation of a regular business---providing a needed service that people will pay for---with the social benefits of a real and do-able job for ex-patients. Although it is an ingenious project, it has within it all the stresses and conflicts that the combining of social and business goals in CED always implies. This case report will focus on those stresses and conflicts to demonstrate how they are being handled in A-Way and what additional solutions still need to be devised.

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[1] Nickerson was manager when this case was first being studied. He has since resigned his post to work for the provincial government. The post of executive director was previously vacant. Both jobs are currently being filled by interim appointees.

The Courier Business

On the one hand, A-Way's particular version of a courier business has been designed to meet the particular employment needs of those recovering from severe emotional illnesses. For instance, the dispatcher works closely with the courier in the field and offers much support. On the other hand, there are some aspects of any courier business under any auspices that are crucial and that in fact suggested the choice of venture to the original organizers.[2] For example, skill barriers to entry are minimal; and the required tasks allow the worker to do the job relatively independently. This means that the ex-patients, for instance, do not need to have special education, and they can work without the close supervision that often stirs up difficult feelings. Moreover, naturally the self-direction increases a sense of competence.

The couriers are out on their own, moving from the pick-up address to the delivery address at their own speed. They can work as many hours as each decides will fit his/her needs, and the rate of pay is reasonable and based upon the actual work performed. Each courier is paid a percentage of the fee charged to the client for each specific delivery performed. Transportation is solely by foot or by the public transit system of buses and subways, so the A-Way courier does not have to struggle with parking problems or the mechanics of a truck or car. Not having to operate a vehicle is important too for those who are on medications which may at times interfere with physical and eye co-ordination.

Each courier is equipped with a carrier-knapsack and a two-way radiophone so as to get assignments while out on the road. The radiophone is also a tool to use if there are any problems at either the pick-up end or the delivery end. And if the courier should for any reason feel unable to cope with a situation, she or he can call in for a substitute to take over. As back-up to a radio out of order, couriers, upon request, may also be issued change to use for public telephones; and they can be issued advances on their paychecks to use for transit fare. In addition, both by job design and by empathy, the dispatchers back in the A-Way office, themselves former patients, offer steady support for the couriers out in the city.

While couriers are encouraged to move to other jobs elsewhere, there are career ladder opportunities for moving into other responsibilities within the office---for instance, bookkeeper, dispatcher, marketing representative, etc. Some of these are part-time to meet the staff members' needs and interests, but they are permanent. Although not all these jobs are now held by ex-patients, when an opening occurs it is generally an ex-patient who moves into the job---mainly because that person has already been acting as a relief worker for the person in the post and thus knows a lot about it already.

So far, only the top two posts, the executive director and the business manager (both of whom have been expected to have social work or counselling backgrounds), have not yet been held by ex-patients. But that is to change. Right now, the acting business manager, stepping in upon the departure of Nickerson, is a former patient, and the board and staff are planning on recruiting from the ranks of former patients for the post of executive

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[2] The story is that the group flipped through the Yellow Pages of the Toronto telephone book to look for the right type of business. Having found what would fit the needs of the intended beneficiaries, they asked a consultant to draw up a business plan. Only later did they realize that the plan was unrealistic; the consultant had predicted a profit in the second month. Very soon thereafter the group co-opted the owner of an international courier service to work on the board and provide a more practical perspective.

director. After all, an ex-patient who began as an A-Way courier and then became A-Way's marketing manager has now gone on to a job as executive director for another business independently established to hire former mental hospital patients.[3] Other couriers have gone on to good jobs elsewhere, including "fat government jobs," according to one board member, and currently another courier is in the process of starting her own business.

Today (mid-1994) there are about 40 couriers, down from a high of 50 in 1992 before the recent recession took its toll. (Figures for total employees at the same points are respectively 45 and 60.) Nowadays business is swiftly picking up again, and the company has 800-1000 active accounts and about 100 orders a day and increasing. The typical A-Way client is a government office or a nonprofit organization, both groups that would be especially ready to give their custom to a socially oriented business. However, more and more clients are conventional law firms, medical offices, consulting companies, and financial services---all businesses that often need fast message deliveries with the assurance of a greater measure of confidentiality than the use of a fax would offer. Couriers also deliver small packages and so serve graphics companies and small parts suppliers. Nickerson has said that most new customers probably choose A-Way initially because it is one of the first companies in the Yellow Page listings, but they stay with the company for what turns out to be fast reliable service.

Competition from the other courier services does not seem to be a problem, according to the previous business manager. For a time, A-Way actually had a partnership arrangement with another small courier business (until it closed), and the larger companies, like Purolator, do not seem to have the same flexibility in the area that A-Way serves. The shortest delivery within the service area (as defined by the transit system and its nearby streets) costs $3.50, with additional fees for more distant destinations. The courier's percentage of the delivery fee has ranged between 60 and 75 percent, depending upon the state of the business. The recession and increased fax use reduced all courier use in Toronto by about 30 percent for a while, and the A-Way couriers themselves agreed to a lesser rate. Now demand is increasing, and the percentage earned by the courier has also increased.

A courier may make the equivalent of from $5 to $7 an hour, depending on how fast she or he travels. Most employees work just a few hours, two to four days a week; about one-third work part-time five days a week. A courier acting as a peer trainer with a new recruit is paid a straight hourly rate of $8. New staff are recruited for an initial training period when one of the senior couriers is available and prepared to be a peer trainer. At present, A-Way needs more couriers as the economy moves out of recession, but recruitment has slowed simply because there is a lack of trainers to help a new person along.

The couriers' work earns about $120,000 to $140,000 a year for the company, and as mentioned, about 60-70 percent of that goes to the courier employees themselves. Government grants currently amount to $340,000 a year, some of the money going for a special project in which some former patients are involved in marketing activity and some for another project in organizing former patients in a province-wide advocacy group. In these circumstances it is difficult to sort out overhead costs, but they are probably high, considering that office employees add up to the equivalent of about six full-time salaries.

[3] This is Fresh Start, a cleaning and maintenance venture. See the case report on Homes First (Chapter 8).

At the same time, the company has estimated that within the first four years it had saved the province between one and two million dollars in hospitalization costs alone.[4] A-Way does mean that people who were in and out of the hospital now stay out, and the contribution to that made by the business manager and the executive director (by their social work and counselling functions within the company) must be substantial. Early figures indicated a relapse rate of only one percent. That would compare to a usual relapse rate of perhaps 30-60 percent.

The Employees Speak

The employees are highly expressive of their satisfaction with A-Way. One of them, Richie, who was one of the original organizers, says, "I could not work anywhere else. I'd be on the streets, begging for money. Here I earn enough so that I sometimes lend money to help other people here; and I'm saving some." Because of physical problems, he no longer works as a courier, but he is in the office as an administrative assistant. Another staffer, Rob, working half-time as a telephone operator (and receptionist), says, "It's invaluable. You see a real change: I see almost everyone when they come at first, nervous, shy, not confident. I can't say enough good about this place. I am planning on going back to school, so I can work with people."

Still another ex-patient, Michelle, working in the marketing department drumming up new business, says, "This place has been great for me. Normally I would be down and out, not motivated." She came to A-Way unable to deal easily with people; now she is dealing with them all the time---over the telephone, it's true, but she expects to be involved in more face-to-face marketing, as the job progresses. Still another ex-patient, Bonnie, used to work in a factory, where in addition to disliking the confining work, she had to hide her psychiatric history and her times off for treatment. Finally she could not make it anymore, and was hospitalized again, and then learned about A-Way. Now she feels free and self-directed, and if she is having a bad day, she can take off and people will be sympathetic.

Establishing a courier service as a means to create jobs for former patients seems an inspired choice, until one recalls that, after all, it merely represents a principle that underlies all community economic development initiatives. That is, those most affected by the problems of marginality in the society are the ones with the best ideas for solving those problems. Thus the community-based strategy for economic development holds that the distressed community will recover only if it devises its own means for renewal; and people who have had particular trouble in finding a place in society must themselves create a community that will address that trouble. So it should not be hard to understand that by establishing A-Way the patients and their helpers made a good choice.

The benefits of A-Way extend beyond providing employment and all that implies. Work at A-Way for some staff is a transitional experience leading to a job elsewhere or to further schooling. In a more general impact, the company demonstrates to the public that former patients can and do occupy productive jobs. It thereby contributes to dispelling stereotypes of psychiatric disability. Its formal and quite natural organization as a patient-governed business is a part of this contribution.

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[4] "Addressing the Concerns of the Graham Report," an A-Way presentation by Jill Thomas, 1990.

Issues in Organizational Structure

A-Way is technically organized as a business operated by the Applause Community Development Corporation (ACDC). ACDC itself was originally incorporated as a nonprofit entity intended to set up and manage a series of worker-owned businesses under a single corporate umbrella. Partly the reason for co-ops was that there were legal problems of a nonprofit corporation owning for-profit entities. However, when ACDC started to set up A-Way as the first of its ventures, it ran into opposition from provincial funders who were afraid of the idea of a number of linked ventures and did not want to fund a worker co-op. They were willing to help support one nonprofit business only. So ACDC gave up the idea of a conglomerate of different businesses and just operates A-Way as a division of its organization instead of as a separately incorporated entity. ACDC by-laws now provide for a board made up one-third of social workers and business people and two-thirds ex-patients.

At this point the ex-patients are all workers within the A-Way business, and since they have majority control on the board, there is a potential for conflicts of interest. This is a common problem for CED groups, each of which will have a different way of resolving it. To date, A-Way has not suffered from external pressures to deal with the potential conflict of interest; internally, however, the organization recognizes that there is a problem to be dealt with.

It is not just a structural issue but has real consequences. That is, the ACDC board has voted on issues of compensation for the couriers and staff of A-Way; and from time to time it must make policy decisions that will resolve differences of opinion between those charged with managing the business and the other workers. Thus, for example, there is a natural tendency of the office workers to resist changes in what is already satisfactory to them; and their desire to, say, maintain an existing schedule or division of tasks may be supported by staff on the board when it might have been better for the board to push gently for changes and achieve a more efficient operation or even a more challenging operation that would increase the staff capacity.

Other Practice and Policy Issues

Such choices in CED organizations may often be posed as being between the interests of the intended beneficiaries and some other interest group; for example, between the worker-owners and the managers in a worker co-op. Or another example might revolve around creating or maintaining a marketing job in a CDC venture: Should it be filled now by someone who needs a job now or should it wait until later when such services could be better utilized? Such a conflict might seem a choice between serving the unemployed or generating a cash flow that makes management look better.

Sometimes, in fact, the conflict is precisely between those with different interests at stake, but in other instances the choices or decisions are really between short versus long term benefits for the intended marginalized group. CED organizations will always find themselves in situations that present choices between the immediate benefits to those who should be served by the organization and a more distant or indirect benefit, which is more complicated to assess. In the case of A-Way, the structure of the ACDC board makes it even more difficult to separate the interests or benefits concerned, and discussions have begun about possible changes in board representation.

One potential resolution would maintain ex-patients as a majority on the board but would choose most or all such representatives from among former employees or from persons who come out of a mental hospital experience to other roles outside A-Way. However the issue is resolved, A-Way will only have faced the same sort of issue that is common to all CED organizations, in which an inherently complex set of goals makes sorting out the benefits and the beneficiaries a continuing task.

Another governance issue concerns how to engender decision-making participation from people who typically have not seen themselves as decision-makers. Patients coming out of the mental hospital have been defined as unable to make their own decisions. How do they reverse that definition of themselves? It is not just a task for a former patient; it is a responsibility too of managers who conventionally make decisions in business and who must find ways to affirm the right of all staff to participate in decisions. Mentoring or other sorts of systematic training experiences in self-direction would help. At A-Way a management team that includes a representative of the couriers and a representative of the office staff offers one structure for shared decision-making. A monthly staff meeting for all employees offers another. "Of course," says Nickerson, "some could not give a damn about empowerment; they just do their work and get their pay. But there is always that devoted contingent who always come to meetings."

Everyone may get tired of meetings, Nickerson admits, but things get done that need to be done. On initiative from staff, new policies on sexual harassment and discrimination have been established. And other staff have concentrated on instituting a better system of financial controls. Also, some job descriptions have been changed through group discussions, and now the task of filling the vacancy for executive director will be done under new procedures that involve the couriers and other staff in developing criteria for selecting her or him.

A major problem in self-reliance for almost all the staff is their dependency upon a provincial disability allowance as a means of support for those who cannot work full time or may be in a period when they cannot work at all. The allowance rules are a disincentive for working longer hours. The allowable earnings limit for those on disability is $160 a month.[5] That would be the equivalent of less than 6 hours work a week at an A-Way courier earnings rate of $7 per hour. Those who earn more will have the overage deducted by the province from their disability allowance. Or they risk being removed altogether from the disability rolls; and if they later happen to run into a bad spell and cannot work at all, they must expect a wait of weeks at no income at all before getting reinstated.

This disincentive to work goes counter to A-Way's basic principle of fostering self-reliance. Also, although each worker is responsible for reporting her/his income to the provincial ministry, A-Way itself is handicapped by the rules; for instance, the company cannot ask a good worker to fill in in an emergency if the worker has already reached the earnings limit. No one is comfortable with this arrangement. Nickerson feels that staff should be able to take home everything that they make, just as on any other real job. A change in the policy of the Ministry of Health is the only real solution to this problem.

Even though the Ministry has allowed A-Way a certain amount of experimentation,

[5] The Ontario limit seems draconian compared to the earnings permitted by British Columbia: $300 a month.

government policy has also been an obstacle in other respects. For example, there was, of course, the initial refusal to accept ACDC's idea of creating a group of businesses to serve the mental patient constituency. And the Ministry is mandated to support "programs" not a social business. Moreover, the Ontario government was originally reluctant to provide more than one year of support and even then there were difficulties in the purchase of the needed equipment such as radiophones. For each of the first three years, 1987-89, it was a struggle to get a commitment for one year's support, until one of the ex-patients actually personally buttonholed a minister and insisted that the grant proposal be given the proper attention. Today A-Way is recognized by the Ontario Ministry of Health as its flagship project in job creation for the emotionally handicapped. One minister has even visited the site and praised it as the most successful of such programs.

In spite of this recognition, the level of government support has remained unchanged now for some years, although the costs of doing business have obviously gone up at A-Way as elsewhere. Both a government audit and an internal audit have been underway and may demonstrate that the government support is not funding what it is supposed to; and presumably the level of support, with renegotiation, will be raised in the coming year. The question of course is what is government's responsibility in the costs of a business that is also getting income from the sale of the services or goods it produces.

While A-Way is not technically, as we see it, a CED venture, it highlights a number of issues that CED ventures encounter just as much as social businesses. In either instance, the business by definition combines two sets of goals, social and economic, each set of which has its own costs. The social function performed by the business justifies an expectation that society in some fashion will help meet the social costs. That is the rationale for grant support for an initiative like A-Way. Yet two difficulties lie in the path of reasonable support. The first is the mistaken idea that any CED or social business, at least after an initial period, ought to be self-sufficient---earning enough income to maintain itself. But this ignores the fact that a business like A-Way or a CED venture accepts, indeed seeks, social responsibilities that are costly. This contrasts with a conventional business, which, beyond the absolute minimum of taxes, will seek to shed any responsibilities for social costs (such as smokestack pollution, wear and tear on roads by its heavy trucks, health costs from its tobacco products, etc.).

It is widely accepted that a market-driven business must try to avoid as many costs as possible in order to pay a higher return to investors from the revenues generated. So that sort of business will naturally tend to avoid hiring marginal workers---untrained youths; the mentally handicapped; those homeless, discouraged, and malcontent by a history of poverty and welfare; and so on---precisely the people who are sought out by most CED business ventures.

A social business or CED business accepts the higher costs that go with the social goals of serving the marginalized. Such a venture therefore must generate the income to meet those additional costs---such as for training or for a period of low productivity for initially less efficient workers. The business surely will not be competitive if it tries to get its clients or customers to pay higher prices to meet the extra costs. Instead, it must absorb them in what would otherwise be profits for reinvestment and expansion or for starting other projects. To the extent that profits cannot cover both reinvestment needs and the extra costs and if the business is to survive, it looks for societal support in grants from public or private sources. How long should such subsidies continue and at what level should they be cast? These are not easy questions to answer.

Unfortunately, government programs often do not recognize the difficulties inherent in costing such businesses. For example, they often expect, without any substantiating financial data, that such a business should be able to meet all its costs through sales; that, once aided to start up, the business will thereafter be self-sufficient. Depending upon the individual case, that is not necessarily so when the venture has accepted a long-term responsibility for heavy social costs.

A-Way today does not have to combat that difficulty, because it is recognized by its funders as offering a social service as well as a business service. In fact the funder sees A-Way as a program, not a real business. But A-Way must confront a second obstacle. Even when a government agency does not require eventual self-sufficiency, the hard question is how much government support is reasonable. With A-Way as with most if not all similar ventures, it is difficult to segregate social vs. economic costs in the business operations with the aim of then requesting government coverage of the social costs. To justify any particular level of grant support would require very sophisticated accounting, an expensive approach even when it can be achieved; and that means, of course, additional costs that must be met somehow.

The design and execution of research on the social costs and benefits of any one venture would help all ventures organized and operated to meld social and economic values carry out such research on themselves. If a government agency feels the need to be able to justify its support in precise cost/benefit terms, then it will have to underwrite the basic research for such an approach and then provide financing to each project to adapt and apply the cost/benefit research approach to itself. While there are some technical procedures that may be transferred among different types of social ventures or CED businesses (for example, techniques for follow up of trainees' employment record), each evaluation will have to be tailor-made.

Some CED ventures have already designed and carried out cost/benefit analyses that document a dollar return to society on its investment in the CED project, and the research procedures and methods need to be more widely disseminated. Probably the first such research was carried out by a CDC in rural Kentucky in 1980. Its director was certified in public accountancy, and he put his expertise to work to document a "Return on Taxpayers' Investment" or ROTI (in analogy to the conventional ROI).[6] He was able to show that the businesses started by his CDC had returned as high as 25 percent a year on all government funds it had received. A CED venture in Quebec, Boulot Vers, a training site for young people, has documented a positive return to the province from its operation.[7] And a cost/benefit study of Colville Investment Corporation, a community-based business loan fund, underwritten by federal grants, has also demonstrated a positive return.[8] Also, interestingly enough, a contractor for the state government of Massachusetts has performed a cost/benefit study on the Human Resources Development Association (HRDA) of Halifax in order for the state to consider establishing similar projects in Massachusetts.[9] (HRDA is reported on in our Chapter 7.)

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[6] See Perry, *Communities on the Way*, work cited, pp. 183-184.

[7] Internal memorandum, Boulot Vers.

[8] Lloyd I. Baron and Noel Watson, *Loan Funds for Small Business: Lessons for Canadian Policy Makers* (Ottawa: Economic Council of Canada, 1989). Reprinted by the Westcoast Development Group, Vancouver, 1993.

[9] Bay State Skills Corporation, *The HRDA Alternative Welfare Model: Analysis and Recommendations* (Boston,

It is certainly helpful to establish relatively precise figures to justify grant support. But in the absence of such figures the reasonable alternative approach is for each government-supported CED venture to present evidence of faithful good business practices (reasonable salaries and overhead, clean audits, etc.) that would deserve matching funds. Here, however, the actual level of support would not be possible to specifically justify. Also, this approach will probably not suffice for long if the CED project needs continuing financial aid indefinitely.

A-Way's board chair, Helen Mills, herself a partner in an international courier company, believes firmly that it will be necessary to document A-Way's dual costs and revenues. She looks forward to the institution of new systems that the staff has been developing for better recording of what the company does. "We need to do a better job in measuring our results in order to communicate coherently what we can do," she says. It will be possible, she hopes, to separate the costs of such things as training, advocacy activities, and even any projected lower productivity that should be linked to the ex-patients' particular history. She feels also that it is close to possible for A-Way to operate more efficiently as a business with much reduced costs. All this will depend upon a more businesslike set of systems.

In any case, however, it may be hard for a CED project to communicate the evidence and rationale for support to agency civil servants whose field is social services and who are not ordinarily prepared to deal with the elements of a business world. Or, vice versa, a bureaucracy used to dealing with conventional businesses can find it difficult to understand when a CED venture might not pay its own way. Combining social and business goals requires the same insightful juggling on the part of the granting agencies as it does on the part of any CED group. Indeed a policy paper for the Nova Scotia government, taking account of this, once recommended that administrators of government CED programs should have special training opportunities in the practice of community economic development. The special issues and problems that each different CED venture addresses have to be understood by all those who would deal with them.

Yet society (and its government agencies) should recognize the rewards to it as well as to the individual beneficiaries of CED businesses and social businesses like A-Way. In the A-Way operation, the obvious savings for society in mental health expenditures and the ripple effect in other costs are concretely recognizable, if only in general terms. As Nickerson had succinctly stated, "What this place does for people is simply fantastic."

Mass.: Bay State Skills Corporation, 1993).

Chapter Three

CAPE BRETON LABOURERS DEVELOPMENT COMPANY: INNOVATIVE FINANCING AND SELF-RELIANCE

Like A-Way, CBLDC was organized to serve a particular constituency, but unlike A-Way it has actually had a broader perspective both in terms of those potentially to be served and the range of activities the organization might engage in. In short, its concept of community is somewhat broader as is its projected program. In its current phase CBLDC has stressed financing (and building) homes for members of the labourers union local that is its base, but it hopes to expand that base to other participants and also to engage in business development that may or may not be related to the housing field but will contribute more generally to strengthening the economy of Cape Breton, its locale. CBLDC has been quite successful in its innovative financing technique to put new life into a very depressed home construction industry, but it has not yet been able to extrapolate its success to include other participants and to create other job-producing activities for a very depressed locality.

Social as well as economic objectives are built into the CBLDC program. It gives priority in home finance to the most needful among its members (in terms of their current housing situation), and the home-building activity it carries out provides jobs for a range of construction industry workers. One counter-institutional feature is its rejection of the practice of charging interest to the beneficiaries of its financing service, substituting an interest-free lease-purchase arrangement, which thereby makes single-family housing affordable for them. How this is technically managed is CBLDC's outstanding innovation in the field.

The Cape Breton Labourers Development Company (CBLDC) was organized as a nonprofit company in late 1987, upon the initiative of three members of the executive committee of the International Labourers Union Local 1115, in Sydney, Nova Scotia. It was in December of that year that the membership of the local voted in a 95 percent majority to tax themselves by a payroll check-off of 25 cents per hour of work; the proceeds would go to a benevolent fund to be administered by CBLDC for death, disability, and retirement benefits. But this was to be more than an individual benefit plan.

So long as the monies thus collected were not required for benefit awards, they would be lent, interest-free, to a housing construction fund, also to be operated within CBLDC. This fund would finance the construction of affordable homes for union members. Thus the main activity of CBLDC today is in fact the finance and construction of affordable housing, although its charter allows it to engage in other community business development projects and to administer the benefit plan. The charter assures also that CBLDC is completely independent of the union and is open for participation by other unions or business or community groups to enter the check-off benefit and housing program.

Background

When the three members of Local 1115's executive committee were elected as a slate in June 1987, they determined to use their posts to do more than just run the union. They wanted to provide a broader set of services than is usual for a union. Their first step was to survey the membership as to their problems and their hopes, in order to figure out what would meet the members' needs most effectively.

It should be noted that Local 1115 operates in the very depressed economy of Cape Breton Island. Union membership by no means assures a job. Of the 500 members, often no more than 100 might be employed at any one time. Of these, very few are in companies that will be paying them the year around. The off-again, on-again nature of the construction industry, which is the main source of jobs for the members, means that even if one is lucky enough to be hired on by one or another company, the term of employment is limited to a few months in a year, with only uncertain prospects of being recalled by the employer when construction weather begins the next year.

In these circumstances, members can take on long-term financial obligations only at great risk. For example, to buy a house on the usual mortgage arrangement is to run the risk of losing the house, the initial down payment, and all subsequent payments made on it, if work runs out for too long a period. This was the experience of all too many members of Local 1115, and their fellows tended to avoid the risk by occupying rental space instead, or perhaps by saving for many years in order to buy a house more or less outright.

The member survey highlighted this problem as one that was felt most keenly. Members deeply wanted to be able to live in a home they could call their own---and not even co-op or condominium apartments fitted this ambition. Indeed that is a goal shared by many Cape Bretoners, for there is an especially high home-ownership rate for the island. The union members wanted to live in respectable single-family dwellings that they themselves could own, like many of their neighbours, friends, and relatives. The three leaders, pondering the results of the survey, in session after session around their kitchen tables, concluded that the solution to the housing needs was a finance scheme that would protect the home-buyers in times of unemployment. They also concluded that only the efforts of the members themselves could solve the problem. With more discussion among themselves and the others they consulted, they hit upon the scheme based upon financing each other through the check-off.

The Benefit Plan

If one element of the scheme was self-reliance, another was to reward those workers who financed the housing through their hourly check-off. The contributions would be used to build homes, but they would be paid back in full. Each participant---that is, each person for whom 25 cents per hour worked is checked off---has his contributions accounted for in an individual benefit fund. The check-off is automatic because it was made part of the master union agreement with the construction contractors operating in Cape Breton.

The total amount of the individual member's contributions (or a minimum of $500 from the benevolent fund, if the contributions do not total at least that amount) will be paid off in a lump sum to the participant in the event of disability or retirement. Alternatively, in the event of death before retirement, the account is paid off to the participant's designated beneficiary.

In the plan proposed to the members of the local, the minimum of $500 assured those late in their years of a real advantage in participation, despite a short period before retirement. It also assured any contributor that, despite a lack of work, there would indeed be a benefit eventually. However, no interest was to be paid to the contributors---no more so than interest would be paid by the housing construction fund or by the home-buyers themselves. A thoroughgoing no-interest position is a basic feature of the scheme; and of course that makes possible the least costly housing overall.

A prime reward of the benefit plan is a ceremonial dinner held each year for retirees of that year. This dinner honours both the lifetime of work and the contributions made by the worker to the housing of his fellow workers.

The Plan for Housing

The homes built with financing through the housing construction fund are slated each year for a pre-selected list of beneficiaries. These are chosen by the CBLDC board from a listing of applicants, each of which is rated in accordance with housing needs. The rating system uses such criteria as current quality of housing, number of persons sharing the housing, etc.---seniority of union membership is also rewarded by points in the rating system. Because the membership is relatively small and because the community itself is small, the living conditions of members are known to each other, and the CBLDC staff and board are thus well able to assess the validity of facts presented by the applicants.

The selected buyer can choose among different architectural plans and add features or subtract some, with consequent adjustments to the final price he pays. The house will be built in the general locality chosen by the buyer (depending upon the availability of land). The buyer may and often does have a piece of land that he will be allowed to designate as the site, and this too affects the price to be charged. Finally, the price is adjusted in accordance with any labour volunteered by the buyer, his family, and friends.

The house will be bought under a lease/purchase agreement that stretches payments over either a 20-year or 25-year period, with monthly payments that include taxes and insurance. (The 25-year plan was adopted later to handle the high tax locations that would put the monthly payments at too high a level on a 20-year plan.) The purchase price of the house is the actual cost of materials, labour, land, and household equipment, plus an administrative service charge. The service charge goes to help defray CBLDC's operating expenses. (No benevolent fund or housing construction fund monies may be used for operating expenses; those monies are sacrosanct for the purposes designated.)

Administrative service charges are assessed under the 20-year payment plan at 50 percent of the actual cost of the house, and at 60 percent under the 25-year plan. This charge represents an amount analogous to approximately 4 percent interest on the actual cost of the house. The charge is added in toto to the initial price of the house and thus is paid off within the schedule of regular monthly payments. Thereby operating costs are amortized, so to speak, over the years for all houses.

This scheme permits the home buyer to get a single-family home for a total payment of about $440 per month including all taxes and insurance (and the service charge). This monthly payment buys him a three-bedroom house of approximately 900-1000 square feet of living area. The actual cost of construction has ranged from less than $50,000 to about $57,000. Most of the first 14 buyers had or obtained from their families a plot of land, and this reduced their monthly payments on the average to about $300.

The low level of local construction costs and land costs as compared to, say, Toronto or Halifax, means, of course, that the overall price paid by the buyer is correspondingly low. But the central cost reduction to the buyer is the absence of interest at all stages of the process---no construction loan interest, no interest on a down payment loan, no mortgage interest, no interest, period. Even a conventional plan for home lease/purchase cannot offer this advantage. And, in contrast to the conventional lease/purchase arrangement, the Local 1115 buyer is well protected against the loss of his house.

First and foremost, the monthly payments are set so low that even were the family temporarily on UIC or social assistance, payments are a reasonable proportion of income. (This is an intentional aspect of the payment schedule.) And second, the CBLDC board will consider special circumstances of family need and allow any missed payments to be attached to the end of the lease/purchase agreement term. It is thus virtually impossible for a well-intentioned home-buyer to lose his home.

In the lease/purchase agreement, moreover, there are protections for the purchaser who has contributed land and labour but for one reason or another gives up his house. And there are a variety of provisions---on required level of maintenance, re-sale and buy-back, inheritance, early purchase, and the like---to assure a fair administration of the plan. For example, re-sale is permitted only after five years, should the family's situation change (say, the member wanted to retire and go into senior citizens' housing); and the company has a first option on the house.

The Financing Process

In the initial year of operation (1988), check-off collections were, of course, not expected to be large enough to finance any construction. Moreover, there were no revenues that could be used for administrative purposes. For that year, operational expenses were borne by a collaborating and sponsoring organization, the Centre for Community Economic Development, an advocacy and service group for development activities focussing particularly on Cape Breton. Clearly, no matter how well-designed the scheme, it would take a long time before a check-off of 25 cents per hour would produce enough to begin building houses.

In the meantime, CBLDC pursued funding from government and other sources that would provide the program with a kick-start while the check-off contributions accumulated to the point where they could be reasonably lent for the housing construction fund. In effect, CBLDC set out to seek partners who would be appropriately impressed by the self-reliance of the overall scheme and by the fact that if planned carefully, the scheme could project a construction program indefinitely into the future. Right away, pointing to its long-term potential with reliance upon the participants' own resources, CBLDC raised interest-free loans and outright contributions of about $25,000 from church groups. This made it possible to begin construction of their first house in the late fall of 1988, their first full year of operation.

Later that winter, CBLDC completed construction on that first house. At a gala ceremony marking the occasion, the house was turned over to a family of seven, who had been rated first by the board's rating system. In the course of the ceremony, CBLDC also introduced a representative of the headquarters of the International Labourers Union in Washington, D.C., who presented a check for a 15-year $200,000 interest-free loan. The loan was exclusively for housing construction, with the initial payback instalment scheduled for 1996.

So CBLDC had the necessary kick-start to begin building more houses that same year. But within months they also received another interest-free loan, $200,000 for a 10-year term, from Enterprise Cape Breton Corporation, the federal development agency for the island. From both sources, funds were thus in hand to build eight houses, more indeed than the group could manage to get going in one year. It meant that they could plan on keeping busy with four in 1989 and another four in the following year. Yet that was not to be the end of their ability to attract partners.

In the following year they obtained an 8-year $200,000 interest-free loan from the provincial housing department. Then, shortly, they received a $300,000 grant from Canada Employment and Immigration Commission. For the near term, construction funding was no problem. In fact, CBLDC drew down only $180,000 of its ECBC loan, before the first scheduled repayment instalment was due. The CEIC grant permitted them to construct five houses and buy ahead three extra lots. In addition, these houses meant unencumbered income that could be used for operating expenses; there was no loan or re-payable grant to be paid off. So once the houses were transferred to the buyers in 1991, the monthly payments totalling approximately $1000/month, could be counted upon to pay core operating bills---all the monthly payments, except for what had to go to taxes and insurance (varying from about $75 to about $125).

The grant-supported construction made the funds available for operating expenses in 1991. Before that time, for the first three years of operation, many administrative costs were borne by the Centre for Community Economic Development, which also helped CBLDC in its successful search for loan and grant support. But the Centre itself was not able to maintain administrative support indefinitely, and fortunately the swift influx of loan funds meant that CBLDC could place its unused dollars temporarily in term deposits and use that interest for a small portion of the operating costs. (The organization had no compunctions against earning interest from the banks!)

Nevertheless, even after 1991 the operating income has not been sufficient to pay the staff full salaries. And much of the work of the group was done and continues to be done by the three leaders on a voluntary basis. The chairman of the board, originally head of the local, earns a salary solely as the CBLDC construction supervisor (and chief carpenter), and this usually amounts to about 12 weeks of fulltime pay, with the most of the rest of his time donated both to CBLDC and to the expenses of the homes under construction. Essentially the same arrangement has been true for the other two founders, one of whom is the purchasing agent and handles all tenders and the other of whom is the office manager (essentially the chief operating officer).[1]

[1] Two new, small government grants have supported operating expenses in 1993-94, so that the number of projected paid weeks for staff has doubled to 24.

Organizational Structure

The collaboration of the three men continues to be close, and virtually all operating decisions are made by consensus. The board is the source of policy and of such decisions as who will be approved for a home in the current year, how to handle the occasional delayed or delinquent account, and which electrical, plumbing, etc., bids will be accepted in response to the tenders issued. The board of directors includes, as well as the three founders, two representatives of the local council of churches, someone selected by the union membership, a representative from the Centre for Community Economic Development, and, from time to time, divers other local people in business or law or other potentially helpful specialities, for a total of at least eight directors.

Clerical and bookkeeping services were initially performed by Centre staff or by local college student volunteers, but the office manager has taken training in computers, typing, bookkeeping, etc., so as to handle some of the chores. Occasionally there is a part-time or short-term office assistant for basic office tasks. However, it must be emphasized that much of the work is still done on a volunteer basis.

The estimated total operational expenses, if costed out in conventional terms, cannot be met out of the revenue stream for “administrative services” (and the grant-financed homes) until the number of houses reaches about 65. An estimate of the portion of monthly payments for administrative services is $100 per month per house---multiplied by 65 houses would equal approximately $78,000 annually with the 5 grant-financed homes adding about $18,000, for a total of around $96,000. Some term-deposit interest income would supplement this.[2] But the number of homes built to date is only 20, and they generate insufficient free dollars.[3] Currently the total operating expenses are about $80,000, but only with the staff being paid somewhat less than half-time.

Accomplishments

CBLDC has designed an inventive financing tool, replicable throughout North America. As such, it has received recognition both in Canada and the United States. The National Congress for Community Economic Development, a U.S. association, awarded CBLDC its prize for innovation in the field in March 1990. And later that same year, CBLDC received the biennial national award (in the field of “finance and tenure” for housing young families) from Canada Mortgage and Housing Commission. What attracted both awards was the feature of independence over the long term from any government or other outside support. Paradoxically, this very feature of self-reliance has encouraged outside support for the initial years so that CBLDC has been able to take off swiftly into a substantial housing construction program.

To date 20 houses are occupied by participants. These represent about $1.5 million in assets, with no mortgages or other direct liabilities attached. The no-interest loans are not

[2] Also, once a loan to CBLDC is paid off, the monthly payments on the homes thus financed which now are set aside for loan repayment would be accessible for operating expenses.

[3] This does not include three other houses that CBLDC has built under the federal Native and Rural Housing program, for which no continuing income is earned---just an initial fee of some $3,000, depending upon bringing the house in under cost. Two of the houses, built in the rural county of Inverness, were designated by the government for Local 1115 members, so even under this program CBLDC helped its membership.

directly secured by the houses but only by the incomes from them. Repayments on the government loans are being made from current revenues, and the first $50,000 payment on the ILU loan is not due for about two years, by which time the necessary funds will, by CBLDC budget calculations, be available.

CBLDC has carefully projected its finances to handle the interlocking and potentially conflicting demands of loan repayments, benefit awards, and operational expenses, as well as the basic task of building affordable housing. There is now no reason why it cannot continue building three or four houses a year into the indefinite future, without any new support, relying only on new funds from its check-off system. Check-off contributions, accumulating since June 1988, total in May 1994 about $375,000. These constitute, of course, a liability for benefit payments, and that liability is insured up to $1 million at present. Only about two-thirds of the contributions may be loaned to the construction fund; one-third is retained as a reserve that will more than cover even an unlikely level of demand for it in any year. And of course the benefit fund is repaid out of the monthly house payments.

The home construction itself is a job-creating activity in a locally depressed economy. Approximately 1000 persondays of work is represented by each home that is built---according to the applicable Nova Scotia housing estimates---though productivity at CBLDC seems higher and the number of persondays therefore somewhat lower. In addition, CBLDC has also acted as sponsor, supervisor, and contractor for three additional houses built under a CMHC program for rural housing, thus promoting more workdays.

Approximately 80 percent of the labour on all the houses is directly organized by CBLDC (occasionally through subsidized short-term training programs and through the home-buyer's contributed services, but generally simply by wages to local members). The other 20 percent is by local jobbers---very small companies in electrical or plumbing work, etc. These are essentially one-man companies, ordinarily headed by a union member of the specialized trade concerned. Union bidders of equal quality are preferred even if their bid is higher, as long as it is no more than ten percent higher. This tends to work out that perhaps 95 percent of the work has been by union labour.

CBLDC has thus made overall a significant contribution to the community economic development of its locality. Specifically, it has revived a moribund industry sector, namely, the construction of affordable family housing, which has been virtually absent for years in Cape Breton and increasingly so throughout the nation as a whole. In the instance of Cape Breton, the organizations that had in the past concentrated on affordable housing are either no longer active or rarely active, due to the reduction in federal and provincial support. Here now is a practical way to supplement scarce government funds throughout the country for the essential provision of affordable family housing.

In summary, the direct and indirect benefits of CBLDC's work are multiple and fundamental. In the course of reviving the industry CBLDC makes new jobs available to people who have been suffering in the general construction decline. It creates new markets for the small construction subcontractors and also for home-related suppliers. It establishes new property values for the community, enhancing the tax base. And perhaps most important it offers the essential amenity of dignified and decent housing for families who otherwise struggle under the stress of the poor housing conditions that too often create health, welfare, and justice system problems. In short, CBLDC offers a model program for economic and social progress, arising from local energy and based upon self-reliance.

Practice and Policy Issues

The success of CBLDC should not obscure cautionary issues in this innovative model. Most of these issues revolve around the very problem that CBLDC addresses---that is, the financing of affordable housing. Despite CBLDC's innovation, affordable housing remains, for CBLDC and the nation as a whole, a vexing problem. A construction program of about four houses a year is very limited. An expanded program would require resources outside Local 1115 and CBLDC. Indeed, even the four houses per year has depended upon the aid of partners providing no-interest loans.

CBLDC got off to a quick start, only because of outside support. Initially, the support of the Centre for Community Economic Development (CCED) was critical; and the CBLDC case illustrates the crucial role that is often played by the so-called intermediary organization in this field. CCED provided operational funds, administrative support services, general counsel, and considerable assistance in the fund-raising process. And the major outside funds from government agencies and from the national union have, of course, been an essential part of CBLDC's success. Even though, at base, the scheme is founded on self-help, it must be recognized that partnerships have been crucial. Nevertheless, it seems clear that the revenues tapped by the check-off system and the image of self-reliance that it embodies can be a powerful lever for inducing that outside support.

It is also important to recognize that the actual cost of the houses is being subsidized by volunteer services at all levels, not least from the founders themselves. Thus a variety of sources of nonfinancial support must also be seen as involved in the success of this model. Indeed this wide range of support is a basic feature of all efforts in community-based economic development. That is, the community-based approach is, at bottom, a matter of mobilizing resources of all kinds, not just dollars, and from all possible sources, both local and outside.

One financial subsidy seems too onerous: Inherent in the check-off system and the benevolent fund is a very substantial financial subsidy by the local check-off participants. They receive no return on the capital they contribute. Any interest earned by the reserves goes for operating expenses. Is there a way in which at least the reserves held back in the benevolent fund (reserves not allocated to the housing construction fund) can provide some return to the contributors? How might this arrangement qualify for RRSP status at the very least, thus sheltering the wages represented by the 25 cents per hour foregone? CBLDC has not systematically addressed this question, perhaps because meeting the costs of the organization is currently dependent partially upon the term deposit interest. A study might indicate some attractive possibilities within the current tax structure for return on the contributed capital, or alternatively might indicate legislative adjustments to that structure, so that the model is more readily replicable.

Another onerous subsidy is nonfinancial: the year-around work of the three founders, who receive compensation for less than half-time annually---from about twelve weeks paid full-time and the rest from perhaps a day per week of additional wages thereafter. The year after year grind of that sort of effort is a likely hindrance to expecting others to repeat the CBLDC model.

For CBLDC itself, expansion of participation is the key to increased housing production, but it is also key to a revenue stream that will make volunteer effort no longer so essential to meet operational expenses. With more houses, there will be more income generated by the administrative service charge paid in the monthly instalments. Of course, all this would be resolved if there was higher employment for Local 1115 members, so that the check-off stream would be enhanced. Otherwise, other unions would seem to be the most likely targets for widened participation.

Despite energetic campaigning by CBLDC, none of the other Cape Breton unions have expressed serious interest. Preliminary inquiry by CBLDC has suggested that the teachers union and the public school systems might eventually be the most likely potential participants. It is true that many of these people (and indeed the people in many other potential participant groups) already own homes, and this raises the question of whether the ultimate benefit of the program---which is a home of one's own---is relevant to them. However, participation by those who already own a home may not be a major obstacle, since the system can work quite readily by buying out the participant's outstanding mortgage and thus offering the home-owner the advantage of the CBLDC lease/purchase arrangement and its risk-reduction features.

On the surface, the model is definitely replicable. However, it is also true that despite the efforts of the founders to spread the idea in various local, regional, and national settings, the CBLDC approach has not been taken up by any others. Systematic research on the conditions behind this fact should reveal how and where the benefits of the CBLDC innovation can be spread.

Chapter Four

WEST END COMMUNITY VENTURES: CHALLENGING THE ODDS

WECV departs from the previous cases by explicitly defining its base as a particular locality, but that locality turns out in fact to be a set of five high-rise public housing developments scattered throughout a more or less unrelated district. Thus, it would seem that WECV actually was designed to benefit a selected constituency, the low-income persons who live in the public housing units rather than the entire locality as such. In this sense, WECV is conceptually a bridge between the two definitions of community used variously in CED.

However, WECV has adopted the sort of multi-purpose development strategy that characterizes the broader locality-based CED approach. It stresses the creation of businesses but recognizes that operating businesses alone is insufficient to address the combined social and economic needs of its constituency. The history of WECV is an account of necessarily nimble juggling of shifting opportunities to build a system of businesses and other services for its community. The results are still in the balance.

West End Community Ventures (WECV) was founded in 1986 to develop the local economy in an area that straddles three suburban wards of the city of Ottawa. The area had some 55,000 population and a name, Pinecrest-Queensway, but it was not in any sense a community. Arthur Stinson, an early observer of WECV, captured this paradoxical context for CED when he described its physical setting:

> The very name of the area is suggestive. Pinecrest-Queensway is literally the intersection of the two major arterial roads, one bridging the other, and the on- and off-ramps for traffic interchange. The occupants of the centre are cars, trucks, and buses. People invade the area at considerable risk. Compounding the problem are several other arterial roads, along which an almost steady stream of traffic flows, carrying people and goods as they go somewhere else. The roads isolate mini-neighbourhoods from each other. Physically there is no central meeting ground for people, no civic square, no main street, no architecturally distinctive buildings.[1]

[1] Arthur Stinson, "West End Community Ventures and Community Economic Development in a Recession Economy: A Critical Period for a Pilot Project," Chapter Eight, in Eric Schragge, ed., *Community and Economic Development: In Search of Empowerment and Alternatives* (Montreal: Black Rose, 1993), p. 130. Stinson was chosen by WECV as its internal evaluator for the year 1990-91 when the organization had received a large demonstration grant, its first significant financial support. He actively participated in the early organizational efforts occasioned by the grant. We have relied on his account and on an unpublished document he prepared at the end of that year-long period: "Trying to Get It Right: The Development of West End Community Ventures during Its First Full Year of Operation, 1990-1991," June 1, 1991.

Socially, the area is a suburban district that has been overtaken by urban expansion. So two quite distinct realities characterize it. One is that of the original middle-class residents who have long used the area as a bedroom community to commute to the government offices and other work sites of downtown Ottawa. The other is that of an unintegrated amalgam of immigrants and other low-income residents. These live mostly in about 1000 units of public housing built in the 1960s and scattered in five clusters throughout the area, some built on the reclaimed land of a former dump site.

The 1960s were a period when poor people were being relocated from urban renewal sites in the inner city. Because of the concentration of public housing in Pinecrest-Queensway, the district has one of the highest percentages of unemployed and welfare recipients in the metropolitan region. The division into the two social groupings (and their residential segregation) is one strong social barrier to community-building. Another is the fact that the low-income residents themselves are not culturally homogeneous. There are major immigrant groups split by 19 languages.

From the standpoint of the economic structure the picture is no better:

> Economically, there are a few large employers, which are branches of larger corporations located elsewhere with no community roots; [there are] four large shopping plazas which serve a metropolitan clientele; and [there is] a variety of small retail and service businesses....[but] there is no economic framework that binds the neighbourhoods together.[2]

Into this forbidding context, WECV was launched by a social services centre that has long had a mandate to work especially with the lower-income residents of the district. In the early 1980s, the centre departed from its sole pre-occupation with services to start two small ventures (a secondhand clothes shop and a catering establishment) to provide both training and jobs. But the centre shortly decided that it was not the appropriate type of organization to do this sort of business development work, and so it spun off WECV, with the centre's co-ordinator, Sandra Mark, acting also as the director for the new entity.

The Early Stages

WECV was explicitly intended to encourage the target population to participate in and control the new organization, which would try to develop the community and, especially, start up its own businesses and thus provide new jobs. In short, WECV was clearly envisioned as a CED instrument for Pinecrest-Queensway; but it was a potential tool without the workers to use it. The anticipated participation of residents was to come only much later.

For about four years WECV had almost no resources and so concentrated on doing some studies and on networking. The demanding social work and health support activities of the service centre continued to take almost all the staff energy. The co-ordinator's initial focus on CED goals stressed sensitizing staff to the economic conditions of the area. The outreach health workers trained themselves in "economic literacy" in

[2] Stinson, "West End Community Ventures...," work cited, p. 130.

trying to deal with their clients' needs, so obviously related to a lack of jobs and income. Importantly, in this period WECV also helped to establish a housing co-op.[3]

It was always clear to WECV's founders that it could not survive or grow as an isolated entity. It needed an infrastructure of CED support in other related institutions. In the initial four-year developmental period, probably the most significant effort undertaken in the name of WECV was to work on creating this supporting infrastructure. For example, it took some of the leadership in collaboration with other groups in Ottawa to establish an advocacy and business development centre that would service all the organizations and low-income areas.[4] Included in the plan for this centre (now the Community Enterprise Centre of Ottawa-Carleton) was a community business loan fund that would provide capital for businesses that WECV and other groups might start.[5]

In the meantime, a persistent pursuit of provincial support for Pinecrest-Queensway itself finally bore results. WECV was accepted as the fifth of five projects in an experimental program by the province to discover how welfare recipients could be trained to create their own jobs by starting businesses---a self-employment micro-enterprise initiative. The other four projects had been awarded their grants two years before, and WECV seemed to be an afterthought. Certainly it was the only project that was designed to be a broadly defined CED effort. Rather than focus on individual self-developed micro-businesses, WECV proposed that the low-income community as a whole would create businesses and jobs through the CED organization. One might hypothesize that the provincial officials were dubious about WECV's approach to business development and ownership since they took fourteen months (from the submission date of the proposal specifically developed for them under an initial grant) before giving the project oral approval and another two or three months before formally providing the funds.

A New Beginning

Despite this not very auspicious relationship, the co-ordinator at the Pinecrest-Queensway centre took a temporary leave of absence, which eventually became permanent, to devote herself fully and enthusiastically to the new CED effort. Stinson reports that the work got off to a fast start and that a number of equally enthusiastic welfare recipients were hired and trained on the job to staff the newly invigorated organization, together with the professional staff.[6]

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[3] Ironically there turned out to be no available land for the co-op in WECV's area, so it was built in the east end of Ottawa. But some co-op members have continued to identify with the west end, working there, one even in WECV itself.

[4] Among the other infrastructure pieces that WECV's manager saw as important was a mutual support organization of Ontario CED groups (which has by now been established as the Ontario CED Coalition) and a strong technical assistance group to help the CED organizations in their business development tasks (which has not yet been established).

[5] When WECV eventually had its own funds, CEC was provided with free office space and a subsidized trainee for secretarial support; and in the beginning, WECV's director (as a member of CEC's executive committee) devoted a large proportion of her time promoting the centre. The centre continues to this day, but has moved from its original aims to operate as its own independent CED group, conceiving the entire city as its target area. However, CEC and WECV have continued working on establishing a capital fund, which seems likely to be operational by the end of 1994.

[6] Stinson, "Trying to Get It Right," work cited.

For an organization that had never had much funding, the approximately $400,000 provided for that first year of the grant was a formidable amount to spend wisely, since staff had to start operations virtually from scratch. WECV had asked that their funding be spread over a longer period of time, but that did not fit the timetable for the provincial program. So the organization had to struggle to allocate its resources efficiently.

The initial objectives in addition to staffing, buying equipment, and establishing an office, included designing an approach and a curriculum for employability training; establishing a childcare program for staff and trainees; beginning the assessment of business ideas; and developing the organization itself and its community base. The first year's operation thus demanded a wide range of efforts. Looking at that first year provides an insight into the overall history of the group and the general significance it holds for CED.

In its training activities, WECV emphasized employability and job-preparedness programs (for example, group sessions on lifeskills and personal effectiveness).[7] Having committed its resources for such purposes, WECV also obtained a federal grant to hire an employment counsellor who could provide intensive personal and individual attention to the people in need. More than 200 residents received services in employment counselling, including workshops in resume preparation, job search methods, and special work issues for low-income workers and for those from other cultures. The superabundant first year funds made it possible to equip a computer training facility, so that by the year's end 12 trainees had begun introductory computer training combined with group sessions on lifeskills and personal effectiveness.

One condition of the original grant was that 30 people on social assistance would get some sort of training that would lead to a job or to further training for employment. At the end of the first year, a review of these 30 special cases indicated that 14 had obtained employment and nine were going on to upgrading or educational activity, including English as a second language. There were seven who for various reasons (such as family or personal problems) were not effectively assisted. The overall outcome of this effort, thus, was reasonably successful, since 23 had gained obvious benefits. But WECV had planned to do much more than this.

A major initiative was establishing a workplace childcare facility to serve not only the staff but also the trainees and other clients of the WECV programs. The children who were enroled certainly received quality care, and when there was an extended local teachers' strike, the facility filled a need greatly appreciated by local parents, a need not responded to by any programs for the emergency. However, after a year WECV's childcare activity was folded up as not being patronized enough.

In accordance with consistent reports over the years, it had been conventional knowledge in the Pinecrest-Queensway area that mothers could not find child care and therefore were frustrated for entry or re-entry into the work force. So WECV had set up

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[7] All of the projects funded in the same program as WECV discovered that they had to do preliminary personal and lifeskills education before being able to move to the tasks they were funded for. See Community Evaluation Consortium (Cambell Research Associates, et al.), "Evaluation of the Community Economic Development Program," May 1992. Note that the province had dubbed the pilot program in its entirety as "community economic development," but in actuality except for the WECV project it was a micro-business training and start-up effort, although in one organization the micro-enterprise project was part of a wider and relatively long-established community development strategy.

the daycare facility within its rented space for such contingencies. Although the staff and program were excellent, the anticipated use of the facility never was realized. The managers concluded that it would never become self-supporting, and since the subsidies for such activities were just too scarce, the place should be closed. The explanations for the failure were varied but not conclusive: the ages of the children of staff and trainees too often did not happen to fit the program; some children were already in other subsidized programs and parents did not want to risk giving up that placement for a potentially short-term facility; trainees who went on to job placements could not legally continue their children in the WECV program; etc.

In short, there were plenty of disincentives for use of the facilities, but basically it seemed that the answer to mothers going off to work was not as easy as conventional knowledge had it. In the next year, a survey of 300 people was carried out, which identified quite different barriers to employment---including lack of recognition of foreign credentials or work experience, lack of the right kind of assistance for establishing businesses, and a lack of basic education and training. WECV used that survey to re-focus its programs from then on.

In the first year, the initial business development efforts were also disappointing in the sense that although a good many ideas promoted by board members and others in the community were subjected to pre-feasibility or more extended feasibility analysis, all had eventually to be rejected as not viable. Interestingly enough, one business, arising out of WECV's own operations, did begin to take shape that first year and still exists today. That is, WECV began using its regular staff to provide fee-for-service office support for local enterprises, including a community newspaper, and used WECV's facilities to offer computerized bookkeeping, faxing, etc. In line with WECV's aims to own income-producing ventures, the demand for these services looked so promising that eventually a business was formally set up.

The WECV approach assumed the availability of capital for business development. That was one motive for WECV's earlier work on promoting a community business loan fund for Ottawa. But in fact there was no capital source yet in sight, and this proved to be a handicap for WECV's prime goal of creating new businesses. A small Ottawa foundation that loaned minor amounts to community groups turned out to be a critical resource. One of the WECV ventures, Green Works, a sewing operation, borrowed from the foundation capital to buy the sewing machines.

Building a Community Base

Of all the work to be done in that first year, what was most demanding was the attention that had to be placed upon developing the organization itself and its relationship to the community. In the first place, WECV had previously conducted virtually no meaningful activities that would have given it its own place in Pinecrest-Queensway. It had to become more visible and to publicize what it was trying to do.

Second, as a study group, it had not addressed the larger goal of mobilizing residents to take an interest in it and to stretch themselves to participate in it, govern it, promote it. An early task was to recruit formal members and to hold a public meeting of members and potential members for selecting a governing board that would set the goals for the organization.

Third, and perhaps most importantly, there was no real community identification that could be swiftly aroused to give a sense of energy and direction for the organization. In short, if WECV was to be a community-based organization, it had to create its own community. How could it start and maintain community businesses without that base?

WECV addressed all those issues in the first year, especially by engaging its own staff and trainees to look intensively at the organization and its structure, to help build a coherent program, and to carry the message to their neighbours. This process built links to the community and indeed helped to create a sense of community, most particularly with the public housing tenants.

The original sponsor of WECV, the Pinecrest-Queensway Social Service Centre, had begun involving its clients in the governance of the Centre. According to Ann Cioppa, a former board chairperson and former resident of one of the public housing complexes, the Centre had created “little pieces of a community“ in each of the five public housing complexes scattered throughout the area. It became WECV’s task to try to pull these pieces together into a working whole. In a parallel effort WECV also sought participation from other local organizations, such as rate-payers groups, the legal aid office, and so on. Although the community was not defined as solely those in the public housing, those residents definitely made up the core of what WECV saw as its base. That no doubt was in part a legacy from the Service Centre which had a mandate to serve those residents in particular.

To develop itself, WECV organized intensive workshops with the help of seasoned CED consultants for board and staff to do strategic planning and organizational development. The eventual outcome was a clearer set of goals and the construction of a five-year plan with established objectives. An advisory committee recruited from the area got WECV to systematically expand its view of the target population to include those unemployed or on social assistance who did not live in the public housing units.

In the first year, over 50 residents became involved as board and committee members. At first the turnover was considerable; only in the second year did the guiding resident group settle down to a fairly consistent board of 12 members, some appointed by community organizations or local businesses and others representing WECV employees. Today the board includes persons from a range of the cultural groups in the district, and there are about 150 persons who are identified as general members of WECV.[8]

Part of the effort to link itself with the community was a public information program, using forums, open houses, and advertisements in the community newspaper as well as personal contacts. Door-knocking was the technique used in the public housing complexes. And a systematic effort was made to contact local organizations to discover ways of working together to help residents prepare themselves for participation in the work world. Although there was no local business association, WECV got businesses together to hear what the organization was trying to do and to generate support from that sector.

The survey carried out after the demise of the childcare facility opened new opportunities for serving the community and organizing its participation. The findings of

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[8] WECV had assembled a consultation group of about a dozen local organizations and perhaps twice that many individuals to guide the design of the original proposal. That group continued to meet from time to time to review progress and provide further advice.

the survey showed the importance of isolation and psychological insecurity in the inability of the low-income residents to seek or find jobs. Informal coffee sessions in the five public housing complexes became “First Steps” groups, which were weekly meetings for the mutual examination of the obstacles and opportunities, psychological and other, for somehow getting out of the welfare trap.

A race relations worker was hired from the community to work with the immigrants and refugees who faced special problems in their pursuit of jobs. Special attention was paid to discouraged immigrants who had professional training but could not get established in their new country. A group of 40 was organized for mutual support; this eventually resulted in all of them becoming employed or going into additional schooling. A micro-business support group for those contemplating starting their own businesses was organized, and participants were encouraged to use WECV facilities to conduct their feasibility studies and develop their plans. Some of these too were encouraged to get more training, and two or three small businesses were launched.

The result of all this activity was a swift rise in local visibility and the generation of such an increase in applicants for the services offered that WECV was taxed to the limits of its ability. For example, because WECV got a reputation as being nonbureaucratic in its approach, employment support services began to attract people only recently out of work who did not live in the public housing and even some from other districts in Ottawa. The waiting lists rose uncomfortably, but WECV sought and found additional resources in other government programs. At the height of its operation in this period, there were 18 staff.

In the meantime, WECV formalized its office services business as a division called Britannia Office Support Services (or BOSS) and gave it its own space to earn funds and train and hire local residents. Also, a second venture was launched, Green Works. This was a sewing operation that produced a number of items on contracts won by bidding for work to meet the needs of companies or other organizations, including the Catholic diocese. Some of the items were produced using fabric reclaimed from textile companies. The workers were almost exclusively immigrant women, especially from Somalia, who formed a close bond with each other in the work setting. The manager, though not Somali, was herself a welfare recipient who was a skilled seamstress and had also taken a lot of responsibility in the governance of WECV and similar organizations. Neither of the two ventures were yet self-supporting; they both required more attention to marketing than WECV was technically or otherwise prepared to spend; and both depended upon core administrative support from WECV as well as training subsidies. Nevertheless, both businesses showed enough promise to predict that, properly developed further, they might take off.[9]

All of WECV’s activities took place in a single setting, a very large layout of offices which could accommodate a sewing room for Green Works, for example, as well as a classroom of computers for the training program, and cubicles for counselling. So if a client came in for one purpose, say, a Somali family seeking help in job training, they would see the other things going on---e.g., other Somalis sewing in the Green Works space or a potential Somali entrepreneur before a computer working on his business plan---and this made clear the reach of WECV and the potential opportunities for all its constituents.

[9] In fact, Green Works has recently paid off its original capital loan.

Crisis Management

Abruptly six months into WECV's second grant year, the province determined that it did not want to continue its pilot program, and WECV was informed that at the end of that year (June 1992) it would be cut off from its major funding. WECV had always expected to come to the point where it would not need core funding support; but its plan assumed that it would be able to get support to build resources during a five-year period, even though only two had been formally committed. Now indeed it was to be cut off at the end of the second year. WECV had tried to plan and realize a long-term vision with only very short-term resources committed.

One ostensible rationale for the province's decision was an evaluation study for which the province contracted to review its five projects, but that study does not appear to support such a decision, absent other considerations.[10] Those other considerations were apparently that the provincial officials in the Ministry of Community and Social Services wanted to use more traditional or mainstream means to aid Ontario's welfare recipients, and they shortly turned over employment services to a new training organization.

WECV had all along considered its long-term self-sufficiency as a major goal; and it had diversified its funding sources considerably, including developing some limited revenues from its two small businesses. But it was not in any position to continue the wide-ranging activities of the first two years. At the same time, as Sandra Mark recalls, the board and staff felt "they couldn't just quit." They believed that what WECV had learned and what it was offering were too important to give up when a clear path to their goals seemed to be emerging.

They had been working on two promising business development prospects that offered a strategy for creating a network of businesses to provide jobs and help support the organization. Up to now the WECV business development history had been difficult, especially because of the absence of debt and equity instruments that they could call on and because there was no technical assistance service for CED business development. Yet they had all learned in the process, and the board and staff felt that the potential of the new ideas justified the stresses and risks of going on. With the reduction in financing, some staff were furloughed, some programs discontinued, and eventually some of the staff, including the manager herself, were supported solely by UIC and donated their services to maintaining the organization.

The shock of having to go on without the core funding immediately tested the ingenuity and entrepreneurial spirit of WECV to find new partnerships and support, as well as new sources of revenue. How were they to even pay the rent? As it turned out, WECV's landlord was sympathetic to the organization's work and its problems, and he offered free rent so long as WECV paid his utility bills. Beyond that WECV took on responsibility on his behalf to market the extra space that WECV no longer needed. Most of that space is once again generating rental income. Moreover, the landlord's son became

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[10] Community Evaluation Consortium (Cambell Research Associates et al.), work cited. The authors offered an insightful analysis of the difficulties of bringing welfare recipients to the point of launching their own businesses or otherwise getting employed. Because it did not downplay those difficulties, the report may have discouraged the government officials from sponsoring such activities rather than searching out the most efficient and effective ways to use the strategy. One project in fact amassed a very impressive record of effectiveness in the micro-business development task.

interested in WECV, giving volunteer time; he is also considering using WECV resources to start his own business.

One of WECV's small businesses, Britannia Office Support Services, was in serious jeopardy without the cash flow of payment for services to the organization. The company's major client was approached to negotiate a solution, and he agreed to establish a joint venture. The name changed slightly to Britannia Office Services, but WECV held a ten percent interest. That saved the jobs of the two BOSS employees and assured certain office services for WECV at cost. It also maintained a tenant in the building who could be an attraction for other tenants.

The other small business, Green Works, was continuing to get minor contracts and could be maintained at a modest pace while WECV tried to get its feet back on the ground. Moreover, Green Works was important in helping focus WECV's ideas for developing other ventures. Green Works was a training site and has indeed been the mechanism by which the women employees have learned skills in business and in English as a second language. But Mark feels that Green Works has also been the vehicle for teaching the organization how to use partnerships and networks in its business program. This has led WECV into fruitful relationships for the two prospective ventures that it is now exploring, both of which are closely related to Green Work's type of operations.

The first venture prospect foresees enhancing the income of women who have sewing skills (or other skills) that they want to exploit in a craft-based business. This is often an idea brought forward by low-income people who have real skills to offer and want to support themselves by selling their craft products. As is well known to all CED groups (and many others), the small scale of the self-employed crafter makes her or his business very precarious. Even well-skilled crafters are rarely financially successful, especially because of marketing and financing obstacles. So WECV hopes to establish a co-ordinated design-marketing-financing firm for all of Ontario (and perhaps beyond) that would address the standard business problems of the usual craft ventures.

The firm proposing to address these problems collectively was conceived in discussions with national and provincial craft groups and marketing organizations. It would link designers with crafters to produce for known markets, and provide the financing to underwrite production expenses. The province has now been sufficiently impressed with WECV's networking on this idea to approve a grant for putting together a business plan for the venture.

The other business idea also harks back to Green Works. It sees WECV as systematically entering the environmental products and services industry. Of course, Green Works was the early experiment in this, when it used recycled materials for its products. A minor summer youth employment venture (to recycle unused office products from private firms and government offices) had also been an expression of WECV's interest. Most recently WECV conducted a feasibility study of a home environment assessment and retrofit business, which led it into relationships with major energy-related businesses and a number of environmental groups. This networking has led WECV along the way toward creating a "Green Business" incubator. On this project WECV can boast the co-operation of Ontario Hydro, Ottawa Hydro, Consumers Gas, Canada Trust, and the Kiwanis Club, in addition to various government agencies including the Ottawa-Carlton Economic Development Corporation.

The goal of starting businesses that would have environmental side benefits is a special case of the CED feature of combining business and social goals. But WECV has always seen business development as a means to social goals as well as a way to generate income. Both its own businesses were designed as training sites. BOSS was also a way to meet the needs of local smaller businesses and other local organizations for services they could not handle themselves. One of the spin-offs of BOSS was a collaborative relationship with a re-invigorated community newspaper that had used not only BOSS services but temporary space in WECV's offices. The newspaper got support that was probably critical to its survival; and today it is thriving.

Sandra Mark notes, "People think because a business starts in a community, it is a community business. But a community business requires a community-building process." She also notes that a business has to be run in a particular way in order that it can be a part of the community-building process. For example, engaging in a joint venture with a member of the business sector can create a stronger image for the community group. In the case of BOSS, she feels also that the relationship has changed WECV so that it understands better the needs of an entrepreneur; in addition, it has generated a different feeling in the partner for what a CED organization can contribute to a community.

The history of BOSS illustrates how various may be the ways in which social and business goals can be combined. This was especially important for WECV when the community base of the CED organization was so unsteady. WECV deliberately tried to educate businesspeople in Pinecrest-Queensway to what WECV was attempting and to get their support. But, quite apart from being a training site, BOSS was actually tuned explicitly to the needs of the smaller businesses and then finally became a symbol of joint efforts when it was re-organized with a local entrepreneur as partner.

Mark sees a continuing need to rally support and understanding from various sectors, especially local government and the larger business community. One target for lobbying has been the Ottawa-Carlton Economic Development Corporation, the municipal development agency. WECV together with the Community Enterprise Centre has worked successfully to get the agency to include community economic development as one of its tools. One of WECV's former staff became the agency's director, and WECV itself was made an honourary member.

Under the agency's auspices influential business people have visited WECV. This has helped give CED and WECV more prominent visibility in the city and province. On the provincial level, the Ontario legislature has passed a bill that provides significant support for various community development investment instruments (see Chapter 12). With this mandate, WECV hopes to use its business sector support to help create an equity pool that will give it the resources that it had to struggle without in its early business development activity.

Despite the ambitious plans and obvious optimism that these imply, WECV is still not out of danger. Mark acknowledges that if it does not get major investment help to allow it to launch a show-case business within the next year or so, it may not be able to continue operations. But Pinecrest-Queensway will remain a problem area needing development of its community base, both economically and socially. Stinson says, "If [WECV] fails to survive, it will have to be invented again."

A look back at the WECV adventure highlights why it was challenging the odds when it tried to launch a comprehensive long-term strategy without the resources to match the ambitious vision and its specific goals. The initial resource that had to be in place was a strong community-based organization; but that had to be built after WECV started its active program. This was, reasonably enough, accomplished simply through administering its program, but the time cost was high. WECV, or at least its director, was well aware of the additional resources for what the organization wanted to do. They worked hard to get those other resources in place: a capital fund for business financing; a coalition group that would strengthen each CED organization's ability to educate the province and the business sector so that informed support would be forthcoming; a technically expert source of accessible assistance in the tasks of community business development; and of course the core funding to maintain the effort.

Some of that enormous agenda was indeed fulfilled, and for that WECV and its staff and board deserve immense credit. Yet to try to build a full CED program infrastructure at the same time as the group itself was engaged in crucial internal development appears in retrospect to have been unrealistic. Added to that two-fold task was the further challenge of establishing one or more viable businesses, along with the other program elements of training, counselling, and so on.

Throughout the province as a whole, community organizations have not had much experience in successful CED; so there were almost no advanced groups to work with WECV, even though a coalition was established. It is instructive to recognize that, in fact, the organization that accomplished the most in micro-business development within the same funding program that had supported WECV had already been established and active for many years. In short the capacity, the experience, and the necessary resources were already present there before the micro-enterprise project was funded at that group.[11]

The lesson for policy makers is to consider the full range of capacity-building tasks before trying to field a CED program. Both the status of the individual organizations to be funded and an infrastructure of supportive institutions must be addressed. Of course, not all the supportive structure can or need be established ahead of time; some of it must be built alongside the local community efforts, learning from them. But it is not enough for a government to offer one or two years' or even longer funding support, even very generous support, and expect to demonstrate what the strategy of community economic development can achieve. As WECV itself recognized and hoped to handle, CED is a much longer and more complicated strategy than can be handled in a short term and with single-shot means.

[11] This was the Community Opportunities Development Association, which had been working for about 10 years in Cambridge, Ontario. See Community Evaluation Consortium (Cambell Research Associates, et al.), work cited. See also Paul Born, "Building Our Community," paper prepared for the Conference on Employment and Sustainable Development, International Institute for Sustainable Development, Winnipeg, 1994.

Chapter Five

SASKATCHEWAN COMMUNITY BONDS: FINANCING COMMUNITY SPIRIT

This case takes up a government program, the only one we have included in what is otherwise a selection of private initiatives. It seems significant to us because in concept it depends upon private local initiatives built upon a local community base. However, at the same time as the program rewards local initiative, it restricts the flexibility of the community leadership to engage in anything other than a single business development project. The benefits of the Saskatchewan Community Bonds program are thus to be weighed against what might be achieved by a more far-reaching CED approach that a provincial program might adopt. As of now, social goals are pretty much limited to the creation of jobs for local residents, and the economic impact is only what a single business, usually small or medium-sized, might generate.

Two specific examples of the use of the provincial program will be considered here. They show both positive effects of the program and how it might be more powerfully designed. This is particularly important since other provinces have established or are considering establishment of similar limited CED programs.

In July 1990 the Province of Saskatchewan broke new ground in Canadian provincial programs for local development. It instituted a guarantee program for a class of bonds to be issued by local community development groups for financing the creation or expansion of a business venture in their communities.

The idea was stimulated by a provincial series of townhall meetings in 1988-89, in a period of economic crisis due to successive droughts and a grain price war. The meetings were conducted by the Ministry of Public Participation (actually a department which dealt primarily with refinancing or privatization of crown corporations); the meetings revealed that there was a lot of local capital, which, despite the severe economic situation, showed up in rural areas as available for refinancing or privatization of provincial ventures.

Two other influences led to the idea. The provincial government wanted to promote development in rural settings and elsewhere for economic renewal, but fiscal restraints were severe. At the same time, there was survey evidence that people were not interested in conventional economic development programs as a solution to the depressed conditions. The same survey had revealed a public readiness to get involved, as well as local interest in local investments for nonfinancial benefits, such as youth employment.

Graham Parsons, a deputy minister in the department, conceived the idea of tapping into that local capital for local ventures, by encouraging its mobilization through a provincial guarantee of the investment. Reviewed with government and private sector representatives and thereafter adopted in the next year, the program was launched primarily for its potential to assist rural communities; but actually it is equally available and appropriate for urban settings. The program is extremely simple, and it has attracted efforts toward replication in Manitoba, New Brunswick, and Ontario. (See Chapter 12 for a discussion of the Ontario program.) British Columbia and Nova Scotia are currently exploring this model also.

The Design

A local group will organize itself as a “Community Bond Corporation” or CBC, and it will determine to raise capital for a single venture which fits local economic needs, especially for jobs and for interactive reinforcement of existing businesses. (Alternatively, the group may simply decide to raise a capital pool first, with the intention of later deciding on the ventures to be financed out of that pool.)

The choice of a target company has been variously approached by the participating communities since 1990. At first the province offered access to a list of potential companies to any community that established a CBC. But this was abandoned as not effective. Now, the community group itself ordinarily searches out a potential investment and proposes it to the province. Or a company may approach community leaders and suggest to them that they establish a CBC for investment in the company.

In any case, the local group obtains the target company’s business plan, including the proposed investment, and submits it for preliminary approval in a bond issue application to the provincial Community Bonds Office (Ministry of Economic Development). The Office reviews this initially for compliance to regulations. Originally the Bonds Office also made the main examination for the viability of the proposed venture. It still makes a “due diligence” review, but now it requires an independent third party to investigate that viability. The ultimate decision, however, remains with the province through its Bond Office and a review committee. They will take the final step of giving the go-ahead for the CBC to market its bonds.

The CBC then chooses a period of no more than 90 days to sell the bonds. If progress in the initial period warrants, the CBC may apply and receive up to a 90-day extension from the Bonds Office. There is always a minimum amount set that must be sold for the project to go forward. Bonds may be bought only by Saskatchewan residents or by corporations based in the province. (Also, municipalities may buy bonds, but venture capital companies may not.)

The CBC is permitted to hire brokers to market its bonds, but ordinarily they are sold by the board members themselves and the volunteers they recruit, who are much more effective as salespersons. The local marketeers are given a short training course, organized by the Bonds Office, and they may also be given a two to four percent commission on their sales, paid by the target company. In that event, it is usual for the commissions to be donated by the individual to a local charity.

Having raised the money, the CBC then lends it to the target company. Once the bond sale proceeds are loaned to the venture, the individual buyers of the bonds are guaranteed repayment of their principal by the province, at the maturity of the investment. Thus, if the venture itself does not repay the loan to the CBC, which would then repay the investors, the investors will get their principal back directly from the province. As a fee for its guarantee, the province has instituted a charge to the CBC of three-quarters of a percent of the value of the total bonds issued.

There is no guarantee of any interest or other return to the bondholders; that will depend upon the profitability of the business and the terms of the loan as negotiated by the CBC with the business. The term of the bond is usually five years, but may be extended by any bondholder for an additional five years. After five years or the extended term, the bonds are redeemable by the borrowing company; or the bondholder, depending upon the deal, may be permitted to convert the investment to stock or other capital instruments of the business, at which point the guarantee is terminated. If, when the bonds are due (at the end of the initial five years or the extended term) and the CBC cannot redeem them because the company has not repaid its loan, then the province repays the bondholders.

Bonds are issued in $100 denominations, and no more than $50,000 (or, if less, 10 percent of the total issued) may be purchased by any single buyer. Any one CBC can promote only a single issuance, of no more than $2 million (unless specifically approved otherwise by Cabinet vote); but a locality may organize subsequent CBCs for other projects. If the CBC has sold bonds for a pool rather than for a single venture, then each investment from the pool must go through the same review by the Community Bond Office.

The CBC will initially have a minimum of six directors, at least one of whom must always be a young person between the ages of 16 and 25; and at least one director must be nominated by the municipality in which the business is to be located. (The municipality must have previously approved the establishment of the corporation.) After the sale of the bonds is completed, the bondholders will elect replacements for the directors, each bondholder voting according to the number of $100 bonds purchased. If the local Rural Development Corporation, a Saskatchewan municipal structure for local economic development, has formally sponsored the CBC, it must initially have a representative on the board, but not necessarily after elections are held for the new board.

While there are no regulations against it, the CBCs do not hire staff. All the work is done by the volunteer board and its associates. This includes monitoring the investment after it is made. The CBC may not engage in other activities and is not allowed to own real property or other assets. Thus it will have no source of income for its operations, except the temporary interest that might be earned on depositing the proceeds from the bond sales temporarily in a bank account, prior to the investment. Minor expenses of the CBC (such as annual corporate reports and mailings for member meetings) are either defrayed out of that interest or may be paid by the company the CBC has invested in.

Special Conditions

Only some kinds of ventures are eligible for this financing, especially in order to emphasize new wealth creation. No retailing or wholesaling businesses can be promoted, and the bonds may not be used to buy out a bankrupt company or to bail out any troubled venture. Moreover, tourism projects are ineligible, unless they are so-called destination projects---that is, major attractions or facilities for which the majority of the users will be coming from at least 80 km. away.

In the original legislation, on the decision of the minister of the day, co-operatives were not made eligible for CBC financing, despite staff recommendations for their inclusion. After a change in government, an amendment opened the way for this form of business to get CBC financing. So far no co-operatives have been financed, although in one case a venture proposed by a co-op has been financed as a corporation organized as a subsidiary of the co-op.

Financing by the community bonds offering cannot be more than 50 percent of the total capital required for the project, and the entrepreneurs/owners must themselves invest at least 25 percent. These requirements may be more restrictive if the venture is receiving other provincial financial assistance. For a more intimate look at the whole CBC process, two cases will be helpful.

Rosetown

The Rosetown and District Community Bond Corporation was the first CBC to get off the ground. Based in a regional agricultural service centre of 2,800 population, which is located 115 kilometres south of Saskatoon, the Rosetown group were worrying about the loss of its young people who could not find local jobs. Two of the future CBC board members had heard of a small, farm implement manufacturer in Saskatoon that was looking to expand away from the higher real estate costs of the urban setting. Also, the financing that a CBC could offer was available at a time when banks were not actively lending. Finally, the company fitted the needs of the community for diversification and jobs. Thereupon the group (businesspeople, farmers, and others), together with the company, made application to the Community Bonds program in late 1990.

It took two months for the Community Bonds Office to review and approve the deal. Most of this time was spent by the provincial officials in negotiations with the owner on the terms of the deal. The owner recalls that it was a very lengthy and strenuous process, apparently because the government representatives were feeling very cautious with this first deal. While the CBC itself was pretty much out of the negotiation process (which included, however, how much control the CBC would have over which company decisions), the provincial negotiators sought to include CBC veto power for some issues.

At the end, the local CBC board reviewed and approved the investment agreement, but they felt little control over what shape it took. As one CBC board member reported, “All we did was sell the bonds; the rest was done by the government. They were, anyway, indemnified---and we were not. In fact, in the end we hesitated to sign off on the deal because as directors we would still be held liable by the bondholders. But the government people spent a lot of time on the project to make it go, because they wanted a project completed before the coming election.”

Raising the money in 90 days was a challenge, but 60 residents of Rosetown and the three adjacent rural municipalities fanned out in a highly systematized (even computerized) campaign, organized and headed up by a local small businessman who had once worked with a securities dealer and was himself licensed as a securities salesman. All the sales force (including the chairman’s wife) undertook the province’s training course in order to explain to their friends and neighbours what the bonds really were. Perhaps 70 percent of the campaign period was spent in pre-selling activities, public meetings, coffee shop discussions, etc. Then the sales force began making personal sales contacts. The market was ready for them; a survey had indicated that there were local bank deposits of $120 million, $40 million alone in the credit union; so the minimum sales target of $800,000 seemed reasonable.

The group held weekly sales meetings. Sometimes the company owner would attend to answer questions that had been raised by prospective buyers. Later he recalled, “You can’t imagine the rumours!---the company was going broke, etc. In a small town everybody thinks they know or should know your business.” But this sort of problem was actually minimal. At the meetings, each worker would report her or his progress, and prospects might be transferred among themselves, according to who was thought to have a better chance of making the sale with which resident. Two days before the end of the campaign, they were still $20,000 short; but they called “everyone in the telephone book who had still not been personally contacted,” and the goal was met in the 90-day period.

The average investor was in the 50-60 age group, but even high school students bought bonds. There were, in all, over 600 investors, with an average purchase of $1300. One retired resident bought $40,000 worth, specifically to help create jobs for the younger generation; and a corporation with local interests bought the maximum $50,000. Expenses for the campaign had run to $14,000, all covered by interest earned on the proceeds of the sales before the investment was formally made.

The CBC made the investment in the form of preferred stock with an annual dividend set at nine percent. The first dividend (at only 4.5 percent) was distributed in 1994 from the previous year’s profits. For most of the residents, however, the most important result of the project is that it has brought to the area a company with $400,000 annual payroll for a peak staff of 40 during the summer (when many students are hired), and a wintertime total of 15-20. Perhaps two-thirds of the basic employees are Rosetown residents with the rest from surrounding municipalities. Both the owner and the plant manager have moved to the area, and only three staff (including the company accountant) still live in Saskatoon and commute as necessary.

The experience had another singularly positive result besides the new business. It led to the formation of a local economic development agency. Historically, the municipalities concerned had not worked well together, but the success of the CBC led them to create a joint agency that is the equivalent of a community development corporation---focused on social aspects of the local economy as well as on business development. A visitor to the town could see economic development suggestion boxes everywhere in shops and restaurants, soliciting ideas from everyone; and the board of the agency, including some of the original organizers of the CBC, actively pursued a strategic planning exercise. Rosetown and its surrounds seem to have an energetic new life.

Coteau Hills

The fourth of all the CBCs to get into business was the Coteau Hills Prairieland Pork Community Bond Corporation in early 1991. It contrasts with the Rosetown case on a number of grounds. First, it was formally sponsored by the local Rural Development Corporation. The RDC is based in Lucky Lake, a village of a few hundred residents, 114 kilometres south of Rosetown; many of those kilometres consist of long stretches of absolutely straight highway through flat farmlands. Coteau Hills is a name that had earlier been adopted by the surrounding region to identify itself for tourism purposes (there *are* a few rolling hills thereabouts), and Prairieland Pork is the name of the hog-raising company that was established with the aid of the Community Bonds. Hence the long name of the CBC.

The investment was, again, in the form of preferred stock, but it was a company already in the area, not a case of re-location. Actually, the investment is in a new separate corporation; it is in concept an independent facility in a complex owned by principals who also own and operate another pig production facility some miles away in the small town of Birsay.

The Lucky Lake facilities are separated partly due to the necessary conditions of hygienic and genetic controls required by the Alberta firm, PIC, the largest pig breeding company in Canada, which contracts for the entire output of Prairieland. The separate corporation in Lucky Lake limits the risks of the investment from any losses occurring at the Birsay facility. Another complication is that the CBC investment was made in tandem with separate limited partnership shares offered to outside (non-Saskatchewan) investors, who provided the major share of equity in the firm. In addition, the project is just one element in a larger strategy of agricultural diversification, irrigation and water supply facilities, and other economic development being promoted by the local Rural Development Corporation.

Again, the deal was negotiated by the provincial civil servants; but as a Rural Development Corporation leader noted, “It’s always hard to say ’no’ to a local person [as the pork producers were], so it was comforting to have the Community Bond Office take the responsibility, and also good to have an independent assessment of the business plan.” In this instance, as with Rosetown, the local group did not even have their own lawyer to review the documents for them. Perhaps because the deal was fairly complicated, the CBC board seemed to be content to have the province take full responsibility for making sure that it was rightly structured.

Coteau Hills CBC had expected to conclude its bond offering (a minimum of $100,000 to a maximum of $400,000) in the period May-July 1991, but in the end the CBC required an extension into September, by which time it had $250,000 from 208 mainly local investors. The sales process was carried out by 20 residents who had undergone the provincial training program. They urged their friends and neighbours to participate, pointing out the successful campaign of nearby Rosetown which had raised twice the amount that Coteau Hills was seeking.

“We hit everyone in the community,” said one CBC director, noting that 250 family units were visited. And indeed in the village of less than 1,000 population, every family may well have bought at least one $100 share, although farm operators in the surrounding areas also participated. The largest purchase was $8,000, and the average was $1,200. Even one Grade Three boy bought a hundred dollar share, with a loan provided by his parents. A dozen or so buyers were friends and relatives from outside the area. Unexpectedly, the CBC discovered that it was not able to tap into the retirement funds of local residents, which seemed to be too tied up to be accessible for investment in the time period.

The pig facility was important to the local people because of the six or eight permanent jobs for residents, including a couple of natives who actually moved back to the area. The facility also offered a steady market for a major local crop (barley). Long-term plans foresaw expansion to perhaps four more installations.

The dividends were expected to range from five to nine percent. Indeed in the first year a five-percent dividend was paid out, even though it had not been in the financial projections. With that record, say the organizers, it would be much easier to sell bonds today for another project. Also, as a CBC director points out, the political complexion of a new NDP government now matches that of most of the locals, who were somewhat sceptical of the previous government and its bond idea. Some of the local small hog operators were opposed to aid going to a bigger, though also local company, and political opponents of the then-government had made the most of that. In any event, the experience has been so positive that the local leadership has been working on another potential venture to be financed by another CBC offering, this time for a manufacturing firm using recycled plastic.

Overall Program Results

So far (up to mid-1994), 156 local groups have been organized to explore the CBC approach. Of these 140 are still in existence. There are 36 that are either actively pursuing incorporation or have actually started operations. Most of these (30) have already reached at least their minimum target. Funds totalling now about $16.7 million have been raised from a total of about 6400 investors. Investments have been made in 25 ventures; five CBCs are still looking for an investment (including the four active pool CBCs).

Almost all of the investments have been made in the form of preferred shares in the target company, with a fixed and cumulative dividend. Four investments have distributed dividends for at least one year, but in any case most investments have been operative for only two or three years. Two investments of the 25 have already failed,[1] and some others are struggling. A total of 331 jobs have been created or maintained through the 25 investments.

Only three CBCs have so far been unable to raise the funds they formally sought by a marketing campaign. The majority of the CBCs required more than the 90 days for marketing; so they have requested and received extensions of an additional period to achieve their minimum targets.

Although the program was initially adopted to focus on rural needs, it has not engendered the expected sponsorship by the local Rural Development Corporations. Only 3 of the 25 fully financed CBCs were sponsored by their local RDC.[2] Generally, the sponsor is simply an informal group of local community businesspeople and other leaders.

Five groups have proposed the capital pool format, that is, raising funds for multiple investments to be made as opportunities arise. One of these groups was unsuccessful in fund-raising. Of the four remaining, the largest is a $2 million effort in Saskatoon, which concluded fund-raising in early 1993. It has not yet made an investment. For a time this was the only pool, and it appeared to be one of those CBCs presenting the most difficulties in marketing, receiving two extensions when the estimates of short marketing periods proved over-optimistic. This was in sharp contrast with three earlier CBC projects in Saskatoon that were smaller and venture-specific and now have active investments.

There has been a significant fall off in interest and activity in the provincial program, probably due to the fact that the Bonds Office staff has been downsized and its tasks reformulated. Where there had been more than a dozen staff spending a good deal of time

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[1] Although the province will make good on the investors' principal, the guarantee is not payable until five years after the date of investment, so the investors will have to wait for their money.

[2] The province has promoted new development agencies, to be called a Regional Economic Development Authority, which will also be able to sponsor a bond corporation. It remains to be seen whether this structure will be more likely to foster CBCs.

in the field talking with local leaders about the program and assisting the local groups with their plans, there are now only two staff people working full-time, and the field work has in fact been delegated to regional field offices of the department. The departmental field offices have traditionally had other priorities and responsibilities and have now merely added new duties, and the reduced central office staff today is hard put merely to process the paperwork and approvals.

Policy and Practice Implications

The Community Bonds program clearly contrasts with the venture capital support programs that are conventionally found in provincial government departments. As originally designed and administered, the Saskatchewan program appears to have been viewed as an initiative directed primarily to supporting communities rather than simply to the support of businesses. Thus it can be considered a CED program, even though its focus has been on one task, business development.

The initial success of the effort in the rural areas of the province bespeaks the significance of community in smaller settings. In contrast, the larger settings of Saskatchewan's cities have not engendered as much use of the CBC tool. For example, Regina (where the provincial Bond Office is located) has done nothing. Only four of the 25 projects have occurred in the province's urban centres. Three of these were in Saskatoon and one in Moosejaw. One reason may well be that the urban community base is more difficult to mobilize, especially when the arena is not an urban neighbourhood but an entire city.

The case of Saskatoon's pool CBC provokes some interesting questions. In contrast to the three single-project Saskatoon CBCs, it had difficulty marketing its securities, and it has yet to make an investment, although at this point it has had its funds in hand for more than a year. One reason it has been slow may be that the city department of economic development is a major sponsor, so that it may have seemed more a government activity than a community-based campaign. Also the marketing approach stressed the eligibility of the investment for RRSP purposes. This is an appeal to individuals in terms of their personal finances and thus must stand or fall on the attractiveness of the personal investment, rather than the attractiveness of the project. That approach puts a priority on individual rather than community benefits.

However, it may also be that the handicap lies (perhaps in greater degree) in the choice of promoting the creation of an amorphous capital pool, as contrasted to the Saskatoon CBCs with specific projects. For people who seek to make their dollars work in a social or community cause rather than simply to obtain a return, the actual character of the investment is an important part of the satisfaction to be gained from the investment. Social investors want to see just where their money will have an effect.[3] Thus an undesignated capital pool tends to be less attractive.

The U.S. experience with the so-called Community Loan Funds, which are local capital pools for CED investments, usually in loan form and usually for housing, is instructive here. Individual and institutional (church, etc.) investors provide the CLFs

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[3] The writer here (SEP) bases this primarily upon his experience as head of an investment advisory firm serving individual and institutional social investors.

with funds (a national total of over $100 million to date) at below the interest that the CLF will lend for local projects. Even though the CLF is a pool, the investors know that their dollars will go, for example, to affordable housing for local people, and from the record of their particular CLF will know just what sorts of affordable housing will be financed. Moreover, a CLF will have projects on the drawing board which can be vetted by prospective investors to get a clear idea of what a deposit in the fund can produce. There is thus a lot of specific information that will satisfy the needs of prospective investors. The single-project CBC meets that need for information and personal satisfaction; the undesignated CBC pool may not. Thus the pool alternative chosen by the Saskatoon CBC may have been a significant brake on its campaign.

Note that none of the four CBCs operating as pools have yet made an investment. Two urban pools (in Prince Albert and Melford) more easily concluded their sales, in comparison to Saskatoon, but they, like Saskatoon, have not yet made an investment. In another pool for a smaller town, the bonds were originally sold for a specific $250,000 project; the investment was not ultimately made, but the CBC sought and got approval of the bondholders and the Bond Office to regroup as a pool and look for other opportunities.

In each instance there may be some local factors at work. For example, the Saskatoon pool is being administered with considerable caution (perhaps as a result of the heavy participation of the municipal authorities). But the pattern of all the pools suggests the need to consider whether there is a structural problem involved.

If the Community Bonds model is to be more effective in urban areas, the CBC will probably need a clear sense of mutual identity and common reliance upon a development effort---in short, the sense of community. That sense might well arise in smaller cities or from a particular neighbourhood where the residents are more closely related, rather than from an entire major urban area where the residents do not see themselves as very closely interrelated. Or the sense of common identity might be evoked by a particular group within the city, such as women, raising the funds for women's enterprises. Or, as in the case of the CLF experience in the United States, where people already involved generally in the development of local affordable housing could market their common interest to social investors, a CBC pool could be organized to invest in a specific, locally valued sector. The Saskatoon pool campaign does not appear to have depended upon any version of that essential community feeling. A more intensive review of the experience in Saskatoon at a later point would probably be useful in exploring this problem, but the initiation of a CBC type of program in Ontario in late 1993 will also provide further data.

Nonetheless, at this point recognizing the significance of the dimension of community helps to highlight a general handicap in the CBC approach. That is, a CBC campaign is not a comprehensive development strategy for the designated community; it addresses only one local issue (new or expanded business), usually with only one local investment. To be more powerful, the CBC approach requires a setting in which the residents can view their investments as a part of their longer-term and more ambitious concerns for local revitalization.

In community-based economic development, selecting a single project or only a single sector of interest (youth, housing, post-psychiatric patients, assistance to entrepreneurs, or whatever) by itself may be valuable for local development, but it will have minimum or reduced impact if it does not connect with a strategic development context of diversified activity. In short, CED must always be recognized as a multi-faceted approach, involving concurrently many different mechanisms for local revitalization.

Nevertheless, it is true that community leaders, having learned to collaborate successfully on a single project, may and often do move on to consider and then create a CDC with a comprehensive perspective dealing with many different and interrelated community issues. Can a local success with the Community Bonds technique stimulate that sort of broader approach? The case of Rosetown seems to indicate that it can. The success and the spirit produced by the campaign to finance and bring the farm implement manufacturer to the Rosetown area was undoubtedly critical to the continuation of municipal collaboration in a broader economic development committee. Prior to the CBC episode, an economic development office in the local municipality had engendered little support and was phased out.

In the case of Coteau Hills, the local people were already very active in designing a major strategic plan. So the one-shot financing of a single venture was not an isolated project. Yet here too it is a safe assumption that the success of the CBC was a powerful stimulus to continued work on the locale's comprehensive strategy.

The provincial restrictions on the structure and activity of the CBC as an institution may well reduce its potential for stimulating a broader impact. That is, the CBC, by law, is not allowed to engage in any other activity or to own assets that might be useful for development purposes. The Rosetown case demonstrates that this is not a fatal restriction insofar as the CBC experience stimulated the spinoff of a more powerful, multi-valent institution. However, a less restrictive structure might make it easier for a local group to press ahead with additional development activities. In any event, from a policy standpoint the Community Bond Corporation as a CED instrument must be understood and used as a means to a larger end than merely the financing of a single venture.

Even within the limitations of the Saskatchewan model there are opportunities for promoting the development of local capacity to do more than simply sell bonds for a single project. Key to any local development spirit is the sense of grabbing hold of the community's destiny and shaping it to local ends, a feeling of self-reliance. But the way in which the provincial administrators took responsibility for the two deals described here can put a restraint upon the growth of that self-reliance.

Because the province negotiated the deals in both Rosetown and Coteau Hills, there is a very limited sense of local ownership of the deal. In both investments, the leadership expresses a lack of ability to monitor the progress of the companies concerned. In one instance, a leading CBC director even suggested that the province should provide a sophisticated representative on the company board to do the monitoring. In neither case did the CBC have a chance to understand the intimate details of the business, as they would have had to learn them in the course of negotiating the deals.

There is the further problem that the local board may be held responsible (and thus require indemnification insurance or other protection); but they would not have had the really intimate knowledge of the venture that negotiating the deal themselves might have provided. This lack of involvement in details might indeed make them liable at a later time---and throw the whole concept of the bonds into doubt. In short, because the critical element of increased local capacity does not seem to be addressed in this provincial process, the full value of the program is not realized.

No doubt in the early cases, any interest in local capacity- building was subordinated to the agency's felt need to shape the first deals properly, and perhaps also to get the deals completed in time for an upcoming election. There is probably no way to eliminate all political considerations in a government-supported program---federal or provincial or municipal. However, the effect of such considerations at any particular program moment should not be allowed to shape the program itself in its subsequent operations. Establishing a pattern of provincial negotiations on the local deal instead of local negotiations vitiates a fundamental part of the community economic development process---local capacity-building. The CBC technique will be a more powerful instrument if it can be administered as a means to encourage and capacitate broader local efforts.

Chapter Six

CO-OP ATLANTIC: PROMOTING CED THROUGH AN INTERMEDIARY

Any consideration of CED ought to include, at least in Canada, some attention to the role played by co-operatives which, beginning in the time of the Great Depression, embodied important community initiatives to redress local economic problems. Co-op Atlantic is a very special illustration of the potential influence that co-operative development at the community level can have. Although it actually began in the 1920s as an organization limited to offering marketing services for members of a single industry---livestock growers---it gradually expanded to become a co-operative of co-operatives, providing many different services for a wide range of different types of co-ops (retail, housing, farming, and worker-owned co-ops) in many communities throughout the entire Atlantic Canada region.

What makes Co-op Atlantic particularly significant among our cases is the fact that its governing assembly recently adopted a far-ranging program of development to be built upon local councils of co-operating co-ops (including co-ops not directly affiliated with Co-op Atlantic, such as credit unions). An explicit aim of this program is to strengthen local economies, especially by linking local co-ops in a mutually supportive system which in turn is linked to the co-op system throughout the region. This mechanism is expected to help local co-ops, their communities, and the regional co-op system respond effectively to the new trends and conditions of a global economy. The initiative stresses, of course, a particular social structure (the co-operative organization) and its democratic ideology as a tool for building local economies. The individual localities are the community base for the co-op councils, but the structures through which a locality exercises its interests are the local co-ops which individually or collectively in the council pursue a variety of social as well as economic objectives.

The new Co-op Atlantic initiative is indeed an ambitious undertaking. Given that CED has to be a matter of institutional change, the initiative becomes even more noteworthy when one recognizes that it is a radical new direction for an institution that had concentrated simply on wholesaling and other supportive services for a limited membership. The new program has been underway only a couple of years, but the experience so far has highlighted some critical issues in CED governance and programming.

Co-Op Atlantic is a second-order co-op. That is, it is a co-op of member co-ops. Although it was begun in 1927 simply as a marketing and purchasing agent for a number of livestock farmers,[1] by 1944 it had expanded into consumer goods, acting as a wholesale agent for the retail consumer co-ops that were emerging in the Depression years throughout Canada's Atlantic provinces. The local retail co-ops as organizations thus became members of a central co-op along with the farmer co-ops. In the 1950s, Co-op Atlantic became also a major feed manufacturer and began providing more extensive services to its member co-ops, such as technical management expertise.

[1] The original name was Maritime Livestock Board, changing in 1930 to Canadian Livestock Co-operative and in 1944 to Maritime Co-operative Services and finally in 1978 to Co-op Atlantic.

This study examines a recent new (1990) initiative of this co-op of co-ops, one that can be called a fundamental CED strategy.[2] Co-op Atlantic has come to include in its mission a new central purpose: to develop new co-operatives in all sectors of economic life and generally to strengthen the co-operative network "to counter the erosion of our democratic society." This initiative stands as the only, or at least the most significant Canadian CED initiative to be adopted in the course of a systematic economic and political analysis, rather than simply as an ad hoc effort in community-based economic development.

Background

Based in Moncton, New Brunswick, Co-op Atlantic has over the years grown to an enterprise with about $450 million in annual sales and approximately 165 member co-ops. Its main business is supplying the member retail co-ops in the Atlantic provinces (and the Magdalen Islands of Quebec province) with groceries, gasoline and other petroleum products, hardware, dry goods, farm supplies, and feed. It also builds and manages co-op and nonprofit housing (through a subsidiary corporation) and provides its members with a wide variety of technical assistance, for example, in market analysis and financial planning. In addition it offers training and managerial up-grading programs both for its own staff and directors and for member co-op directors and staff.

For more than 60 years Co-op Atlantic had conceived itself primarily in terms of a supply service to member co-ops and thus concerned itself primarily with internal matters of management and operation. But in the late 1980s, the board of directors began to consider a wide range of public issues, such as de-regulation, free trade, and government taxation policy---and how these would affect the future of their organization in a changing world economy. Some specific but limited actions were taken, such as the establishment of a capital fund for new co-ops, the Atlantic Co-operatives Development Fund. But there was no consensus about the future economy or about the conditions shaping it or indeed about the role of Co-op Atlantic in all this. So the board members organized systematic discussions among themselves. And they commissioned a study by a economist as part of their self-education process on the impact of free trade for the co-op system in general.

Out of their discussions and the study evolved a broad perspective on the current state of the Canadian political economy. The Canadian welfare state was seen as a dependency pattern which had actually undermined the self-reliance of co-operatives and their self-help philosophy. The dependency appeared to be especially acute in the depressed Atlantic region, which had come to rely increasingly on transfer payments from the federal government. However, this welfare state was itself being undermined by national and global economic processes that were likely to leave vulnerable all but the most privileged. The co-ops themselves would suffer and eventually even disappear in

[2] An important recent publication recognizes that co-ops are experiencing a new emphasis on community development (especially as viewed in economic terms). See Lou Hammond Ketilson et al., *Climate for Co-operative Community Development* (Report to the Federal/Provincial Task Force on the Role of Co-operatives and Government in Community Development); Saskatoon, Sask.: Centre for the Study of Co-operatives, University of Saskatchewan, 1992. The authors point out that co-ops should be seen as "fundamentally a form of community development." The new stress on community development broadens the potential range of activities that had sometimes been narrowly defined as mainly consumer services.

competition with the multinational corporate system. The retail co-op participation in popular consumerism (with a greater and greater variety of goods on the shelves) would not protect them, would indeed make them more vulnerable to competition.

In the light of this conception of the global and national economic scene, the board reconsidered its usual position of concentrating primarily on its own internal affairs. As a first step it proposed to its membership a resolution against the Canada-U.S. free trade agreement. This resolution was firmly adopted at the annual general meeting of the member co-ops in 1988. The next year's issue became the Canadian government's proposed Goods and Services Tax, when again the annual general meeting voted opposition to the impending government action.

In the context of growing attention to these broader concerns (and of course in the context of a national government policy that seemed more and more to diverge from the co-op's views), the board began to consider what it must do simply for long-term organizational survival. And it authorized preparation of a resolution for the next members' meeting that would aim at strengthening Atlantic co-operatives and reinforcing their philosophy, as well as renewing the vision of Co-op Atlantic itself. The preparation of this resolution was a crystallization of all the wide-ranging discussions on public policy topics that had concerned them over the preceding five years.

A New Direction

At the annual general meeting of 1990, "Resolution 11" established a committee to examine Co-op Atlantic's long-standing mission statement. The committee's job was to come back the next year, after wide consultation among the members, with recommendations for a change. Specifically, that change was to somehow recognize a key role for the organization in "creating interlocked networks of co-operatives to counter the erosion of our democratic society." Only three nay votes were recorded on this resolution. (At the time there were 173 members. See Table I.)

The committee thus established went to work to formulate in more detail why a new direction made sense. In short time, it brought forth a new "Resolution 11," called "A Proposal for Renewal," to be acted upon in the 1991 annual meeting. This resolution outlined a series of economic threats: globalization; the North American free trade treaties; corporate mergers leading to multinational control of the whole process of production, distribution, and sale of goods and services; government decisions for privatization, tax policies, and deregulation; and the high interest rates set by the Bank of Canada.

All these were seen as posing a severe challenge to the co-op movement, based as it is on local economies and local democracy. The analysis placed considerable emphasis upon the problem of dependency in the Atlantic Region. All this led, the committee argued, toward the need for a new effort specifically to promote the co-operative approach in the Canadian economy, at least in the Atlantic region at first.

Table I: Membership in Co-op Atlantic in 1990*

TYPE OF CO-OP	NUMBER
Conventional consumer (retail)	75
Direct charge (retail)	27
Agricultural societies	21
Agricultural co-ops	11
Producer (usually dairy)	12
Buying clubs	8
Multipurpose	6
Fishermen's	4
Housing	4
Regional	3
Worker	1
Students'	1
TOTAL	173

*Source: "Co-op Atlantic Enterprise Plan, 1992-1997..." There has been little change in membership composition since 1990 except for a small decrease in conventional co-ops and a slight increase in worker co-ops.

The board and management distributed a basic document that gave the rationale for the proposed new direction. In the succeeding months, two rounds of meetings (in the fall of 1990 and the early winter of 1991) were held throughout the region to discuss and improve upon the new statement of purpose and its related objectives. The board chair, Sid Pobihushchy, who for a time was on sabbatical from his teaching post at the University of New Brunswick, made a major touring effort to bring the idea of a new vision to the membership. As the Co-op Atlantic board and staff travelled through the region to discuss it with the member co-ops, they heard criticism, questioning, and a lack of understanding of the proposed policy.

Initial Criticisms

The basic document came under criticism on several grounds. It seemed to some to be couched in inaccessible, theoretical, academic language, not at all appropriate for a grassroots discussion process. There was upset particularly at the statement's emphasis on dependency, and Co-op Atlantic staff prepared a special discussion paper on that topic alone to present the meaning of regional dependency in more direct and accessible terms. Papers were also prepared on other topics that seemed most troublesome, such as "Is Resolution 11 Too Political?" and "Re-Thinking Surplus and Capital." The political perspective got special attention when a columnist for *The Atlantic Co-operator* (a regional monthly) opined that it was "thinly disguised Marxism."

Pobihushchy and his associates hotly denied the political criticism, insisting that they had no ideological perspective beyond the democratic and economic principles of co-operatives. They asserted that their analysis of the problem was merely a forthright description of the facts of the case, especially the dependency of the Atlantic region, marginal and peripheral to the decision-making centres of Upper Canada and the U.S.

Perhaps the most fundamental opposition, however, was simpler: Namely, the position by some members that Co-op Atlantic should not accept a mandate to 'solve the problems of the world economy'; it should just do its ordinary business and concentrate on helping out local co-ops in distress, because, as it was, many stores had plenty of routine difficulties to confront. This basic concern about the proper role of co-ops was generally countered in the local discussions by pointing out that co-ops throughout the world had traditionally taken much more active roles.

In the end, the 1991 annual general meeting Co-op Atlantic strongly voted to expand its mission statement and accept the "Proposal for Renewal" as Resolution 11 for 1991. Thus it came to include the goal to "extend co-operative values to all parts and sectors of our society and economy through the creation of an interdependent network of co-operative enterprises whose operations gain their vitality and business strength through the innovative application of co-operative values and principles."

The decision of the annual meeting was a watershed, but as one Co-op Atlantic staff member noted, "If it had been proposed five years earlier, it would never have passed."

True, there was an internal base of support that had existed for years. One-third of Co-op Atlantic's own members were francophone co-ops, and traditionally these were always highly oriented to community development and towards networking within the co-op sector. Probably more important was the broader context of an independent and growing base of grassroots support for new co-op development.

The context for the action included, nationwide, a rapid growth over the 1980s of emerging co-ops, especially worker co-ops, and a rebuilding of regional and national co-operative federations in that same period.

The Canadian Co-operative Association (CCA) was formed in 1988 to replace previous organizations that had served the consumer and marketing co-ops of the country. CCA soon re-organized a section for worker co-ops so that those co-ops would have more say in its policies and programs; and it took on development and other responsibilities recommended from an intensive three-year project on worker co-ops at St. Francis Xavier University in Nova Scotia.

A Nova Scotia Community Development Co-operative was fostered in this period to provide financial and technical assistance to worker co-ops. It was supported in part by the Xavier project, as well as by member groups such as Credit Union Central of Nova Scotia and Co-op Atlantic. These together established a venture capital fund for Nova Scotia worker co-ops.

The Newfoundland Federation of Co-ops grew in the l980s from one staff member to four by 1990, and it emphasized development. Also, a growing number of child care co-ops throughout Canada led to a national association in the next couple years. And so on. In short, it was a period of yeasty development, both nationally and regionally, within which the resolution arose.[3]

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[3] In this same period, Co-op Atlantic chose a new general manager, Eric Dean, a senior staff officer who had been active in the worker co-op movement and had participated in a study visit to the Mondragon system in Spain. His appointment both expressed and strengthened the general movement within Co-op Atlantic. And, as mentioned previously, in 1987 Co-op Atlantic had established the Atlantic Co-operatives Development Fund.

Objectives and Strategies

With passage of the resolution, the question became, How might this new orientation and purpose be made real? To this end, the members adopted six general objectives or strategies for renewal:

(1) *Promoting integrated co-op development* by creating practical business links and investing capital to promote those links.
(2) *Facilitating new and growing co-ops* by (a) creating local co-op development councils to identify local development programs (e.g., to help set up worker-owned co-op businesses), (b) establishing regional mechanisms to provide technical assistance, and (c) systematically using Co-op Atlantic's purchasing power to promote local worker or producer co-ops.
(3) Emphasizing *capital formation* by accumulating investment capital for co-ops, creating investment vehicles, and promoting member commitment to the need for capital accumulation and an understanding of its process in the co-op system.
(4) *Strengthening stakeholder control* by ownership techniques and other mechanisms, such as identifying the range of presently unincluded stakeholders (for example, the employees of the member retail stores) or under-represented stakeholders (such as women members).
(5) *Taking responsibility for environmental impacts*, seeking to work in harmony and interdependence with the natural world, by examining systematically the operations of the co-ops and developing policies and programs to minimize negative impacts and by lobbying governments for environmentally protective standards that would underwrite an ability to compete in environmentally positive ways.
(6) *Promoting co-operativism internally* by more member education and by reviewing and improving democratic and ownership features to allow informed decision-making and real control, including a variety of communication or education vehicles.

For each of these six objectives/strategies which were adopted by the membership, the management and board later worked out a five-year (1992-97) business plan, in which some specific goals and targets were laid out. For example, in capital formation, there is the goal of increasing the Atlantic Co-operatives Development Fund to an asset base of $4.7 million---from what was at the time less than $300,000. And in the matter of promoting linkages and new co-ops, the organization committed itself to assisting in the creation of 15 new local co-op development councils in 1992-93. For some of the objectives, targets were not set or were postponed, since they involved more complex relationships. For example, in regard to extending the employee stake in consumer and producer co-ops, the target was merely to have an action plan in place sometime in 1992-93.

Early Results

Basically, the targets were fairly modest, and they have been met for the most part.[4] It was a basic decision that the central office should not launch a major staff effort, a new

[4] This study will not deal with the part of the initiative that focuses on environmental and ecological topics.

bureaucracy. The staff complement for working on the renewal program is less than two full-time persons. The main staff person at the beginning, Robert Allan, was recruited only in September 1992, as the "Initiatives for Renewal Co-ordinator." His background was in worker co-ops and business development. He agreed to serve for only the initial year, although he stayed on longer until his replacement, Euclide Chiasson, began work in early 1994. During his term, Allan was able to gain a higher visibility for the Renewal effort by establishing a direct reporting relationship to the executive management committee. His successor also sees Co-op Atlantic's own perspective on development as a prime arena for his efforts, so that internal development will meet local development throughout the region.

The basic infrastructure for local development efforts is being laid throughout the Atlantic provinces. There were soon 16 local councils, including three that were already active. Although others were in the organizational phase, there was a specific staff decision not to try to promote more and more councils so much as to strengthen those already operating. And indeed of the 16, only 12 appear to be very active at present, and working with them is a high priority for the Renewal Initiatives program.

Another important emphasis has been placed on helping emerging co-ops, which Allan has stressed will probably provide the next generation of leaders in the movement; he has especially provided technical assistance for those struggling in their early stages, and for the local councils promoting the new co-ops. More recently, Chiasson, who had previously managed a French language magazine co-op, has been providing technical assistance to emerging co-ops sponsored by co-op councils in New Brunswick.

As is to be expected, the already established and active councils in Atlantic Canada (generally francophone) were in a position to take strength from the stimulation of Resolution 11. For example, the council in the Evangeline area of Prince Edward Island had already been actively working on an attempt to re-structure the Olde Barrel potato chip company, a worker co-op nearby, which was in severe financial and managerial difficulties. In fact, Olde Barrel was in trouble with Co-op Atlantic on the issue of quality in the product it had delivered. But the Evangeline council hoped the new orientation by Co-op Atlantic would provide support for rescuing the company. Ultimately, though, the co-op could not be salvaged, and its assets were sold to a private firm. The Evangeline area council is based in a settlement of some 2000 people, but they are organized strongly enough to maintain a staff person half-time for their council.

By contrast, most of the newer, anglophone councils have focused more on promotional and self-education activities. And there is no doubt that they will need a period of self-development before they can have a significant impact on the growth of new co-ops. Co-op Atlantic staff see the highest priority now to be instituting systematic orientation and training in community economic development. As a first step, three-day regional workshops (one in French and one in English) were held on the strategic planning process in CED. Chiasson has also designed and led a workshop on opportunity identification of ventures to be sponsored by a local council.

Some of the new councils are already moving into program activity. The council in Stephensville, Newfoundland, made up of a credit union, a scallopers co-op, a consumer co-op store, and the local Co-operators Insurance branch, plus francophone representation, has targeted public school curricula so that students get an orientation in the meaning of co-ops. A council organized in the Saint John River Valley area, the

Fundy Development Co-operative Ltd., has helped obtain financing for a restaurant co-op to be run by immigrant refugees from Central America. It is also working with a group of taxi drivers who want to organize as a co-op. The Capital Region Co-operative Development Council, based in Fredericton, has established a strategic plan and is reviewing a list of projects suggested in the plan. Its work is financially self-supported by fees assessed to each member.

Interest in a development investment fund in the Fredericton area arose out of the Fredericton consumer co-op's own inability to obtain financing, for a major expansion, from either the Co-operators Trust or League Savings (the regional credit union lending agency) even though Fredericton was in good financial shape. In the end, financing was obtained from a commercial bank, but it was at the cost of agreeing to lodge all the co-op's business at that bank, cutting relations with the credit union. It was a clear illustration of the need to improve the linkages between elements of the co-op network.

The local council did not see this as simply a failure of the co-op financing institutions, but more as a commentary on its own local history. That is, although the Fredericton store is probably the most successful in the Atlantic region, it had never made any real effort to use its own strong base to encourage co-op development financing. For example, it had voted to channel three percent of its net surplus to the Atlantic Co-operatives Development Fund, but it had tended to handle its books so that there was never any allocatable surplus. Among other factors, the council thought, this attitude was surely part of the reason that the Fund had reached less than $300,000 in five years of operation---much too small an amount to finance the Fredericton expansion.

The status of ACDF seemed to the Fredericton co-op as emblematic of a general lack of concern for co-op development. Being turned down for mortgage finance within the co-op finance family became defined not as a failure but as an opportunity to exercise leadership in strengthening the regional financial resources for co-op development. Members prepared relevant presentations for the annual general meeting of Co-op Atlantic and for the annual general meeting of Credit Union Central. Their initiative stimulated a formal resolution for the organization to look more closely at problems of capital formation and use by co-ops.[5]

More generally throughout the region, a structure for worker participation and voting in the consumer and producer co-ops of the Atlantic region seems a long way off. The notion of a "stakeholder co-op" in which employees, consumers, and producers are all voting members has not been popular in the co-op world in Canada or abroad.[6] General Manager Eric Dean stresses that a change in the internal culture to emphasize empowerment and participation at all levels is required before any structural changes can take place.

A four-year plan has been developed to bring some changes in the managerial climate of Co-op Atlantic itself, primarily through a variety of training programs for managers at the Co-op; another program will be instituted later for all other employees. Perhaps the ideas of greater decision-making opportunities are already taking hold: In one site, the

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[5] The resolution led to engaging consultants to make a formal study. Michael Swack and Donald Mason, "Issues of Capital Needs and Co-operative Development: A Report Prepared by the Institute for Co-operative Community Development for Co-op Atlantic," [1994].

[6] See Anthony Scoggins in a column for *The Atlantic Co-operator*, August/September, 1993, p. 6.

workers took the initiative to organize a co-op cafeteria for themselves. However, they did not establish it as a worker co-op or integrate its staff into the structure!

The main staff effort of Co-op Atlantic on the objective of expanded participation throughout the system is focused on helping to launch demonstration projects that will foster the ideas of broader employee control in those co-ops that are already at least thinking in that direction. Allan says that the only co-ops considering the idea are "producer co-ops facing major financial and operational restructuring. To the extent that it is considered at all, the multi-stakeholder model is seen as a last resort. We have yet to see a healthy co-op include employees on the board simply because it thinks that's the right thing to do."[7]

A demonstration opportunity is offered by one of the larger producer co-ops in the Atlantic region, which is looking to sell (at a friendly price) a 25 percent interest to its workers. Months of design work have gone into this project, using a top outside consultant in worker co-op and employee control structures. The co-op expects that the change will ultimately increase productivity, perhaps as much as 25 percent, which will help to offset downward price pressures coming out of the GATT tariff reductions.

On the capital mobilization side, the Atlantic Co-operatives Development Fund has been active in trying to get new investors. It has been advertising debentures paying 1/2 to 3/4 percent more than conventional certificates of deposit, and its total assets have risen to about $575,000. An opportunity may exist to increase assets by the use of new provisions passed by the Nova Scotia government allowing co-op members tax credits for investing in their co-ops, but so far no one has invoked the provisions of the new law.

The ACDF has offered only loans, not equity financing, although its original aim was to serve as a source of co-op equity. The loans have been for mortgage financing. The fund's first loan has been paid up, and payments on three other loans are on target.

A consultant study that explored the development financing objectives of Resolution 11 indicated that at present the ACDF is underutilized. In fact the authors concluded, "The underutilization of the various financing programs [including those outside the co-op field] demonstrated to us that the problem was not capital formation, but co-operative development."[8]

That is, the consultants believe that, for example, beginning co-ops need assistance far beyond capital and that only aggressive efforts to help groups develop their co-ops will ever make heavy demands upon any available capital. At the same time, it was clear from the study that the expansion needs of larger co-ops could not be served effectively by the credit union sector, because the latter was not technically prepared in the commercial lending field. Only the francophone credit union system has expertise in this lending. The consultants recommended that that system ought to be more fully integrated into the Initiatives for Renewal process.

The upshot of the study on the issue of capital needs was that Co-op Atlantic probably could not do the necessary development work alone and that only a new cross-sector entity would be effective, including for the task of establishing appropriate development banking functions. The significance of the report is still being digested by Co-op Atlantic.

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[7] Scoggins, work cited.
[8] Swack and Mason, work cited, p. 38.

Practice and Policy Issues

Any observer of the recent events at Co-op Atlantic is probably going to be struck immediately by the spectacle of a self-induced effort to produce fundamental change in a large organization (861 employees, not counting about 5000 employees in the member co-ops). Large companies conventionally go through major changes only in response either to severe losses or to significant technological developments. The conservative nature of large and long-established organizations in North America does not predict radical changes merely in response to threats in far-off years. Indeed the priority of short-term planning over the needs of long-term planning is one major criticism of corporate behaviour today. Yet here is a wholesaler that in sales approaches a half-billion dollars and is deliberately beginning a major change in focus. So first off, this case may be widely instructive on the issue of self-induced transformations in the absence of immediate crisis. (Of course, the question remains at this point as to whether indeed Co-op Atlantic can maintain a steady course in its new direction.)

The internal processes that their organizational change has involved bear close examination. Clearly, the initiative here began at the board level---even though there was obviously ferment at the grassroots. An important detail in this picture is the fact that the diagnosis of the long-term threats may not comport with the day-to-day challenges that local member co-ops are confronting. In short, the anxieties of the Moncton-based behemoth do not necessarily match those felt at the local level in all the small and large communities of the Atlantic region.[9]

To be effective the board initiative required some way to engage a broad acceptance of the initiative by the member co-ops and their local leaders. And the board and staff indeed carried out a strenuous campaign of district-wide discussion meetings around the region, and they offered to come even to any individual co-op that asked for them. The general approach was to distribute the background documents widely, set up meetings to explain the proposition and its rationale, and at those meetings to invite questions, criticisms, and comments in general. This process brought suggestions to the fore that were accommodated in the resolution itself before it was finally submitted to the annual general meeting.

This process raises the question of the degree to which the members reach a sense of ownership in the new direction and commitment to it. One commentator has suggested that a more engaging procedure might have presented *questions*, rather than a systematic document, and this might have generated a greater sense of participation in the final shape of the renewal initiative.

The philosophy of co-operatives and of community economic development in general poses a difficult task of grassroots decision-making. On the one hand, there is the problem of designing an appropriate level of specificity in the issues to be reviewed at the

[9] Indeed some grassroots concerns (for example, for assisting worker co-ops) were an independent source of support for Resolution 11 and did not necessarily depend on agreement with the macro-social and political analysis presented by the board and staff of Co-op Atlantic. Of course, other sources of support found the analysis more cogent: for example, some local retail co-ops were worried about the prospect of becoming dependent upon multinationals for the products on their shelves. And Co-op Atlantic buys petroleum products wholesale from the same multinational gasoline companies whose service stations are the local competitors of the co-op service stations.

grassroots; and on the other, there is the problem of establishing a practical means for making the decision. These are challenges to practitioners and government policy-makers alike. Surely, each CED organization in its own internal practices and in its relation to its own constituency probably has a different way of approaching these design issues.

Co-op Atlantic had planned the initiative as a program to link itself to other co-operative forms (the credit unions, housing co-ops, worker co-ops), but there had been little contact with these other groups before Co-op Atlantic committed itself to building linkages with and among them. In short, the targets of Co-op Atlantic's urge to collaborate were not closely involved in establishing the goal of collaboration. Perhaps this history played a part in the consultants' recommendation that the initiative for co-op development be lodged in a new cross-sectoral entity.

Ideologically, there should be no trouble for all the various co-ops to make the cross-sectoral linkages, since that is part of the rhetoric of co-operatives in general. But practically speaking, the rhetoric has not historically engendered more than a superficially united co-op movement in North America or even in Canada itself---at least until very recently. Thus to begin a program of network action presumably requires a preliminary collaborative commitment to it from all of the target groups.

Of course, the lack of networking was precisely the problem that Co-op Atlantic sought to address, from its own base, and the argument can be made that an initiative needed to start somewhere. Yet the danger remains that the urge to networking may be shuffled off by others as simply "Co-op Atlantic's thing" and not a shared purpose. The success of the initiative will depend upon a broadly based sense of ownership in it by the co-operatives inside and outside the Co-op Atlantic family. For all the different organizations that must become involved, the question will be, "Is this just another program, or is it part of our own business plan?" Again, however, it should be emphasized that there was already a regional and even national readiness, even if unorganized, for more stress upon the creation of worker and other co-ops.

The efficacy of the strategy adopted by Co-op Atlantic, first in the way it took up a self-renewal program, and second in choosing the mechanism of local co-op development councils as a means for renewal throughout the co-op movement, remains to be seen. Can the entire co-op movement be thus mobilized? How much in common will housing co-ops and credit unions see that they have with consumer co-ops or farmers' co-ops or worker co-ops? And vice versa. Of special note here is the fact that all of the four provincial credit union centrals have joined enthusiastically into the process, some already providing significant technical support to local development councils.[10]

The change in direction is ambitious and integral to the very meaning of co-operativism. For example, Resolution 11 aims to re-define the status of the employee of the constituent retail co-op stores, so that each employee of each co-op will have an ownership and decision-making stake. The concept of stakeholders and of extending that status to all co-op workers was, in fact, provocative enough that one of the original discussion papers issued during the review of Resolution 11 was "What is a Stakeholder?"

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[10] The credit unions are also vulnerable to new changes in public policy. The de-regulation of financial institutions will make them more vulnerable to the competition of the major commercial banks. Thus the strength of the credit unions may well depend upon linkages within a strong co-op system, as well as simply with other credit unions.

Making that sort of change for the 861 staff of Co-op Atlantic itself will be a challenging task. But even more so is the change foreseen for the entire system. This particular re-definition has to depend upon a myriad of local decisions by each local co-op, not upon anything that Co-op Atlantic can do, even if it is able to make the change in its own structure. And indeed the Co-op Atlantic staff are now looking to the local co-ops to explore new procedures and provide models or pilot projects in local co-ops that can be instructive to other groups for integrating their employees into the consumer co-op structure.

How will employees participate as owners/decision-makers in the consumer co-op, as distinguished from the participation of the co-op member-customers? The Mondragon model shows it can be done, but the Mondragon co-operators did it as a matter of course from the beginning. It was basic to all Mondragon co-ops that any employee would have a part in the governance of his/her employing co-op. In the instance of the consumer co-op in the Mondragon complex, this was designed to operate at two levels. First, at each installation or store, each sector (consumers and staff) is represented on a local board by persons elected solely by the local individual sector. And, second, for the overall consumer co-op system, a board is elected by the votes of the boards of each installation *and* by those workers who are employed by the central system though not at any individual store. In short, the Mondragon model systematically assures worker representation in any of its co-ops and at all levels.

To begin that sort of stakeholder representation in the case of Atlantic Canada's consumer co-ops, will involve a major re-organization at each local co-op. It will require some sort of training process in co-op management for the workers. It will also require orientation on the new structure for the members and their current board representatives, who would be expected to share power and authority with those whom they had previously directed. This part of the self-renewal process will depend entirely on grassroots transformations, not upon what Co-op Atlantic might do itself. However, presumably the central offices and installations of Co-op Atlantic could start the process (and model it) by re-organizing themselves to provide for staff representation.

To move to another issue, the local development councils as the intended promoters of new co-ops, especially worker co-ops, have certain inherent disabilities for their crucial task. As council member delegates from established co-ops, they tend to be a long distance in time and perspective from the problems of starting up new co-ops, and particularly worker co-ops. That is, there is a wide gap between the management perspective of an on-going organization and the entrepreneurial talents needed for a new venture. And there is a wide gap between the structure and operational activities of credit unions and consumer co-ops (the two most usual members of the local councils) and the worker co-ops to be promoted. The existing skills in the councils are only partially relevant and transferable.

However, CED would never have occurred anywhere if local leaders had not stretched their talents and skills in new directions. And this will be the case for the local co-op development councils. At the same time, it will be important to recognize the potential limitations inherent in the current situation. For example, the expertise lodged within the Co-op Atlantic system is primarily an expertise in co-op retailing; yet the fundamental problem of meeting its own competition lies outside of retailing per se. It lies in the increasing vertical integration of the supermarket companies, which are establishing their own sources of supply. That is the area in which the co-op system must be developed, and it means, of course, an emphasis on new producer and worker co-ops.

As one element of its strategy has recognized, Co-op Atlantic as a wholesaler can make an impact by contracting with new worker or producer co-ops to take their goods and services for distribution throughout the system---which certainly is a substantial market. But simply offering the potential of an important market segment is not enough, as is demonstrated by the recent cases of the Olde Barrel potato chip firm and of another worker co-op, a pop-bottling venture in Glace Bay, Nova Scotia. Olde Barrel itself had to be sold off to a private buyer, when its problems could not otherwise be resolved by Co-op Atlantic action or by the local co-op council. And the pop-bottler is no longer active.

In the instance of the pop-bottler, Co-op Atlantic had been in negotiations since 1986 with a group of workers in Nova Scotia seeking to revive a long-bankrupt private business. An assured market would make it possible for the workers to raise the money to capitalize their proposed venture. Co-op Atlantic eventually signed a deal with the new co-op to take a large share of its entire potential production. But the management skills of the new co-op were inadequate to the task, with the result that Co-op Atlantic received only half of what it had ordered and needed. Even though the worker co-op had had access to some technical assistance (and to friendly capital), it still botched the job. Could that have been avoided with a more systematic approach to providing enough capital and technical assistance?

Within Co-op Atlantic itself there will remain a lingering tradition of dealing with all suppliers equally---whether worker co-ops or not. That is, the same demands for quality, service, and price will operate. What is the responsibility of Co-op Atlantic when its staff feel that ordinary business requirements may not be met by trading with a worker co-op? In the case of the bottling co-op, it was concern about adequate and stable supply; the requirement of stable supply was not met. In the case of the Olde Barrel potato chip group, it was a matter of low quality goods; a requirement of acceptable quality was not met. In either case, how is Co-op Atlantic to handle its own losses in such business relationships so that it will still be willing and able to render aid to the new or failing worker co-op?

Of special importance here will be an examination of the experience of Nova Scotia's Community Development Co-operative, which was organized some years ago to address the task of technical assistance to worker co-ops. The C.D.C. of Nova Scotia now concentrates on offering high quality assistance and advice; but that does not always work. Indeed, it had provided some technical aid to the pop-bottler, but clearly its efforts in that case were not successful. Whatever the explanation for the performance of the pop-bottler or the potato chip producer, the point is that business relationships with lesser developed worker co-ops can be a very dicey affair.

If Co-op Atlantic itself and the C.D.C. of Nova Scotia have had a difficult time here, then what is likely to be the experience of the local councils operating with less financial and other resources and experience? Will the local councils themselves even be able to get the technical assistance and training resources if and when they do seek them? After all, a region-wide campaign to organize new co-ops will place a strain on available expertise for working with co-ops and worker-owned businesses. Also, paying for such technical resources and for other expenses of the new initiative at the local level will be a challenge.

If there is no financing in sight to meet such expenses, there is none either to staff the councils. Volunteers, meeting once a month, as development council board members, cannot substitute for the staff resources needed to provide support services for new co-ops and for radical changes in existing ones. So staff will be needed. But the member co-ops generally will not be so flush with profits that they can underwrite their council's expenses. Even long-standing councils have not found it easy to finance themselves. For example, the staff of Nova Scotia's long-established Cheticamp area council, where the co-op tradition is especially strong, has had to take unpaid furloughs from time to time.

Moreover, the councils must look to creating their own local sources of venture capital. Perhaps the already-established Atlantic Co-operatives Development Fund can be helpful in some instances; but for local ventures, local capital will always be necessary. In the latter regard, provincial associations will need to consider how to use or change tax legislation that will foster venture capital for co-ops. This will not be an easy task, as the recent Nova Scotia legislative experience has shown. Differences in opinions and goals within the co-op family, threatened the passage of a co-op tax credit.[11]

Looking at all these potential challenges leads to the conclusion that the ambitious renewal initiative undertaken by Co-op Atlantic currently lacks a strategic infrastructure of essential supportive activities. These will be crucial in order to deal with what the local councils need and, indeed, with what Co-op Atlantic itself will need for survival. The continuing lack of a support system could, in the end, be very dangerous, for it could lead to a pattern of local failures or inaction, and discredit the very daring and idealistic aims of Resolution 11.

Yet it is still early in the implementation phase of this major CED initiative. So there is no reason to assume that the creativity that led to Resolution 11 won't also lead to addressing the need for a set of strategic supports, and solving that problem too.

Co-op Atlantic's initiative as an intermediary to foster CED throughout its region is signally important because it depends upon a structure that inherently combines social and business goals. In fact, the co-operative structure is often misinterpreted by outsiders as more social than economic.[12] Despite the fundamental structural and ideological support in the co-op strategy, the integration of social and economic goals present problems here as much as anywhere in the CED field, as this case history demonstrates. The Proposal for Renewal itself bears within it all the conflicts that CED cannot escape. Co-op Atlantic has chosen to confront those conflicts systematically, and its performance will be watched by everyone in the CED field.

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[11] See articles in *The Atlantic Co-operator*, especially December, 1992.

[12] Swack and Mason report being told by staff of a federal economic development agency (Atlantic Canada Opportunities Agency) that co-ops did not deserve support because they were really not a business. Work cited, p. 12.

Chapter Seven

HRDA ENTERPRISES LTD.: USING WELFARE FUNDS AS VENTURE CAPITAL

The Human Resources Development Association (HRDA) has a well-deserved international reputation. But it has not been recognized in the way that would make the most sense: that is, by being replicated in at least some form throughout the country. HRDA is an unquestionably successful 15-year experiment in the re-direction of social assistance funds to create jobs for people on transfer payments, but nowhere else has its success been sought even after all this time. The province of British Columbia is currently considering a similar pilot project. Perhaps the additional attention in this case report will help encourage that consideration.

HRDA's work began in response to an expression by welfare recipients of their needs for more than income---that is, they told the welfare director they wanted the social recognition and self-esteem that comes with getting paid for a real job. He and his associates thereupon established HRDA to join that social goal with business ventures to hire a person directly from the welfare rolls; and, if the person was under-qualified, HRDA would also provide training that would make him a productive worker on the job.

Generally speaking, HRDA serves the whole city of Halifax, choosing as its constituency those on transfer payments. This includes men and women on welfare, former mental patients, UIC recipients, and others. It has probably never systematically attempted a multi-purpose strategy beyond training and business development, but it has experimented, with limited results, in trying to energize a particularly depressed section of the city. Thus both its successes and its failures help define the potential and problems of a dedicated CED effort.

The common wisdom of many citizens and their political leaders is that people on social assistance do not want a job that would force them to work for their income. That is totally contrary to the facts of the case. For decades now, careful and systematic research has established that most welfare recipients would rather have a job than live on the dole.[1] Nevertheless, a feckless society has found it easier to keep people idle on welfare than to hire them for productive work. Not so in Halifax, Nova Scotia, since the late 1970s: A wonderfully creative effort by the city and its citizens has transformed welfare funds into businesses to pay real wages to those who want to work. The success of this effort should have stimulated others throughout North America to similar creativity. But society has apparently continued to prefer welfare to the model presented by the Human Resources Development Association of Halifax.

HRDA, as it is usually known, was organized in 1978 as a private nonprofit corporation specifically to serve those on social assistance by providing them jobs and/or training. A subsidiary, HRDA Enterprises Ltd., was established a few months later as the

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[1] See, for example, the works of Leonard Goodwin: *Do the Poor Want to Work?* (Washington, D.C.: Brookings Institution, 1972) and *Causes and Cures of Welfare: New Evidence on the Social Psychology of the Poor* (Lexington, Mass.: Lexington Books, 1983).

company that does HRDA's business development work. One of the main reasons the subsidiary was established was to provide a company structure (rather than an association) for such functions as obtaining business credit lines with banks. HRDA had learned that banks were reluctant to provide credit to nonprofit associations. Actually, HRDA Enterprises Ltd. is also a not-for-profit corporation (all surpluses are reinvested in the HRDA programs), but as a company it nevertheless provides a business format that apparently satisfies conventional bank practices.

The central feature and guiding principle of HRDA can best be understood by recounting the remarks of some social assistance recipients to Harold Crowell, the director of the Halifax Social Planning Department. As part of a work preparation and placement plan, these welfare recipients had been assigned to tasks within the Social Planning Department. After some weeks of steady work, they said they did not see why they should continue to receive welfare cheques when in fact they were working full-time within the Department's program. They pointed out that each week they had to present their social assistance cheques to a bank for cashing, even though they were full-time workers; and so their self-respect as workers was not recognized and was indeed undermined.

At that point, the department director determined to find a way for those on transfer payments to get the self-respect and wages they deserved for the work they performed. Together with colleagues in the business and professional community as well as within the city government, he formed HRDA to create businesses that would employ people from the social assistance rolls. HRDA would also provide training in order to qualify welfare recipients and others for regular jobs. Crowell already had a mandate in his post as welfare director to use funds in any reasonable way to train people and get them jobs that would get them off welfare, and he determined to use that flexibility to support the HRDA idea. The Halifax City Council has continued to support him in his innovation, and HRDA is today firmly ensconced in the City as a way to reduce its welfare budget and still serve the needy in full measure.

Background

Halifax is no different except in its large size (city pop. 114,000, metropolitan area pop. 320,000) from any other municipality in Nova Scotia: Even though it shares some of the cost of welfare with the provincial and federal governments, social assistance is a major item of the municipal budget.[2] These days (1994) approximately 2900 Haligonians at any one time are receiving welfare cheques, not including about 400 mentally and other disabled persons who are in residential care. Halifax has to budget $26 million for all

[2] It used to be that the province met 25 percent of the welfare costs, contributing primarily to support for the disabled and for single-parent families. (The federal share is 50 percent.) Since 1984 the province has placed a cap on its contribution to Halifax welfare, so that today it provides only 11 cents of each dollar of direct benefits paid by the city to its social assistance recipients. Thus Halifax (and other municipalities) are dangerously stressed by welfare costs.

The current provincial government is considering a re-distribution of functions between the province and the municipalities by which the province (with the established federal support) will pay for all welfare costs, while the municipalities will take over all of certain other costs, such as police and local roads within their boundaries.

direct support, not including the costs of administration. The direct remittance to each needy unmarried person without dependents is approximately $6,600 a year; persons with other needs and eligibilities receive larger allocations. The total budget of the Social Planning Office of the city is about $54,000,000.

Since 1988, in a shrinking economy the number of Haligonians on welfare has of course increased. The greatest increase has been in the category of those who are considered employable; that has almost quadrupled. Nevertheless, many manage to get off welfare, though generally only for short periods; so there is a constant movement back and forth. Approximately 1400 of the average 2900 each month on the rolls in Halifax are single, without dependents and fully employable.[3] In addition there are perhaps 500 others in the municipality, receiving some other form of transfer payments, who could be considered employable, if they too were given the appropriate training and support.

The key of course is a long-term job that fits the initial capacity of the person in need (and permits payment of any necessary job expenses such as transportation and child care). On occasion, social assistance recipients do directly find a permanent job on their own---or with some job-finding assistance. In other circumstances, appropriate training makes a job possible. Thus, almost all Canadian programs supporting the unemployed provide one or more services to the job seeker: job training, job preparation, job search assistance, and placement services. But all of these services assume that there are open positions waiting to be filled and paying enough to fit the basic needs of each job-seeker---which is just not true.

To fill the job gap, some organizations, with provincial and/or federal government subsidies, offer short-term make-work positions. These positions, everyone agrees, are a poor substitute for the real thing; but they have often been used as a way for provinces to shift welfare costs fully to the federal government: If the short-term employee gets enough weeks of paid work (at least 10 weeks), he or she qualifies for federal unemployment compensation (UIC) for 42 weeks. Even private firms will hire and fire staff so that they can qualify for UIC.[4] Of course, the see-saw between short-term jobs and longer-term UIC is debilitating of self-respect and of aspirations for a better life.

The expense of this system has spurred efforts on the federal level to reform Canada's entire social security system, only one part of which is UIC, of course.[5] On the local level,

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[3] When HRDA was begun, the total social assistance caseload was less than 900, *including* about 390 mentally or physically disabled. The able-bodied unemployed (including those with such low wages as to qualify for aid) were only 171. Elizabeth Beale, *Regional Development in Atlantic Canada: An Overview and a Case Study of the Human Resources Development Association* [Local Development Paper No. 3] (Ottawa: Economic Council of Canada, 1989), p. 30.

[4] For an account and analysis of the abuse of UIC in Newfoundland, the province that has had to rely on it most, see the Report of the Royal Commission on Employment and Unemployment, *Building on Our Strengths* (St. John's, Newfoundland, 1986), esp. Chap. 12, "A New Income Security System."

[5] Canada is beginning a public debate on this reform. A major feature of the government agenda is moving people out of the welfare and UIC system into training and education. However, in the absence of jobs, major concerns are emerging in many quarters that the disadvantaged will end up paying the social safety net costs that are cut from the government budgets. Activists in Canada are attempting to include CED in the realm of this debate, in order to ensure that more jobs will be created for the disadvantaged population. HRDA, RESO, and Homes First, examples of successful CED job creation efforts included in this book, are being referred to in the context of this debate. See Chapter 13 for further comments on social security reform.

the make-work programs and their relationship to UIC abuse have been a stimulus for job creation efforts by community groups who recognize the destructive impacts upon their friends and neighbours and themselves. Thus programs in community economic development seek to create permanent jobs, by some form of business development activity. It is that function that HRDA undertakes to perform, addressing especially the needs of Halifax's contingent of unemployed single people.

It should be emphasized that the work of HRDA, though a private organization, is clearly included in the mandate of the public Halifax Department of Social Planning. Crowell had originally been recruited to reorganize the department and come up with new programs to reduce costs; and what in other settings is simply a welfare administration has evolved in Halifax as a department also for training and job creation. The department is encouraged by the city council to engage in any such activities on behalf of a welfare client so long as it will end up costing less than standard welfare grants. HRDA's process of starting businesses has turned out to be clearly cheaper (as will be described), but job creation by HRDA is accompanied by careful attention to training.

Training Programs

HRDA has always operated training programs, some quite formal, others informal (such as an on-the-job clerical placement in the central offices). In 1986 a Training Division was formally organized and administered the so-called Options program---which offers a wide range of job preparation and training opportunities. Each training program since then has been directed at one of three possible goals: to prepare trainees to get into other more definitive education programs; to provide an entry into the job market outside HRDA; and in a smaller percentage of cases to provide HRDA divisions with sufficiently skilled staff from the target group.

When in 1989 the training director, Doreen Parsons, was appointed general manager for HRDA, a closer integration of training and business operations was initiated. It is now standard procedure for the manager of any HRDA venture to help design training that will prepare potential recruits for her/his particular venture. In some instances, the training is tailor-made to fill particular slots, or it may be an upgrading program for someone already on staff. When a person is hired by HRDA directly from the social assistance rolls, the first year of employment generally involves a combination of on-the-job training and classroom training.

The major HRDA effort in training continues to be in the Options program, which is designed to help both adults and young people to surmount obstacles in their personal, educational, and vocational experience. Life skills training, individual counselling, temporary work placements, and specialized skills training are among the options used. Several hundred trainees have gone through this program since 1986, with a substantial number proceeding on to jobs or to further training after completion of their stint at Options. Generally, about 125 have been enroled in Options each year, with about 60 percent going on to further training or directly into a job.

Most recently HRDA has incorporated a business, Knowledge Plus Consultation and Training (KPCT), to build on its training expertise and produce revenue for the organization. The firm provides specialized training services to the private sector, including CED groups. It is especially designed to take advantage of recent federal and provincial initiatives for re-training people from the doomed fishery sector. Through this company, about 500 people a year will be receiving some sort of training from HRDA.

While training has always been an integral part of the HRDA strategy, business development has clearly been its outstanding initiative. HRDA's record deserves careful scrutiny by all those who have chosen the CED approach to serve a disadvantaged community and its residents.

Business Creation

If starting a new business in Canada were merely a well structured task with some reasonable prospect of success for those who are willing to put in a lot of effort, there would be lot more businesses begun and, presumably, a lot more reasonably successful ventures resulting in more jobs. But creating new ventures is a steep and uncertain climb that in Canada as in all of North America ends in failure of about 80 percent of all new ventures within their first five years. Many of these fail because the entrepreneur did not figure out how to manage the business appropriately, and many others because the business was not adequately capitalized from the beginning. HRDA's business success rate is far above the national average. (See Table II.) But how did that happen?

Crowell, as the chairman and organizer of HRDA, was a social worker, not a businessperson. First of all, how did he propose to choose and create and manage new profitable businesses which would hire the people who were his clients? And second, where was the capital to come from? HRDA's creative solution to both those generic problems in business development, as faced by all CED groups, makes this organization a crucial model to study.

For HRDA the answer to the first question lay in bringing together the requisite skills in its management group---the board of directors, the general manager, and the individual venture managers. The initial board members began with their own specialized backgrounds in business, industry, finance, law, and engineering. It was these skills that made it possible for HRDA to approach the business creation process with some sophistication. As Crowell reports it, "In each development situation, there has always been a Board member who has come through in a different way to make the project successful." He goes on to say, "In my life, it is the keenest group of people I have ever had a chance to work with. I am always surrounded by people who make me look good!"

At the same time, it has undoubtedly been the leadership skills of the chairman (together with top-drawer staff) that have created the portfolio of successful businesses. For one thing, membership on the board has undergone turnover; although most board members have stayed on for six or seven years, today only Crowell and one other (who is also the Director of Finance for the City of Halifax) remain from the original board. And over the fifteen years of operation there has also been some turnover in the general manager's post, so continuity in the board chair has been important.

Table II: HRDA Businesses

CURRENTLY OPERATING AND PROFITABLE

Nova Sewing Contractors - 1982
Skyline Painters - 1985
Enviro-Care Services - 1989
Stone Hearth Bakery - 1993
Property Management (rent, collection, security, maintenance) - 1981
Knowledge Plus Consultation and Training - 1994

SOLD AS NOT LIKELY TO BE SUFFICIENTLY SUCCESSFUL

Domestic Appliance Repair Centre - 1978-86
Rent-A-Wreck (auto franchise) - 1980-85
Chem-Dry (carpet cleaners) - 1988-89
Magna Industrial Services (window cleaning, etc.) - 1978-94

CLOSED AS FAILING

Kingfisher Business Services (accounting, etc.) - 1979-81
Master Knitters - 1988-89
Commercial Cleaning (janitorial) - 1979-82
The Printing Place - 1980-82

HRDA general managers have ordinarily come from the business sector, but the general manager since 1990, Doreen Parsons, is by original training and experience an education specialist. She had headed up HRDA’s training programs for some years before she was tapped to run the organization overall. She soon began to preside over a new period of profitable operation. She symbolizes in her work what community economic development must be: a combination of goals and skills in both social/human development and business development. It is that combination, in staff and board composition, that underlies HRDA’s success. And the individual venture managers administer their businesses with a concomitant sensitivity to both the business and social goals of HRDA.

HRDA’s solution for the other major issue in their business development plans, how to mobilize capital, is undoubtedly the most innovative aspect of this CED model. The capital was the transfer payment funds themselves; in effect, city dollars meant for welfare cheques were used to capitalize ventures that, by selling goods and services in the marketplace, could provide real salary cheques to those who had been on welfare. An additional subsidy was indirect---via the city salaries paid for the time that the department spent on thinking through and organizing HRDA.

Initially the city council permitted Crowell to allocate $275,000 to HRDA from his direct social assistance budget on the commitment that he would save the city at least that much in individual transfer payments. With those funds and with further one-time grant support from the province and the federal government, he and his associates set about to establish some new job-creating private sector businesses. This is the first, and so far probably the only time in North America that social welfare funds were used to capitalize individual market-driven businesses.

Eventually the city used the HRDA experience to evolve the standard policy in the Halifax social assistance program to provide a "fee for service" to *any* private business for each welfare recipient who was hired for a period of one year. The fee paid to a business by the city is allocated from the welfare dollars that the city would otherwise have paid to the employee in that year. The fee for service varies according to the particular salary level at which the welfare recipient is hired; it is computed as 50 percent of the wages and 50 percent of the benefits for the job position filled, for the first year of employment. (It is assumed that by the end of that initial year, the person is fully productive and no further subsidy will be required.)

It must be emphasized that the combination of social goals with business goals and of social skills with business skills seems to be essential in the use of the opportunity offered by the fee-for-service arrangement. Conventional businesses in Halifax have not cottoned on to the opportunity of payments for hiring people from welfare, though some have tried it tentatively and briefly. Without skills and experience in recruiting and using the sort of worker that comes from the welfare rolls, the conventional businesses have not found the program to their advantage. For them it was not useful or profitable. Yet HRDA has used the transfer fund support as an important base of financing and has made profits in the process. (See Table III.) Although HRDA puts training and community service before the maximum level of profits, that has not prevented it from being profitable enough for making reinvestments in its businesses---or for offsetting bad years, as any business must.

Table III: HRDA Overall Financial Performance

YEAR	OPERATING PROFIT (LOSS)
1978	$(18,799)
1979	122,121
1980	(185,708)
1981	(379,220)
1982	(180,484)
1983	185,457
1984	27,218
1985	106,902
1986	116,064
1987	122,247
1988	49,516
1989	53,466
1990	(69,897)
1991	252,200
1992	142,059
1993	74,036*
TOTAL	$417,178

* This figure was about $92,000 before a deduction of about $18,000 under a new policy of profit-sharing.

The contrasting experience of HRDA and the conventional business use of welfare fee-for-service suggests a very important policy implication. That is, governments probably will not be able to use the private sector or market system for specific social goals in the absence of organizations, institutional tools, that are competent in the field. This is a formidable argument for stressing the local capacity-building of community groups as a prerequisite to direct government funding of programs to hire the marginalized.

HRDA has to date started fourteen businesses (two within the last year or so) in order to hire people from the social assistance rolls. Over time, four of these businesses have failed, and four were sold off to their employees. The six others project enough in surpluses and jobs so that they can provide a base from which to start still other new ventures. In short, HRDA has apparently established itself more or less permanently as a venture capitalist in service to those on social assistance. It has made a handsome profit for ten of its fifteen years, and 1994 again bodes to be profitable.

The Businesses and Their Employees

In all but one instance, HRDA chose its businesses more through chance than by plan. HRDA can be considered to have used a strategy of opportunity rather than a strategy of planned selection. A business may begin because someone in the HRDA family has a special talent or interest in a particular business sector, or someone hears of a business that is for sale.

For example, one of the earliest businesses was a car rental agency; it was undoubtedly chosen because HRDA's then general manager was a car buff and knew the ins and outs of keeping cars on the road---the rental agency was a "Rent-a-Wreck" franchise. And one of the newest ventures is a financially troubled bakery which had employed ex-mental patients but was unable to make a go of it. After hearing about its problems, HRDA's general manager reviewed feasibility data that made it a reasonable prospect for profitable operation, still employing ex-mental patients. It is currently exceeding its financial projections and expanding its product line, employing 22, mostly former mental patients and former social assistance recipients.

Of course, in all instances, the businesses are selected because many jobs can be appropriately filled from the ranks of the disadvantaged, especially welfare recipients. As the businesses proceed, the proportions of target group employees may change as HRDA learns what is required---for example, in order to make sure that there are the requisite skills available---or as expansion makes room for more target group employees. From available statistics the percentage of target employees overall hired in any one year has ranged from a high of 65 percent in 1984 (when total employment was smaller) to a low of 41 percent in 1989, with 1993 at 57 percent.

Wages are competitive with the standard industry rate for the particular job position. For the jobs to which welfare recipients have been typically recruited, wages range from about $5.15 per hour for entry positions to about $10 per hour for more skilled jobs.[6] Other jobs to which the employee originally on welfare may be promoted pay up to $25 an hour. In addition, in 1993 HRDA instituted a new policy of profit-sharing, which for that

[6] Social assistance policies may provide topping up dollars for those with special needs---such as for child care---but that is, of course, established independently by the city welfare workers.

year distributed about $18,000 to all employees who had been with HRDA and its ventures for at least three months. Because each business contributes in a different way to the overall mission of HRDA in terms of jobs, training and promotion opportunities, and so on, the profits are expressed in a consolidated statement so that employees share in total profits, not just the profits of the specific venture they work for.

Magna Industrial Services was one of the earliest HRDA ventures, and it was quite successful for many years until it was spun off in early 1994. It provided commercial janitorial and labour activities, window cleaning, snow removal, lawn services, property clean-ups, and casual labour contracts. The importance of this business was that the jobs are basically entry level; people can come in directly from welfare without prior training, although in some instances the recruits may go through job preparedness courses. The company represented a useful starting place for those without employment histories, and it has been able to send many people off to better jobs either within HRDA or outside it. Although the number of employees varied over the years and throughout any one year, it achieved a peak monthly average of 90 in 1992, with about 70 percent of the workers at any one time recruited from the target group.

Magna generally contributed a modest profit to the HRDA consolidated financial picture, but in April 1994 it was spun off to its manager (a worker originally hired from the welfare rolls). The problem was not so much poor financial performance as the projection of a unrewarding competition with very small companies. In an atmosphere of continuing recession, Magna had to compete with new micro-businesses whose owners had less overhead and were willing to make a lesser return for themselves. Rather than try to undercut that competition, the venture was itself transformed into an independent, individually-owned business. But that has left HRDA without a major business that offers a large number of entry-level jobs, and new venture prospects are being pursued that will serve that function.

A similar business has remained viable. In the Property Management Services division of HRDA, almost all of its 15-20 workers doing security and maintenance work on contract for commercial and residential properties are still derived from the target group.

Skyline Painters, which has generally been an outstanding producer of profits for HRDA from commercial, government, and industrial painting contracts, has evolved into a payroll of mostly journeymen (union) painters; it was discovered that the company could not give adequate service without a preponderance of skilled painters. However, even during a 1993 decline in business and thus in number of employees, about 9 percent remained target group members learning the skills. The business has offered a chance for those apprentices to move on to full union-scale painter jobs. The construction downturn in 1992-93 at first threatened the viability of this business, but 1994 has seen a recovery for the company with the best first quarter ever.

Another business has also suffered but weathered a business downturn. Nova Sewing Contractors, making clothing, tablecloths, parachutes for sonobuoys, and other articles, had for a time employed about 70 percent from the target group, but it too now operates with only a few workers from the welfare lists. Nova had been a fairly profitable operation until it lost a major contract in 1992. It regained that contract eventually, which permits some low-skilled job slots; and it has been designated a preferred supplier for the future. But in this business too the major work now requires people with more sophisticated skills, as the company has entered into the field of trendy fashionwear with its own label and with production for private label clients. The employment is now at 16 and shortly to rise to 25. Of these, less than a half-dozen will be from HRDA's client group.

Enviro-Care Services is the exception to the opportunistic strategy of business development for HRDA. It was a deliberate decision of the board, after study, to seek out a venture that could take advantage of the growth curve in environmentally oriented business---and hire at least a substantial percentage of lesser skilled workers. HRDA engaged a staff member to research this field over a two-year period, during which time he performed other duties, including managing a couple of minor contracts in recycling newspapers and the like. The end result was the establishment of a major new division that won a five-year contract with the Halifax-Dartmouth Metropolitan Authority to manage a new Metro Recycling Plant and market the recycled materials. HRDA plans to diversify its activities in this field and aggressively pursue resource/waste management and manufacturing ventures that will use recycled materials.

Actually, HRDA had bid in a joint venture with a partner to design, construct, own, and operate the plant to provide the recycling services for the Authority. The partner's role (as having greater financial resources) was to finance and carry out the construction phase. Ultimately, however, the Authority decided to buy the building after it was completed. HRDA still got the operating contract. Although the project turned out to be less ambitious than hoped, since HRDA did not ultimately own the plant, HRDA can nevertheless point to a successful record of partnership in a major joint venture with a private company. As the field of environmental services and recycling continues to grow, HRDA expects to grow with it.

So far approximately 80 percent of Enviro-Care Services staff have come from the target group, but hired from all Metro municipalities not just Halifax. Two of its workers who were formerly on social assistance have now bought their own homes, and new types of contracts will offer more entry positions as well as a chance for workers to move up in responsibility and pay.

Because of the variations in the levels of business activity and the turnover in employees, it is not easy to establish exactly how many target employees should be considered on the overall HRDA payroll. Charles Metcalfe, HRDA controller, figures that out of 272 total employees working throughout some portion of 1993, about 57 percent came from the target group; but in any one month, the employment roll varied from 120 to 150. Doreen Parsons, general manager, follows the percentages carefully. She breaks down the 1993 target group into 31 long-term employees and another 124 target group members working under the city's 12-month fee-for-service program, some of whom had begun their work in the previous year. For the previous year, out of 157 people on the payroll in December 1992, 97 were from the social assistance target group, or almost 67 percent.[7] Generally speaking, as mentioned before, the figure on an annual basis has ranged from a high of 65 percent (1984) to a low of 41 percent (1989).

A survey in 1992 of the labour force hired by HRDA from the target group over the previous five-year period shows that on the average they were about 31 years old at the time they were hired.[8] Most were men and single. Thus HRDA seems to have responded particularly to a segment of the Halifax social assistance rolls that is especially disturbing:

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[7] Bay State Skills Corporation, work cited, p. 51.
[8] Bay State Skills Corporation, work cited, p. 19.

the increasing number of younger unemployed able-bodied persons with no dependents and little employment experience.

The survey showed that the HRDA labour force was a high-risk group, for 20 percent reported that they had had some sort of involvement with the criminal justice system; and about one-third of these reported that they had committed a serious offense. The same number (20 percent) reported previous (but no longer active) substance abuse problems (most likely with alcohol); and about 3 percent more indicated that they were still in trouble and undergoing treatment. The average years of education were less than 10, with almost 76 percent reporting that they had not graduated from high school. Finally, about one-third of the respondents had been on welfare at least two different times in their lives. In short, HRDA has not been taking simply the easiest to help as its target group; it has been helping those who are among the most difficult.

Gottingen Street

HRDA has attempted a totally different strategy for CED in one selected neighbourhood, the Gottingen Street area. This has been an effort to engage in the usual neighbourhood-based development schemes of CDCs. Although HRDA describes itself as a community economic development corporation, it departs from the usual CDC in two respects.

First is the feature of geographic focus. Ordinarily a CDC will have a specific delimited locale or community that it focuses on. HRDA is less concerned with a depressed area than with helping a specific needful group---that is, the disadvantaged residents who are on social assistance or other transfer payments. And HRDA does not restrict its work to city residents. Of course, the city fee-for-service arrangement applies only to Halifax residents, but other activities are not limited to Halifax residents. For example, HRDA's Options program, funded by the provincial and federal governments, is open to residents of the County of Halifax as well as of the City; furthermore, the Metro refuse collection and recycling operation extends beyond the city limits. It is true that the demarcation between the city and its surrounds is purely arbitrary so far as the movement of disadvantaged citizens is concerned, so any CDC in that situation could not restrict its operations to the residents of its focus area. But HRDA also is unlike other CDCs because it does not engage in comprehensive development activities beyond training and business development. The traditional CDC usually involves itself in many other different types of development work, such as property development (including housing construction and rehabilitation).[9]

Second, the governing body of HRDA is not chosen by the community. It is self-selected, without a direct attempt to represent the different constituencies it seeks to serve. In fact, the bylaws of the organization have provided that a majority of the board is selected by the Halifax Director of Social Planning, who is designated as board chair.

[9] For example, aside from its own headquarters and business site property, HRDA has not engaged in housing or other property development. However, in the past year it tried to re-develop an historic property, an old hotel, to save it for the community. The deal did not go through as originally planned, but HRDA did buy time to keep the building from being demolished and helped another group take over its re-development. HRDA's Stone Hearth Bakery is the only commercial tenant in the hotel that now contains about 30 residential units.

Thus the usual element of self-determination by a general body of citizenry of a particular community is effectively absent. What representation there is comes very indirectly through general monitoring by the elected City Council. Since the city financed HRDA originally in the risk-taking entrepreneurial step, it is understandable that the corporate bylaws provided bureaucratic control measures to safeguard the city's investment. Such measures have been a major feature distinguishing HRDA from other CDCs.[10]

HRDA's leaders, Crowell particularly, have been sensitive to their idiosyncratic CDC format, and in 1988 they sought to root HRDA at least in part in one of Halifax's deteriorated neighbourhoods---the Gottingen Street area. The aim was to foster a neighbourhood-based group that would take on the comprehensive tasks of development for their own area.

Gottingen is typical of inner-city neighbourhoods in that the residents are mainly low-income; educational levels are low; there is a disadvantaged ethnic or racial concentration; the city has chosen the location for low-income housing projects; commercial establishments are generally marginal or even empty and boarded up; services are in decline; and outside developers and speculators let their property deteriorate in anticipation of later returns. In short, the neighbourhood, like all communities served by CDCs, needs comprehensive community development attention.

Gottingen Street was thus an appropriate target for HRDA development activity; and the group received a three-year grant from the provincial Department of Small Business Development to conduct a business revival program through efforts of a community development worker to be hired by HRDA. The first incumbent started a series of group meetings of residents, merchants, and representatives of the local institutions, with the hope that the group would define a broad course of action for community renewal. However, the group never took hold to consolidate its efforts. Instead, by a year later in 1989, when a new community worker was assigned (the previous one being transferred to carry out HRDA's environmental industry research), the local merchants association had settled on a "mainstreet" improvement program, and various cultural activities were also being promoted, including summer programs for youth. Moreover, in the second year, a business loan fund was established to assist residents (usually minority people) in the development of their own small ventures.

At the end of the three-year period, in the absence of continued funding, HRDA gave up its attempt to organize a grassroots group, but it has maintained the loan fund. To date, five new small businesses have obtained loans and received technical assistance from HRDA staff and board members. Of these, four are still operating.

Accomplishments

Apart from the four resident businesses in the Gottingen Street district, HRDA is successfully operating six of its own ventures. As described earlier, four others were taken over by their employees and managers. These were Rent-A-Wreck, Magna Industrial Services, Domestic Appliance Repair, and Chem-Dry, the carpet cleaning business. These

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[10] Recent bylaw changes allow the board chair position to be other than the city's director of social planning, and the board now selects its own members with only one slot required to be allotted to the department of social planning.

four should not be considered failures; in fact, they are a special sort of success since they have been independently maintained by their managers and employees, many of whom are former social assistance recipients.

Financially, HRDA is today in good shape. Last year its revenues were $3,717,000, on which it made about $92,000 in profits before sharing them with its workforce. Charles Metcalfe, HRDA's controller since 1984, is enthusiastic: "Best company I ever worked for." He has been with HRDA longer than any other employee and happens also to be its oldest employee. He cites the 1994 first quarter operating profits of $120,000. But HRDA has also made profits every year but one since Metcalfe joined the organization, for which he humorously takes credit.

Also, within the last two years, by careful management, HRDA has retired about $350,000 in bank credits. Now it operates on a $93,000 line of credit and reasonable loans on its central administration building (which has just been renovated) and on a waste truck for Enviro-Care. The organization is now poised for major new investment initiatives.

In addition to the dozen or so training programs HRDA has developed and operated since 1986, the major accomplishment of the organization is its internal job results. Since 1978 HRDA has been able to hire about 1450 people from its target group, some of whom are still with HRDA or its divisions, although most have left for other jobs or more education. As mentioned earlier, in 1993 the former social assistance recipients employed at HRDA numbered about 31, with an additional 124 or so in their first year off the welfare rolls and under the "fee-for-service" arrangement with the city.

In 1981 the Atlantic Provinces Economic Council (APEC) conducted a cost/benefit evaluation of the first three full years of HRDA operation to determine what value the city got from it.[11] The study determined that the direct social assistance cost savings were small in those early years (even including likely taxes paid by the workers). Some years later another research group calculated that "the cumulative [net] benefit to government over the fifteen years that HRDA has been in existence amounts to $7,068,900."[12] The 1992 benefits alone exceeded costs by $1,476,786. Over the long haul, then, HRDA has made a significant financial contribution in return for government support. *The difference between the earlier and the later financial assessments underlines the importance of recognizing that CED is not a short term fix but a cumulative strategy.*

For the city, there has been a saving in welfare costs, for example, for each unmarried person without dependents who goes into an HRDA entry level job (at $5.15 an hour---or, with benefits, about $1000 a month, $12,000 a year). To a single person, the city ordinarily pays about $550 a month or $6,600 a year (which might be figured as a 40-hour per week wage of only a little more than $3 an hour); so if the city pays a fee-for-service to HRDA of one-half of the $12,000 HRDA entry salary plus benefits, it makes a slight gain. Moreover, there are savings to government in associated administrative costs and dollar returns through the revenues received in taxes paid by the working person, etc. Under the

[11] See the 54-page report, *Final Evaluation of the Human Resources Development Association* (Halifax: Atlantic Provinces Economic Council, [1981]).

[12] Bay State Skills Corporation, work cited, p. 9. Evidence internal to the study suggests that these figures may actually be underestimated, but the report presents some difficulties in interpretation. The cost/benefit ratio appears to be $1 spent for $1.80 returned.

system, no former recipient of welfare is penalized financially by leaving welfare to take a job in an HRDA business, since he/she will be receiving more income than welfare would have represented.[13] Thus both job-taker and government gain in the process.

Regular income and jobs by themselves are only the most measurable indicator of HRDA's impact on the lives of the former welfare recipients. Surely a less visible but very significant impact can be recorded in the histories of the families affected. HRDA staff have many stories to tell about the successes of the employees. One young man from a single-parent family began with HRDA in 1988 as a labourer and within a year or so was enroled in the Nova Scotia College of Art and Design; he still works for HRDA part-time while he is finishing his college program. There are many stories of employees who have risen to supervisory positions in the HRDA companies. And one maintenance supervisor, formerly on welfare, has moved on to a permanent position in a bank. Another man, married with two children, came to HRDA with many financial problems, poor housing, and sickness in the family, and made desperate by an unfruitful search for work. A conscientious and hardworking employee, he has now been with HRDA for more than two years during which time HRDA has also helped him gain access to better housing.

For those who have left HRDA under whatever circumstances, the results are mixed. A 1992 survey of those who had worked at HRDA within the previous two years showed that about one-third were currently employed outside HRDA at the time of the survey, and about 60 percent had worked at some time after leaving HRDA.[14] (The survey does not report on education or training after HRDA, which ought also to be considered.) This employment record is discouraging. A faltering economy is apparently not offering jobs even to people who have had previous employment at HRDA. However, the research does not explore possible relationships between the employees' record at HRDA and the post-HRDA status, and perhaps those who had a better record at HRDA were more likely to get jobs afterwards.

Practice and Policy Issues

The follow-up results lead to an issue for HRDA that Doreen Parsons sees as critical: Should HRDA ventures be organized for long-term employment rather than for transitional employment which spins off its employees to a very chancy future in the Halifax economy? She notes that if long-term employment becomes the objective, then HRDA will have to take a more aggressive approach to starting more and more new businesses in order to establish ever more new job opportunities.

Parsons sees many unresolved problems in the HRDA operation, issues that the board and staff must eventually confront. She mentions, for example, the definition of the target group for HRDA, whether to broaden it to include more than just those on welfare. She also sees the need to weigh the design of the portfolio of businesses, whether some should be deliberately chosen as 'cash cows,' while others would be more oriented to job production. And she stresses that administration must be assessed for its cost

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[13] Some of that income may still come from welfare sources as the worker may receive transportation or child-care allowances. Also, in Canada with its health system, leaving welfare does not mean giving up free health care, as it does in the United States.

[14] Bay State Skills Corporation, work cited, p. 54.

effectiveness, to reduce the costs of running the operation.

There are still other significant issues raised by the HRDA experience, of which only five will be considered here. Each of these is as relevant to the practitioner as it is to the policy maker in CED, and each of them has in fact been pinpointed by HRDA itself.

First, how should a CED business development strategy be designed to confront a changing economy and the related global competition? HRDA itself is thinking through this question in its own experience. Enviro-Care Services may be in a growth field, but the record of Nova Sewing shows the vulnerability of choosing an industry in which threats are likely from low-wage competitors, especially from foreign sources. When Nova lost its parachute contract, that work then represented about 70 percent of its sales volume; the loss was probably due to the fact that the competitor could use lower wages and could rely upon a spread from multi-national contracts. Can a CED group compete in that economic environment? For Nova the answer to viability is carving out a very special market niche for the higher-cost sophisticated labour that is now its base. Since specialized market niches have a habit of disappearing, especially in the clothing/sewing industry, this may be dangerous in the long run.

Quite apart from integral issues in the kind of business entered, can a CED group rely upon the opportunistic approach for its business development strategy, as HRDA has in the past? In the instance of Skyline Painters, a high rate of local construction at first meant that the company could reap good profits, but the firm is vulnerable to cyclical trends and suffered from the recession when construction projects disappeared. Also, for an organization committed to providing employment, Magna too raises the question of how to maintain employees, perhaps shift them from one industry to another. Or is it possible to choose strategically and invest only in a business that is more stable and can ride the waves of the business cycle?

Business development is a central part of any CED program, and so these questions are critical to the way in which CED groups will proceed. If anything, HRDA's outstanding success may be not so reassuring as it is worrisome in the long run. To make a significant impact in the fate of a declining community or in the by-passed populations of any community requires well-established CED institutions that can continue to make an impact, not just operate for a limited period. Many businesses created by CED groups are, like Skyline, Property Services, Magna Industrial Services, etc., dependent upon local markets in sectors in which outside companies may not as easily compete. But these are also the more vulnerable to the forces of local decline or of general national recession. To enter instead into fields that are open to global competition simply opts for a different set of risks.

The business strategies adopted have far-reaching implications for social goals in the improvement of the life prospects of the people who are to be helped. Numbers of employees, stability of employment, wage ranges, etc., will vary in accordance with the choices made.

Perhaps the most practical conclusion to be drawn from this set of pros and cons is that CED groups must have the technical staff and board resources to analyze and assess the risks and the potential benefits and limits of the strategies and choices they make in business development. HRDA has just obtained a federal grant to recruit a research and development team of recent university graduates in marketing, engineering, and business management. The aim is to demonstrate how such beginning specialists, appropriately managed, can promote sound new business development. But their work will always entail a social dimension that is the ultimate responsibility of the CED organization's board of directors.

A second major issue asks, Can transfer fund budgets suffice as venture capital for an expanding CED program? The most creative element of the HRDA model is the way it tapped a new source of capital for local business development. The kick-start provided by HRDA's original capital budget of $275,000 was innovative and crucial, and the continuing availability of the "fee-for-service" allocations for each new social assistance recipient hired offers an institutionalized procedure for accessing capital. On an average in recent years, HRDA has received about $200,000 annually for about 50 new workers from welfare each year.[15]

Yet the impact of the number of jobs created to date must be recognized as minor in the context of the needs of the Halifax economy; an expanding program of more new ventures must be launched. The amounts represented by individual welfare grants are not sufficient for an ever-increasing business development effort. In fact, ordinarily dollars allocated from transfer funds probably ought to be seen merely as underwriting the usually lower productivity of the many employees who are new to the working world. More than those dollars are needed for capital, and HRDA's leaders are turning to the task of designing new capital sources (in conjunction with other Nova Scotia CED groups).

A third issue was implied in the beginning of this case report: Can the HRDA model be replicated in other municipal settings? Doreen Parsons insists it can, although perhaps not in entirety, just some components. Even with the restrictions inherent in its transfer fund budget, the Halifax experience calls out for application in other job-starved communities served by CED groups. HRDA may not be as well known as it should be for the creative success it has achieved. But does that explain why no systematic attempt has been made anywhere to duplicate its achievements? A U.S. student of the HRDA case has promoted it in the States for some years without success so far.[16] More to the point, no one in Canada has built upon the HRDA foundation.

It may be that the model is most appropriately applied in a metropolitan setting, where the local markets are large enough to launch such ventures as the Property Management division which depend upon a fair-sized market. So the model may not be as attractive to smaller communities which would otherwise be tempted to use it. Of course, another restraining element is that engaging in business development is a risky endeavour. Both political leaders and administrative officers will wonder whether the risk of innovation is worth it. At what point is a city council prepared to make over to its social welfare director (or any private organization) the scarce funds it is using for welfare grants? When would members of provincial legislatures be willing to risk public dollars on such an adventure? And are Members of Parliament also prepared to sustain the criticism that can come when federal portions of welfare funds invested are lost in local business failures, as they must be from time to time?

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[15] Interview with Doreen Parsons.

[16] Suzanne Strickland, HRDA Enterprises Ltd.: A Case Study in Productive Alternatives in Public Transfer Payments (Institute for New Enterprise Development, Cambridge, Massachusetts, 1980). She was also the prime investigator for the cost/benefit evaluation by Bay State Skills Corporation (work cited) and has promoted the HRDA case both in Massachusetts and in New York.

The story in Halifax seems to begin with and depend upon the leadership of its director of social planning; his no-nonsense approach has been essential. Innovation elsewhere will also be dependent upon gifted local leadership. But every community has its own gifted leaders, so this resource is surely available in other cities and towns, even if not yet stimulated. Moreover, one need not assume that the necessary leadership has to come only from within municipal political or administrative cadres; CDCs or other local groups could also be a source of the necessary innovation. The risks surely are less today because HRDA has blazed a trail, and leaders from other communities can study carefully the failures and successes that HRDA represents. Yet the fact remains that the energy and record of HRDA has not engendered follow-up models, and that is at the least puzzling.

Issue number four asks, To what extent can the HRDA model follow or adopt the usual grassroots local community control history of other CED initiatives? This question arises both from the very critical role played by Harold Crowell and from the ideology or philosophy of CED as a grassroots phenomenon originating with broad citizen leadership. The question confronts HRDA today, and it will also have to be considered in any effort to duplicate the model elsewhere.

HRDA has been considering the idea of instituting some form of worker control for each of its businesses. This is only in the earliest conceptual stages, but the aim would be to recruit, say, five to seven employees in each business division and ask them to take responsibility for addressing general management issues. These workforce representatives would somehow be chosen by the employees themselves.

Worker control is not the same as broad community control, but it is one means of shifting authority from the current firm direction of the founder to the constituency that HRDA seeks to serve---another form of the CED democratic ideology. Moreover, as HRDA expands its activities and business ownership in the city, there is likely to be, as Crowell predicts, an increased expectation that other constituencies who will be served (e.g., youth, the post-mentally ill, etc.) would also have a role to play in the governance of the organization and its program. The future here is unclear, and indeed as with most CED groups the actual process of democratic control will probably remain a challenging one to design and carry out.

Finally, how can the costs of research and development of potential ventures be met in this sort of program? Such costs tend to be considerable, yet they are prerequisites to any successful venture development and ultimate capital investment. For HRDA they obviously restrict the number of possible business opportunities that it can systematically identify and consider. HRDA has so far managed only to get an occasional grant to fund a student to do preliminary research inquiries, and the newest grant for the R&D team is only for an 18-month period.

As has been the experience of other CED organizations, R&D costs remain a significant problem for HRDA. The indirect subsidy of the city through Crowell's supervision of HRDA's growth together with the donated services of other board members provide the critical element of judgement and final decision on the results of R&D work, but someone else has to do a systematic job of opportunity identification and the basic assembly of facts and figures. The surpluses generated from time to time by the businesses cannot now cover all such expenses. For the conventional venture capitalist, profits from previous deals are the source for meeting R&D expenses, but the conventional venture capitalist does not also plan his investments to operate expensively in disadvantaged communities and to hire disadvantaged workers. The special contribution of the CED venture, thus, suggests that policy makers must address ways to support in an on-going fashion the necessary R&D efforts by community groups.

CED groups like HRDA are, in the end, venture capitalists in service to the disadvantaged. If society seeks to have that function fulfilled, it will have to find ways to promote it. HRDA's innovators defined a significant new source of capital, but it was the municipal policy makers that made that innovation possible. It will be the responsibility of government policy makers at all levels to underwrite the CED innovations of the future.

Chapter Eight

THE HOMES FIRST SOCIETY: FOSTERING INITIATIVES BY THE HOMELESS THEMSELVES

Homes First is dedicated to helping the homeless of Toronto to develop their own housing. It can be said that this is a matter of creating communities with people who, while definitely sharing a common destiny, have infrequently had any other relation to each other. The history of the first major Homes First project, StreetCity, demonstrates how the physical location of the housing, a joint task of developing it, and, ultimately, residing together and managing the housing bring the most marginalized of our society into a meaningful relationship with it and each other.

No case in our selection more epitomizes the dynamic relationship of the social and the economic in CED. It also illustrates the importance of integrating a variety of activities into a multi-purpose strategy of development. While Homes First initially concentrated on housing and did not include business development in its work, its program has inescapably evolved into business development as an integral part of its community building process.

The innovations exemplified by the Homes First Society and its homeless partners have a history in twenty years of experimentation by street workers in collaboration with leaders in the Toronto United Church. Trying to meet the needs of the city's homeless and displaced finally led in 1983 to establishing the Homes First Society as a tool to try still other new approaches.[1] Homes First has continued to experiment, but its basic principle of involving the people to be housed in designing the solutions to their housing problems has remained unchanged. Only very recently has Homes First systematically included community-based venture development as an integral part of its program, but the central principle of the organization---that the people most affected by a problem will have the best solutions to that problem---is, of course, the fundamental principle of community economic development in which the depleted community determines its own strategy for recovery.

Today a home for homeless people remains in first place for the Society, but its philosophy now stresses that jobs are at least second in priority and occasionally may even be needed first. In any event, the users or potential users of the housing being developed are not only involved in the board and working committees of the Society, but also in designing their own residences and in paid jobs of construction or renovation, maintenance and management, and consultation on new projects. Beyond that, new ventures to employ the residents are becoming a part of the housing development process. And in that process people build a fuller community and are thus re-integrated into a richer round of life.

[1] Central to the founding was the Fred Victor Mission, which has taken the initiative on its own or in concert with other church groups to create a number of CED or other social justice projects in the Toronto area.

StreetCity

It is easiest to enter swiftly into the complex workings of Homes First by reviewing a project that has become a must-see for social housing specialists from all over Europe and North America. This is StreetCity, a mini-community for single homeless street people who have created 71 single-person units with many welcoming amenities, using an abandoned warehouse. It took almost three years (1988-1990) to complete this project, but its completion was only part of the ultimate accomplishments of the approach that Homes First is continuing to refine for community-building and empowerment of those who are probably the most marginalized in our society---homeless street people.

Homes First had already successfully produced other housing with the participation of the potential clients in the design phase. In 1984 it erected a building for 77 single low-income men and women, Canada's first major housing for this population. And in line with its prime priority it had next renovated two more rooming houses for single displaced persons and was involved with a number of churches in creating other affordable housing facilities. All this involved the potential clients in consulting on the design of the facilities.

But the offer (jointly from city and provincial officials) of an abandoned warehouse in good structural condition and the parallel offer of funds to re-construct it provided an unrivalled opportunity to evolve participatory techniques to a new level. It perhaps should be noted that in North America, at least since the 1970s, residents or potential residents had been consulted on the design of affordable housing being developed by nonprofits in a variety of settings. Thus a pattern had been evolving in this field that Homes First adopted but then took to a whole new level in the re-development of the warehouse.

Homes First engaged an architect to do preliminary schematics and assembled a band of single street people who would oversee the process as well as work on it through to conclusion. Gloria Gallant, the Homes First co-ordinator for the project, recalls the first meeting of the street people to look at the schematics. The architect spread the drawings out before them, and they all gazed at the work. Finally one said, "It looks like a fucking penitentiary to me." And with general agreement on that assessment, the schematics were junked in favour of a new approach proposed by the future residents.

What ultimately became the design was six townhouses interconnected within the original structure, each providing hostel accommodations for 12 single homeless people.[2] With the plans generally accepted, construction work began, supervised by an experienced construction manager and supplemented by specialists in the various trades. But the homeless men did the primary work and named their home StreetCity.

As the project neared completion, Homes First staff worried about how rooms would be assigned and how people would get along with each other, sharing kitchens and other common space in each house. Staff tentatively broached the problem to a group of the potential residents. "Oh," the staff were told, "we've already taken care of that." And the crew presented a copy of the plans with the names of the future residents attached to specific rooms. Among the decisions that they had already made was that one of the houses would be allocated to the chronic alcoholics, who in some cases already had relationships among themselves. In direct fashion, that house is accepted among all the residents as "Wino Alley."

[2] Actually, a glitch in design meant that one of the houses accommodated only 11 people.

Incidentally, rent for a room at StreetCity is approximately $350 a month. That amount would seem a high cost to people who do not know Toronto, but it is considered appropriate under the standards for welfare rental assistance. Over the last 20 years the gentrification of downtown Toronto has signalled a striking increase in real estate values in the city and led inexorably to massive displacement of the low-income population, some of whom have become the tenants of Homes First.

Homes First (and its construction supervisor, Ian Henderson) learned many things from StreetCity that they have incorporated in later projects. First off, women should be involved in all roles, including in the work crews. The accommodations, after all, were to serve women also, and in anticipation of proportionate needs, three of the six houses were designated for them. But stereotypically only men had been assembled to do the work. Only later did a specialized outreach effort get women involved in some design issues.

The need to involve women from the beginning, even if they are not initially as assertive, has characterized the first stages of a new project now underway, StreetCity II. Moreover, instead of all the participants working in a single undifferentiated group, it became apparent from the first StreetCity that the work proceeded better if the workers were organized into teams with specified tasks or responsibilities. So for StreetCity II, a resident-to-be was chosen as team leader for each of two six-person crews. Women formed one work crew, men another. Eventually, though, the men and women decided that they wanted mixed, rather than one-gender teams.

The first StreetCity also taught the importance of realistic standards of what could be accomplished over what period of time. It was surely frustrating to the supervisor to watch the work progress more slowly than would have been conventional on a construction job. But he learned that if he was to develop people and not just property, he had to understand the pace and the initially limited capacities of his work crew. At the same time, the work had to be maintained at a reasonable quality level, and here he could teach residents to maintain standards with each other.

An especially important conclusion from StreetCity (and other projects) was the recognition that at the end of a project, people had indeed developed new skills, and those skills should be used. Thus Homes First has accepted responsibility to help develop businesses in which the residents can exploit their new skills in a meaningful and continuing job.

For example, Homes First is presently exploring a potential furniture manufacturing venture in which residents can exploit their carpentry experience. But the new skills are not merely those of a trade; they include personal effectiveness and meaningful aspirations---life skills that had gone into disuse if indeed the homeless person had ever had a chance to develop them before. On the job of building their own community, the street people have found themselves. Gallant takes deep satisfaction in the process: “Just by virtue of the work, you see fundamental changes in people.”

StreetCity today is being managed by its residents. That includes collection of rents, bookkeeping, and physical repairs and general maintenance. It also includes formulation of rules for the recruitment of new residents (e.g., a 30-day probation period), for resident behaviour (e.g., no drugs on site), and for the eviction of residents who the “Town Council” may have finally decided just will not pay their rent or are too disruptive---generally because of violent behaviour.

The residents of this mini-community actually tend to be very tolerant, says Gallant, because they themselves have been there, so to speak. StreetCity accommodates a high level of unconventional behaviour, and the residents also have the benefit of mental health advocates who work with them on the site. Much of the supportive work, however, is done by the residents themselves.

Life within StreetCity can be both strenuous and a haven for the residents. Ann Kato, a Native American who moved into StreetCity about six months after it opened, can give an insider’s perspective. As a recovering alcoholic, she found it offering too much contact with the use of alcohol among the residents, but it was also a good experience for her, she reports. She stayed about a year and in that period was elected to the mayor’s office.

After she left to set up her own apartment, she stayed in touch with the project and eventually was hired as a relief worker. Among her tasks are crisis intervention among the residents, supervising medications, offering counselling, and helping to make decisions on the allotment of the three beds in the hostel unit, where people may stay temporarily for up to two weeks. The resident workers and the relief workers often help other residents to get to their outside appointments (with social assistance or clinics, for example) by accompanying them---volunteering on their own time.

Disputes among the residents may go for formal mediation by a resident committee, but Kato says that people mostly are able to handle their differences and are grateful for what StreetCity offers, especially the fact that the staff know the street life and have often been homeless themselves.

When a resident is too disruptive or noisy and nothing seems to help, she or he may be requested to “go for a 24-hour walk”---leave the building for that period until they have calmed down. This may be extended to be a “five-day walk” prior to a formal mediation session with a group comprised of a representative from each of the six townhouses. Others (an outside community representative, a Homes First board member, and a StreetCity staff member) participate as discussants in the mediation process, but only the residents make the decisions.

Some residents never leave the place; two or three indeed have been there from the beginning. They get other residents to run any absolutely necessary errands for them, so that they do not have to venture outside at all. StreetCity for this segment of the residents is a place to live the entire round of life---a full community.

For most of the others it is a stepping stone to an independent life, like Ann Kato, who today is on the board of a number of housing programs. Although the people who leave live on their own---only three have ever returned to StreetCity---they are usually so unskilled that they cannot find jobs. And this has become a concern for Homes First that has led to some evolution of its program.

Business Development at StreetCity

Within the confines of StreetCity itself, three service businesses have been established. One is a convenience store, begun because the project is very isolated (in a former industrial and warehouse district that is destined for general redevelopment), and so the residents had no shopping facilities to speak of. With staff help they organized a “Tuck Shop,” which residents now manage. (Ann Kato was the earliest manager.) Prices are set at the store in line with what might be thought of as a rather puritan rule, established by the residents: Basic necessities are sold at the wholesale prices that the store has to pay, but junk food like chips and cookies are much more expensive, the mark-up on those items being designed to handle the overhead costs! The store currently operates at a minor deficit, which is met from the general StreetCity operational funds.

A kitchen in one of the houses has been the basis of another small service business, a catering establishment that began merely as a service to Homes First board meetings, but has expanded to many other clients. Again, Ann Kato, who had once cooked for a summer camp, was the manager. If the business expands further, it will eventually have to move off the site; and in fact, says Gallant, probably such businesses will operate best if they are insulated from the day-to-day affairs of the housing project.

The third service business is a kind of bank. Here residents can cash their social assistance cheques without having to pay the exorbitant fees of the traditional cheque-cashing services. Also, they can get a maximum $50 advance that can be spent only at the convenience store. More recently residents have been able to set up savings accounts---a very positive development that many people would not have thought possible among formerly homeless single persons only recently off the street. Homes First staff had initially cashed cheques as an informal service of the organization, but their auditor recommended that it be formalized in an independent legal structure. And so a trust instrument was incorporated, and Homes First pays for the staffing---by residents. Other StreetCity services, such as security, maintenance, etc., are, however, paid for within the revenues of the project. Indeed each housing project is established by Homes First to be self-sufficient through rents.

A fourth business was originally on site. This is StreetCity Bikes, a bicycle sales and repair business. Bicycles are becoming more and more a transportation mode in the city, and residents of StreetCity themselves saw bicycles as important. The business at first did not do well at all and was closed up. Among other things, it needed a more systematic management than the residents were then prepared for, and it seemed to have required a more convenient location for customers. So, a year later, it has been re-opened with much better results in another location---at a Homes First project just beginning.

At this new location, the first year of operation of the bike shop (again stressing the training of residents or potential residents of Homes First projects) might well have made a profit; but competitor shops, claiming that StreetCity Bikes was government subsidized, persuaded local parts suppliers not to sell to the shop. Thus, it had to get its supplies from Montreal at greater expense. Another perhaps more integral problem was the lack of an intensive support system for the individual workers and the business itself. Both these problems may have been solved for the new spring season.

Competitors and suppliers have come to recognize that not the business but the training at StreetCity Bikes is government supported, and presumably Toronto parts suppliers will feel free to sell to the shop. Also, the United Way has allocated an extra half-time staff member for needed counselling with the trainees/workers. In addition, Homes First is developing a more intensive program of business technical assistance for all its related ventures and potential tenant businesses through the Street Community Enterprise Centre, also at the new location. In sum, Homes First has learned that its housing program will be strengthened if it includes a business development dimension.

761 Queen Street West

The newest project of Homes First is an ambitious housing and business development project, called 761 Queen Street West, the current site of StreetCity Bikes. This is a building of about 50,000 square feet, currently undergoing complete redesign. It used to be home to a congregation of the United Church, and it included extensive offices and other facilities. For perhaps 20 years the place had served the needs of the street community as well as the social justice programs of Toronto's United Church. Now Homes First aims to redevelop the building, stained glass windows, offices, and all, combining housing development with a business incubator and offices for socially oriented organizations. To accomplish the whole task, it has established a complex partnership with the United Church, still the owner of the building, and the city, which has seconded a planning department officer to the project.

The top three floors will be long-term housing units, to be owned and managed by Homes First; design work (guided by potential residents) is almost complete. The other two floors (first floor and ground floor or basement) will become commercial, office, and other facilities that will serve the neighbourhood and (by current plans) be owned and managed by a neighbourhood development corporation in which all the tenants will participate. These floors are currently designated as the Community Action Centre and are legally, administratively, and financially separate from the housing, but they will obviously meet some of the needs of the housing tenants. The Community Action Centre activities will include job services, social and health supportive services, and so on, to foster opportunities for the marginalized to become re-integrated into the community. And there will be businesses and business development services organized in an incubator facility. It is projected that businesses that become sufficiently profitable will move on to other locations, leaving the incubator space for new ventures.

The housing units (30-32 small apartments) will be available for, among others, people who will need to move from the hostel-type units of StreetCity to more permanent quarters. Quite naturally, single tenants sometimes get married, formally or otherwise, and have families and need to move to other accommodations; the 761 Queen Street project will help them. Homes First has had to move beyond its original target group, single displaced people, to consider all categories of those who need but do not usually find decent affordable housing. Indeed, one of the early Homes First projects was Meegweetch, 64 units of family apartments. And while the demand for single person accommodations will not be met by the 41 additional single person units that Homes First has also already developed and the 90 more now in the pipeline, family apartments are becoming a major part of the Homes First program.

The two lower floors (first floor and ground floor) of 761 Queen are currently occupied by various organizations that are likely to stay on, but others will undoubtedly be recruited, depending on space available. The major group there now is a user-run drop-in centre for street people, called The Meeting Place. The Meeting Place occupies the original nave of the church, on which a choir loft still looks down. It is a large open area with pool tables, ping-pong tables, and other recreational facilities; in what might have been a vestry are showers and laundry; and there are crafts areas, etc. Below, there is even a bowling alley of four lanes, left over from one of the neighbourhood social service organizations or settlement house groups that have occupied much of the building over the past 20 years. The Meeting Place now serves up to perhaps 150 people a day, mostly men. It is also trying to create a crafts venture especially for products made by mostly women members of Toronto's aboriginal community.

StreetCity Bikes and Fresh Start, a cleaning-maintenance service staffed and run by ex-mental hospital patients (including a former member of the A-Way staff), are among the other current tenants likely to stay on. There is also a tiny nonprofit group that has focused on offering computer skills and proposal writing services for neighbourhood ventures. Another group, the Consumer Survivors Business Council, a local unit of a province-wide organization, will provide technical assistance, documentation, and advocacy services in connection with models for ventures that can hire and be managed by former mental hospital patients.

A new facility, sponsored by Homes First, the Street Community Enterprise Centre (SCEC), will also be available to provide business development services. SCEC is directed by a specialist in business, Jennifer Cobb, but she has defined her goal to make sure that the ventures assisted are "community-driven," as she puts it. She notes that business development in this context implies that it may take a long time in any one instance to bring target clients (including former street people) to the point of being able to work in the style that is required for entrepreneurship and business success. Associated with the Centre will be a business incubation facility. The Centre will also take a special interest in CED issues in government policy and in the systematic barriers to neighbourhood-based businesses.

Housing Development as Community-Building

The 761 Queen project illustrates the direction of the Homes First development policy, utilizing more and more business development activities as underpinning to its housing programs. Perhaps more precisely, the business development dimension is very clearly an element of its overall emphasis upon community building through housing. Homes First sees street people as initially marginal but as being re-integrated into society and its economy through their own building of community. Both a community of interest and of place is generated through the creation of housing in which the residents can define the agenda of their lives, where there is a chance of hope, a place of opportunities, a setting for dialogue and the discovery of others' experience, and yet at the same time an allowance for privacy.

Clearly, housing alone cannot achieve this complex arrangement. There must be an infrastructure of amenities, of access to supportive services, and ultimately of productive work. In short, a community requires a range of opportunities for the full round of life, and the street people can construct that round of life in collaboration with an organization that recognizes their potential. That is indeed a decided difference from the conventional approach to homelessness, and it is the major contribution of Homes First.

Each housing project is overseen by a "Project Group" made up of one or two Homes First board members, staff, local neighbourhood or community representatives (including partner organizations, local citizens associations, etc.), and residents or potential residents (who ordinarily form a majority of the group[3]). With such a combination, it is no wonder

[3] StreetCity is the only facility that does not have any outsiders on its management committee.

that each project evolves differently, depending upon the composition of its governing group. For example, the 761 group concerned with the Community Action Centre includes, among others, representatives of Street Community Enterprise Centre, Anishwawbe Health-Street Patrol (a neighbourhood outreach that provides food and blankets to street people), Maggie's (an outreach and health service for those in the sex trade), Beat the Street (a literacy program), First Stop (YMCA outreach to new arrivals in Toronto), and Fresh Start.

Homes First housing development projects typically involve partners in the church and nonprofit housing sector, as well as local municipal authorities. In each instance, Homes First provides as a minimum the community development dimension. That is, it works to involve the residents or potential residents in the creation and management of the project. In some instances, Homes First has assumed management of housing already occupied, using its own innovative management style of resident involvement. In these and others, Homes First may not have any ownership. In all, Homes First now manages 14 active residential properties, of which it owns six outright and may have some ownership stake in others. These comprise about 542 units. Then it has 113 units in three projects under construction, and another 500 or so in various stages of development, including StreetCity II.

In 1992, StreetCity II became the initial arena for integrating what was learned on the first StreetCity project, and it illustrates especially well the benefits and vulnerabilities of the Homes First approach. The city of Toronto had made available for housing development an industrial site that was dangerously polluted, but the city concurrently granted about $500,000 to clean it up according to advanced environmental principles. Despite the special technical nature of this task which had to be accomplished prior to any housing construction, Homes First and its construction supervisor recruited street people, six men and six women (from The Meeting Place and other drop-in establishments) to carry out the decontamination process with the aim of eventually building their own housing on the site. Environmental specialists guided the decontamination process and indeed were enthusiastic about the collaboration. The crews of workers were garbed in the usual white plastic suits and special headgear that must be used. In that environmental services uniform they worked all of a hot Toronto summer and completed the task in good time, using the new team approach.

Clearly, they were prepared to move on to the work of constructing StreetCity II, but the expected provincial funding did not come through. The esprit de corps, the experience, the human resources represented by the crews has been dissipated, for the street people themselves without a common task and identity have dispersed and probably cannot be re-assembled even when the provincial funding eventually comes through. Other potential residents will at that point have to be recruited. No doubt Homes First will have learned another lesson in this experience, which it can put to good effect to overcome any similar project delays in the future. One may assume that in the future Homes First will have a contingency plan for such an event.

Taking a look at the various projects that Homes First has been engaged in leaves one with the impression of a dynamic that has by no means reached its ultimate expression. Each project has tended to have a different clientele and to involve that clientele as participants and partners in a different way. A board statement deserves extensive quotation:

> The basic Homes First model is that a project is a partnership of tenants, staff and local community members where tenants are the most affected stakeholders and, therefore, first among equals. ...Convincing tenants of a brand new project that they have the most power in the functioning and decision making at their project takes time. One of the key factors in this process is the extensive autonomy individual projects have within Homes First.
>
> ...As the landlord, Homes First Society has ultimate responsibility for ensuring that its housing projects are well managed and well maintained. Homes First attempts to achieve these goals in ways which foster the control residents have over their own housing situation.
>
> Homes First operates with a number of assumptions and beliefs which are consistent across the organization, in all projects no matter how different they may appear to be:
>
> ...homeless people are themselves a major resource in solving their own problems....
>
> Homes First encourages participation but does not require it....
>
> Residents are assumed to be competent and to have an interest or a stake.... Residents who have lost respect and trust in the system may take some time to manifest such self interest...may choose not to participate until they have an opportunity to observe that such participation is meaningful.
>
> Consequently, Homes First is prepared to take some carefully considered risks and endure less order and fewer systems in order to convince residents that the need for their involvement is real.
>
> ...responsibility [to be placed in the hands of tenants and the project management groups that include community members and staff] is devolved slightly ahead of demonstrated ability since ability emerges only with exercising the responsibility and accepting the consequences of irresponsibility.
>
> Staff...must respond flexibly to residents' needs and interests and must be adept at assisting residents to learn how to carry out the work, whether it be sitting on a committee, washing a floor or setting policies on eviction.

This board statement eloquently presents the case for resident empowerment from which has come the success of Homes First in evolving new ways to provide housing by way of helping the homeless to build their own communities. Incidentally, when the potential users are engaged in consultation on architectural schematics, they are paid a modest fee for their work, and other incentives have been designed to encourage a constancy of effort on the part of the street people partners.

Homes First engages in other activities in addition to what has been described so far. It promotes networking among single displaced persons (especially through the drop-in centres), and it is a vigorous advocate for subsidized housing in general. It has also created a women's economic development network, now numbering about 160, of whom perhaps 60 can be expected at any one meeting. One-third of the members are activists in CED, while the rest include those providing services to the low-income, or in small businesses, or just interested in the field.

Practice and Policy Issues

The accomplishments of Homes First do not mean that it operates without some threatening problems. The entire Homes First program is conducted without a stable core budget. It has only recently established an "administrative section," and that is maintained only by virtue of transfers from the operational incomes of every housing facility.[4] In the past, the general developmental activities (including any necessary staff salaries and street people consultant fees) have been met out of a line item for "organizational expenses" that is budgeted in each of the funded projects underway at any one time. Thus five key development staff members are all supported by current project dollars, and these staff take responsibility for much more than the particular projects under their direction---e.g., active membership on Homes First committees, public liaison, fund-raising, etc.

Actually the designated line items for "organizational costs" never fully cover the expenses of core activities like thinking through new potential projects and working with various community groups on their ideas. Yet even that partial defraying of what might be called the R&D work of Homes First is likely to disappear, says Gallant. With the federal government already dropping out of housing development and with the trend in Ontario (following that of other provinces) also moving in the direction of cutting back, Gallant believes that it will be only a couple of years or so before Homes First must give up its development activities.

Homes First assets (almost exclusively real estate, of course) amount to $14 million dollars. Annual revenues are now about $900,000. A finance committee is made up of the board treasurer, a representative of the development staff, two representatives selected by the current project management committees, and two residents. But there are no current plans to assure that Homes First can exist if government spending on housing development by nonprofits is even more substantially reduced than it has been in the very recent past.

In other settings, as reported by Avis Vidal, CED groups have managed to use the assets they have created to assure some income support in lean times.[5] Although Homes First may seem to have followed this common CED rule---that is, to create an asset base for secure operations---its assets are pledged, so to speak, to the on-going needs of each housing project and the residents concerned. In short, the organization does not benefit financially from the income stream of completed projects---for example, not even through establishing a management company that would earn revenues for property management services. The result is a shaky financial prospect.

Some staff (Gallant, for instance) may be able to work productively in this atmosphere of year-to-year job insecurity, but one ought not assume that it is a very workable system.

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[4] Rental incomes and management fees support central bookkeeping and other tasks that stretch across all residences and that are not handled on each residence site by the tenants (who, of course, are also paid out of rental income for their services in security, maintenance, repair work, rent collection, local bookkeeping, etc.).

[5] Avis C. Vidal, *Rebuilding Communities: A National Study of Urban Community Development Corporations* (New York: New School For Social Research, 1992). This reports solely on U.S. programs. However, Canadian groups, like New Dawn Enterprises of Sydney, Nova Scotia, have also benefitted in hard times from an asset development strategy. See Perry, Lewis, and Fontan, work cited, p. 23. See also Greg MacLeod, *New Age Business* (Ottawa: Canadian Council on Social Development, 1986), Chap. 2.

Nevertheless, it perhaps serves a function in that it somewhat matches the lifestyle of uncertainty of the Homes First constituency, the low-income tenants it seeks to serve; and the situation underlines the tradition of shared responsibility and ’ownership’ of the projects as they come on line.

Gallant defends the situation: “While you do spend so much time on [seeking] funding, it may focus your attention better. And the style of sharing in the ’ownership’ of the project may not give you the same self-satisfaction in accomplishment, but it is healthy.” She feels that ten years or so ago it would have been hard to recruit staff to live and work in this framework, but today times and attitudes have changed and there always seems to be plenty of enthusiastic applicants for the developmental jobs with Homes First. She also feels that the openness of the Homes First approach allows each person, staff or resident, to take on necessary responsibilities and thereby strengthen the organization and its work.

One outside influence may limit the fulfilment of the Homes First management philosophy. A recent Ministry of Housing regulation has forbidden membership on a board of any grantee, if the person is being compensated in any way by the grantee. Thus Homes First residents have had to resign if they wished to protect even the smallest income from Homes First. For example, one woman has given up board membership because she occasionally is paid for relief cleaning services at her facility. In fact, most residents who are active and involved in running Homes First (on committees or whatever) tend to be also those who have some part-time employment at their residence. That seems appropriate and understandable; an interest in one’s home engenders efforts to maintain it, and conversely putting some effort in and getting paid for it reinforces a commitment to an enterprise. But the Ministry policy contradicts this natural reinforcement even though the compensation involved may be only a few dollars a month. Currently the Homes First solution to this problem has been to establish a Tenants Committee to advise the board; but advising is different from taking responsibility, as any consultant knows. The organization continues to lobby for a more reasonable application of a conflict of interest policy.

One reason that Homes First has had a consistent history and a consistent development of its basic principles is probably because of continuity in its staff direction. Until very recently Homes First had had a single director for almost its entire life. The founding director, Bill Bosworth, was seen as a charismatic and many-talented leader. Yet some leadership has obviously evolved at all levels, so that a wide range of skills, perspectives, and connections can be accessed. A new director, without the same history, will probably enlarge the scope of others in the organization.

Today, the board of fourteen members has eight who are associated with other community service organizations, including province-wide or national groups, such as the Tenants Advisory Council of the Ontario Non-Profit Housing Association and the Canadian Non-Profit Housing Foundation. Formal partnership arrangements for housing developments exist with at least 15 different organizations. Most striking is the relationship with the city of Toronto government, which, as mentioned earlier, has seconded a senior staff person to work full-time with Homes First.

The integration of social and economic goals are evident in all stages of project development and implementation, most clearly of course in the basic commitment to tenant empowerment as part of the property development process. That empowerment is not merely in decision-making but in informal and formal training in marketable skills in construction and other housing related activities. In the Homes First approach creating housing and other economic assets for low-income communities is combined systematically with a commitment to empowering those who are most marginalized in income, status, and access to housing. And, as has been described in detail, businesses (like a convenience store) are developed to strengthen the economic infrastructure of the community of identity and of place created by the housing itself.

Homes First stands out as a creative CED effort not so much because it adheres to the fundamental principle of combining social with economic initiatives, but much more so because of its sophisticated process of community building per se. Other CED initiatives or organizations tend to begin with a community of place already established, even if that community is very attenuated and must be helped to define itself and to find a new beginning. But Homes First seeks out a relatively unrelated group of people whose only common identity is that of homelessness and helps them to build a more rewarding way of life as they build their own homes and create their own community in a web of new relationships. The relationships have to do with constructing ways of self-governance, of inter-dependence, of work that serves the group as much as the self, and so on. The role played by Homes First is truly limited to facilitation to the point that each housing project and its residents is essentially spun off as a self-sufficient and self-governing entity, although the entity is definitely linked to its wider social and economic environment.

A recent event in the history of StreetCity helps to illustrate the empowerment that can create community. Initially, as the housing facility was being developed, Homes First had a set of offices on site where among other functions they could offer workers support on a day-to-day basis, all the while continuing any other work. Over time, the new 761 project was evolving toward imminent activation, and Homes First had intended eventually to move to that site where again it would be on the spot for everything that was happening in the development process. However, some months before that move would have been made, representatives of the StreetCity "Town Council" came to the offices and told the staff that StreetCity needed their premises for its own purposes.

In effect, Homes First was asked by the StreetCity managers (residents) to leave before it quite wanted to. Because it was indeed possible to move to 761, an early departure was arranged, and now Homes First is well officed at 761, using half of a floor. Their former space at StreetCity is being put to more effective use for that community---for offices for the Town Council, for meeting rooms, for a quiet reading room, etc. And the Town Council has decided that the area will be off limits to all except residents; not even guests will be allowed access. It is their space. For the StreetCity residents to have been in the position to ask and get the sponsoring organization to clear out makes undeniably real the self-determination of the project and the empowerment of the residents.

Chapter Nine

RESO: DEVELOPING MONTREAL'S SOUTHWEST DISTRICT

RESO is the only case in this selection that fully illustrates what might be called the hallmark CED institution, that is, the community development corporation or CDC. All of the traditional powerful features of the successfully operating CDC are present at RESO in significant degree: nonprofit corporate structure, a specific locational community with political energy, unambiguous resident control, board representation of a wide range of local constituencies, and a multi-purpose, multi-faceted development strategy emphasizing the creation of a stronger business sector. Only in one respect has it been slow to take on a critical element---namely, in financing and establishing its own business ventures, an activity that apparently is currently receiving priority attention by its board.

Each CDC finds its own solution to the problem of combining social and business goals. For RESO that solution is based upon a history of analyzing the experience of others but picking its own way through local conditions and challenges. It may be hard to conceptualize a concrete pattern in the story of the group, yet each event or crisis clearly exposes a socially sophisticated resolution of economic choices. In the process RESO has progressively expanded in its reach and program and results. It would seem that the key to its progress is precisely the CDC institutional format that it has adapted to its own local situation.

Le Regroupement pour la relance économique et social du sud-ouest (RESO), founded in 1989, is probably Canada's most powerful community development corporation. The sources of that strength spring from its own versions of fundamental features found in any successful CDC. This case analysis will stress those features and their significance not only for RESO but for CDCs in general. The story of the organization's development extends over a ten-year period in which a consistent strategy has been displayed.

The name RESO is a play on the word *réseau*, meaning "network," and energetic networking is why RESO has grown to its present status of a lead organization in the field of community economic development---with a current budget of about $2 million. The history of RESO begins in 1984 when it was a smaller but nevertheless very successful organization, the Programme économique de Pointe St-Charles (PEP), and it was there that the successful pattern of networking was set. To focus on the pattern of activities of both PEP and its successor RESO offers not only a crucial clue to the present-day strength of RESO but also an entry to the means by which the community has been able to integrate its business and its social goals. Moreover, the original organization, PEP, bore within itself the ideas and vision of the ambitious multi-dimensional strategy, integrating social and economic goals, that characterizes any community institution known as a CDC. PEP was already a CDC serving a population of 14,000 when it was re-organized and renamed as RESO in 1989 to serve a larger geographical area with a population of about 68,000.

Background

PEP itself arose from an extended history of community organizing in Pointe St-Charles, a very impoverished industrial neighbourhood.[1] The area, very much like the other industrial neighbourhoods around it, had declined from active prosperity at the turn of the century, to a status in 1984 in which 43 percent of the people were living below the poverty line, 17 percent were unemployed, and 25 percent living on transfer payments. It had been a dramatic decline.

> In 1850, Pointe St-Charles was the area where the industrial revolution was first introduced to Montreal and, in fact, to Canada. West of the old port, the construction of the Lachine Canal, the Grand Trunk Railway's installations, and the new Victoria Bridge gave Montreal's merchants and manufacturers a formidable access to the markets of both the east coast and the Great Lakes. In just a few short years, the banks of the canal became an immense industrial corridor surrounded by commercial arteries and the branches of prestigious banks.[2]

The Lachine Canal became one border of the original neighbourhood of Pointe St-Charles, where the railway and the manufacturing plants formed other borders. Some of the dwellings for the workers of that time still exist, some still with packed dirt floors on the ground level. Although the living conditions were minimal, the residents were at least employed. But this security began to crumble in the post World War II period.

The swift changes after the war were devastating to the community. Industrial modernization in response to technological and economic evolution was difficult for the local companies. Their buildings set on the narrow streets of a bygone time were not easily accessible for truck transportation, and plants began closing. Further, when the St. Lawrence Seaway was fully opened in 1965, the Lachine Canal itself was closed. So more plants shut down or were relocated. New expressways and a new bridge encircled and isolated the neighbourhood. Pointe St-Charles continued to lose both economic facilities and people. In companies employing 50 or more, 16,000 jobs disappeared in the period 1967 to 1988, and the population declined from 30,000 in 1951 to 13,000 in 1986. The businesses that stayed on faced an uncertain future in an area characterized by outmoded infrastructure; and the people who did not move away faced a job shortage that seemed unrelenting.

The residents did not take the changes passively. Community groups began to create facilities that helped to cushion the disaster, and some of their innovations were adopted by the provincial government for use in other hard-hit areas. So in the years before PEP and RESO, there was a history of community action and inventiveness. Economic

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[1] For the historical background of RESO and its predecessor, PEP, I have relied on two published works. I am especially indebted to Jean-Marc Gareau, *PEP, The Pointe St-Charles Economic Program: The Rise of Community Economic Development in Montreal 1983-89* (Port Alberni, B.C.: Westcoast Development Group, 1991; translated from the original French version published by l'Institut de formation en développement économique communautaire [IFDEC] in Montreal, 1990). Gareau provides a detailed account from the standpoint of a staff participant. For an outside perspective, I have relied upon Jean-Marc Fontan (Andrea Levy, tr.), "Pointe St-Charles: Building a Community Voice," Chapter Five in: Eric Shragge, work cited. In his account Fontan stresses issues in the political evolution of the organization.

[2] Gareau, work cited, p. 3.

development itself, as a community endeavour, began in the 1970s with the organization of a consumer co-op and a housing information service that within a decade had moved into new activities, creating 23 housing co-ops totalling more than 300 units. After some 30 years of decline, these efforts were all too small. None of this addressed the lack of jobs; and upscale real estate developers threatened to expel still more of the residents who would not be able to afford the new housing being planned.

By the early 1980s, the community groups had evolved a permanent coalition to resist threats to the neighbourhood. But local experience with job and business development had not been encouraging. For example, two women, an organizer from the Community Clinic and another from the Montreal YMCA, had tried to use federal CEIC funds and provincial programs to create enterprises for local young people. They began three shops---automobile body work, printing, and furniture repair---but these swiftly failed for both management and financial reasons.

The need for jobs remained an outstanding priority for Pointe St-Charles. So the organizers and their groups determined to learn from their mistakes. They researched other experience in community economic development, including that of the United States; and the local groups successfully campaigned for support from Quebec's employment ministry to make a study of the local situation and to plan how to reverse the de-development of the neighbourhood. At this point the continuing decline had been going on for almost 40 years, and it was not easy to fight it.

Nine community organizations incorporated PEP in late 1984, and with financial aid from the Quebec ministry began by conducting a basic study to derive a local renewal plan. The report, issued in the spring of 1985, offered statistical analysis to show the continued decline of the area despite millions of dollars of provincial aid for welfare and other programs. The report concluded that a locally designed and controlled strategy could reverse that process and create wealth rather than dependency by pursuing a multi-dimensional program in commercial and industrial development, job training, assistance for small business, and community services.

That same year, a neighbourhood-wide meeting was held to elect a board of directors and to launch activities that would pursue the four general goals that had been agreed upon: local renewal to be guided by neighbourhood priorities; business development to create good long-term jobs; training programs to prepare the unemployed for those or other jobs; and firm funding for the organization itself. Not explicitly mentioned but nevertheless energetically addressed was the task of systematically reaching and involving the businesses and other institutions of the neighbourhood.

Full Speed Ahead

Even with the necessary grant funds in hand, the first year of full operation (1985-86) was tumultuous, and at the same time achieved many good results. For example, on the goal of local control of the renewal process, PEP joined other community groups in nearby areas to issue a counter-proposal to the city's unacceptable plan to rezone industrial districts, re-locate businesses elsewhere, and promote the development of upscale residences. The community counter-plan played a significant role in later lobbying activities that froze the city's initiative until a more reasonable development plan, participated in by even more local people, could be drawn up.

On the goal of training residents for employment, PEP conducted a program on business development, attended by 25 prospective entrepreneurs, while a systematic review of local training needs was undertaken. Training was to become a major activity for the organization.

Programs in direct business creation were less successful. Although the province had given PEP an investment fund of $100,000 to help new businesses start up, most of the 30 businesses assisted failed (including three co-operatives), despite the aid of seasoned business consultants who themselves had been successful entrepreneurs. Only about 50 jobs survived out of that first year's activity. Actually that would be a very good record for most government-supported business creation programs: that is, despite the many failed businesses, the overall capital cost of job creation in this attempt was only about $2,000 for each permanent job, with very little more in technical assistance expenses. But what should have been recognized as good progress was overshadowed by the very visible losses.

The many failures and the very entry of the organization into business development was controversial, implying for many local people a too cozy relationship with private business and too little attention to community organizing. By the end of the year, three of the founding organizations withdrew from PEP, and to this day, the dimension of business development and working with the private sector remains controversial within the community.[3] Despite the dissension, PEP had managed to build a membership of 140 individuals and 13 corporations or other organizations. And co-operation with the private business sector became a key part of the neighbourhood development picture, an essential dimension not only of renewal but also of creating a strong network that would look out for the full range of the community's priorities.

In the meantime, two other community-based economic development groups had arisen in other Montreal neighbourhoods, and these had joined with PEP to pin down long-term funding from a reluctant province in 1987. Finally with three-year funding committed, the PEP board produced a strategic plan to increase its impact on four basic objectives: improving resources for job access for the unemployed, creating jobs and businesses, strengthening its network of supporting institutions, and diversifying its funding sources. In the first year (1987) of its new funding, PEP re-organized its board to include four representatives of community organizations, four for local businesses, and four for general residents, as well as one slot for a staff representative.

In that first year of its three-year plan, PEP dealt with two objectives in a single significant activity that has borne long-term results. It instituted a program of assistance to local businesses on the individual problems that the businesses were confronting. Thus, rather than focusing on starting new businesses (which in any event was being attended to by other community-based agencies, such as the YMCA Enterprise Centre), PEP

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[3] Even two years later in the fall of 1988 PEP's annual meeting re-visited the issue of business development and job creation and concluded that PEP had overemphasized that activity and needed to give more attention to the general problems of the jobless, "employability," although for the previous year its training committee had been very active, especially conducting a survey on which to base a plan of action. In any case, PEP immediately sponsored a community symposium on employability that included recently laid-off as well as chronically unemployed people as participants to consider the plan of action. From then on issues of job preparation have continued to be high in PEP's priorities, but that did not prevent the organization from also trying new ways to encourage local business.

mobilized resources to maintain existing sources of jobs and services, strengthening the local private sector. In the process, not only were jobs maintained and new jobs created, a fruitful relationship was developed within the private business sector.

Among the services that PEP provided to business were local relocation planning, management consultation, search for expansion space, direct financial assistance, and referral to other sources of aid, including on-the-job training. In only two years PEP could count 188 jobs maintained and 76 jobs created through these services. At the same time, PEP was developing a reputation for being helpful to business in general. For example, it encouraged the local retailers to set up a mutual help association and financed a consultant study on local markets and renewal of the commercial shopping district. While this was helpful to the retailers directly, it also met a need expressed by residents for good shopping facilities.

From its beginning, PEP had recognized that business development cannot be pursued effectively unless friendly capital is available for new and expanding ventures. Its experience with a small fund of its own had not been encouraging, but the need was still there. With the two other Montreal CDCs, PEP established a business development finance fund (Fonds de développement Emploi Montréal) that over the years has made many loan and equity investments for new and expanding local businesses.

Despite this energetic beginning, the year 1987 also saw a new round of plant closings and the threat of more to come; the disastrous events included not just the immediate PEP neighbourhood but adjoining neighbourhoods along the canal. At this point, PEP was able to establish a new set of relationships that had hitherto eluded it. Labour unions, faced with further decimation of their ranks, now welcomed collaboration with community groups. Before this, the unions representing the workers in local plants had little relationship with the community. After all, their members were better prepared, long employed, and often lived outside Pointe St-Charles; they did not seem to have much in common with the chronically unemployed. The union officials had not seen much point to working with noisy community groups while the plants were still operating. But their membership was decreasing, and PEP told them, “Your current members may not need the services of a CED group, but your ex-members are in our offices looking for help.” Now it seemed as if there would be a lot more ex-members, and the unions recognized the importance of a broad front.

Wider Coalitions

Urgence Sud-ouest, a broad-based pressure group of unions, local institutions, and community organizations, arose out of Pointe St-Charles and the nearby neighbourhoods along the canal to make waves throughout the area. Their protest demonstrations were well-organized and well-attended. The local politicians got the message and established their own group of city, provincial, and federal elected officials (of all parties) to address the local job crisis.[4] The city put its plans on hold for rezoning the industrial areas, and the federal government awarded a major contract to a local manufacturing facility. The community was beginning to have an influence on the critical events that affected it.

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[4] This “Committee of Elected Representatives” continues to function as a support group for the recovery of southwest Montreal; and RESO will call upon it, from time to time, to address a current issue.

Out of the demonstrations and other events calling attention to the crisis, a major coalition for the larger area was established in the spring of 1988 by community groups, business, and labour unions, with government at all three levels joining in. CREESOM or the Committee for Economic and Employment Revitalization in Southwest Montreal included representatives from all economic sectors and received a budget of $200,000 from the province to review the situation and make practical recommendations for concerted action.

In the midst of CREESOM's activities, PEP, in collaboration with the University of Quebec at Montreal, founded a CED training and technical support centre, l'Institut de formation en développement économique communautaire (IFDEC), which was designed to serve CED organizations throughout Quebec.[5] Within the year, it made a major contribution by sponsoring an enormously successful international conference that put CED on the map in Montreal, underlining CREESOM's work.[6]

Over that year and into the next, CREESOM compiled a report on the process of disinvestment and job loss and the dollar costs to government. And it produced a series of recovery recommendations, including improvements in infrastructure, housing, and employment services, as well as government investment of $140 million over five years in business and job expansion. Among the recommendations issued in 1989 was assignment of the recovery operations to a local organization, to be called RESO, that would be based on an expanded and re-organized PEP.

Some business representatives insisted that the board of the new organization be controlled by industry "or it would not be taken seriously," but PEP and its allies stood fast. RESO had to be a broad-based coalition, they said. The relationships with many local businesses previously developed by PEP were crucial in winning this battle. Moreover, the head of CREESOM, a vice president of Hydro Quebec and now head of RESO's board, was key here; his views were coloured by having seen the results of PEP's work, and he came down hard on a more representative format. In the end, the business sector received four slots (one each designated for big industry, small industry, financial institutions, and the commercial/retail sector) community groups got four, labour unions two, and RESO staff one. This board was to co-opt two others to round out its member resources. Recently there have been calls, no doubt sooner or later to be accepted, for a representative specifically chosen by the users of RESO's employment and other services.

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[5] IFDEC also can serve as a sort of secretariat for Montreal CDCs when they wish to work on common problems. However, the CDCs have not formally organized themselves as a group, on the rationale that it would tend to promote the notion that somehow they are all the same and can be dealt with in common ways by the relevant government agencies. There is a strong resistance to being treated by the so-called cookie-cutter approach that is so traditional in government programming.

[6] The history of RESO and PEP has been marked by a sophisticated sense of what might be called public relations as well as community relations in building its support and reputation. For example, there is a well-read free weekly newspaper for the district, and each year just prior to its annual assembly at which any citizen may speak and vote, RESO includes a large supplement in which the results of the year and the issues of the coming meeting are presented. (Each month RESO routinely has a one-page report in the paper.) A more ambitious but one-time project in 1993 was the co-sponsorship, with many partners in the business, government, and social agency sectors, of a month-long celebration with free bus tours that showed off both the good and the bad of the neighbourhood---e.g., a newly closed plant as well as the businesses created. The tours were a rousing success; four buses filled up each day, and so about 5000 locals and outsiders discovered a lot about the neighbourhoods of southwest Montreal in that month.

RESO's executive director recognizes that marginalized citizens as intended beneficiaries of a CED organization ought to have a specific role in its governance.

The entire range of CREESOM recommendations received wide-spread approval---from local community groups, the media, and the various levels of government. Re-allocation of government funds together with private development investment amounted to perhaps a half-billion dollars for infrastructure and other objectives outlined by CREESOM. When CREESOM wound up its business, RESO was prepared to take on the follow-up tasks.

Today, with an operational budget of about a half-million dollars and with projects, especially in employment preparation, funded at almost three times that, RESO seems an established fixture in the southwest Montreal scene---and a model for the city and beyond. Its basic funding comes up for renewal in 1995, and its general manager, Nancy Neamtan,[7] is confident that, even though there is no specific CED program in federal or provincial government, RESO will continue to be effectively funded.

It should be re-emphasized that RESO's status and the credibility of community control of development was undergirded in Montreal by the major conference that PEP promoted (through IFDEC) in 1988. In partnership with France's l'Association nationale pour le développement local et les pays, IFDEC mobilized both public and private organizations, including the City of Montreal, the Montreal Chamber of Commerce, the Association of Quebec Municipalities, federal and provincial ministries, private corporations, and others to participate in the examination of local communities in action in North America and Europe.

In all, seven hundred participants from Europe and North America focused attention on the idea and process of community economic development. The conference was a highly visible 'accreditation' of the community economic approach and the kinds of things that PEP (and later RESO) were trying to do and be. It established in the minds of many key people the credibility of local control of the development process. It not so incidentally also promoted the relationships of PEP to other CED organizations with whom information exchange could be crucial both practically and politically.

Thus, both local and national/international networking has lent strength to RESO's efforts, and indeed *réseau* has been key to the RESO story. The PEP/RESO focus on networking in the private sector---mobilizing the resources of private business and strengthening the potential of business to contribute to community building---has offered a major payoff in the task of combining social and business development goals, the central task of community economic development.

[7] She was the original YMCA organizer for the neighbourhood and went on to become the director of PEP, moving on to RESO when PEP was re-organized. The continuity of leadership represented by her work probably cannot be overestimated as a key to the progress of Pointe St-Charles.

Maintaining Community Control

Networking alone does not explain RESO's effectiveness. There are other fundamental features of CED that RESO did not neglect, and each of these too contributed to the melding of its social and business development goals. As has already been foreshadowed, RESO's firm commitment to control of the development process by a broad-based coalition has been crucial.

Because economic development is so importantly the fostering of private business (even if that fostering is indirect through improvements in physical infrastructure), it is usual that the business sector (and other traditionally-minded observers) see this sort of work as a business sector task and thus believe that business should take the lead in directing it. That was the conventional expectation expressed at the time CREESOM recommended the establishment of RESO.

The issue here is not merely the power to make decisions---rather it is the kind of perspective that must guide the decision-making in the recovery of a depressed area. The broad-based coalition that embraces a wide range of community perspectives in addition to private business (or government) gives the development organization a greater chance to avoid mistakes and to sort priorities in an effective manner. PEP and RESO held fast to that fundamental feature, and by so doing, their efforts have proved out and they have indeed been taken seriously, quite to the contrary of some of their earlier business critics.

Conversely, PEP/RESO has a history of firm commitment to seeking a partnership with business, even when elements of the business sector are suspicious and even hostile. For example, the first major crisis in the organization centred on disagreement within the board over the salience of business assistance in PEP's program. Jean-Marc Gareau, a staff member at the time, calls the debates "wrenching," and indeed they led to resignations from the board.[8]

Again, some years later RESO negotiated informally with a supermarket chain (Price Club) to support its request for re-zoning a parcel of industrial land so as to build a major facility. In return for support for taking industrial land out of development, Price Club agreed to give first consideration to local residents for the approximately 200 jobs that would be created. However, all of the 500 or so applicants that RESO referred to them were rejected. RESO and other community groups were furious and went to the media. Price Club bowed to the uncomfortable publicity and offered to interview and act favourably on any further referrals. RESO refused the offer, insisting that the company re-interview those it had already rejected. Finally, Price Club surrendered, and jobs went to those applicants.

When the store opened with its new resident employees, RESO participated in the ribbon-cutting ceremonies, in honour of the community residents who were now employed and in recognition of the agreement that Price Club had finally lived up to. But some community organizations (including some represented on RESO's board) were not satisfied and picketed the opening, still not trusting a firm that had earlier reneged on its commitments.

Such episodes can raise issues about RESO for community residents who have undergone a history of adversarial contact with unfriendly businesses; and outside

[8] Gareau, work cited, p. 8.

observers may also raise an eyebrow at RESO's close relationship with businesses.[9] But RESO acts on the philosophy that insisting on a partnership of equality and then participating within such a partnership is a part of re-building the community.

Partnerships with Business in a Multi-Dimensional Strategy

With that rationale, in 1992 RESO undertook a survey of all the local companies to establish an "early warning system" of trouble that might mean a plant closure or relocation. Information from unions was key to the survey that turned up problems of succession (i.e., an owner about to retire but with no one to take over the business), or financial difficulties, or product development issues, etc. As in the traditional adage from social work with people in trouble ("Take the person where he's at"), RESO tries to work from the business' own current pre-occupations. Listening to the business managers tell their stories has given RESO a real feel for the economic realities faced by local companies and offers the possibility of partnerships that can mean not only jobs maintained but jobs created. Over the past two years, RESO has provided technical assistance to over 200 local firms.

Working so closely with business is not an obvious choice for a community organization to make when it is dedicated to basic change; and as has been suggested, it can be controversial at times. Yet this working partnership has paid off in many ways for the community. For example, RESO may have access that a union local does not. Thus when even potentially helpful suggestions from the union leadership are simply not paid attention to by an unheeding management, RESO has been able to get management to really listen to what workers have to offer in the way of good ideas. And RESO has helped business leaders overcome their prejudices against the notion that community groups can have good ideas about business or property development; so those same leaders in Montreal have come to be promoters of CED in other forums, such as the city's economic development bodies.

A striking example of the ripple effect of RESO's emphasis on the importance of strengthening the local business sector is an incident involving the largest local manufacturer, whose CEO is on RESO's board. The firm had indicated a new commitment to buying locally for its operations, and a Spanish supplier then decided to establish a Montreal unit so as to maintain its multi-million dollar contract with the manufacturer. The new Spanish-owned facility has created 35-40 new local jobs. RESO's strenuous efforts have undoubtedly also had an effect on the fact that, despite the current recession, the 20-year decline in local manufacturing jobs seems to have ended.

In short, then, RESO maintains its social goals by searching out significant ways to work with individual businesspeople or with the business sector in general. It simply keeps firm the conviction that other voices in the community (such as unions) are also important and all must join together in order to make real progress.

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[9] It is noteworthy that RESO itself has never organized a demonstration or public protest meeting although it has probably benefited from demonstrations organized by one or more of its own constituent member groups. Community groups that are part of RESO criticize it for that and wonder whether CED can really be part of a progressive agenda. Such groups have urged that RESO "should not sit down with the bosses." Nancy Neamtan admits wryly, "They keep us on our toes."

The melding of business and other perspectives is inherent in the design of CED strategy as a multi-functional, multi-dimensional, multi-purpose approach. This has been PEP/RESO's approach from the beginning, and it is another fundamental feature of CED. That is, re-building a community does not mean concentrating on one or another single deficiency---such as the lack of affordable housing, or the lack of jobs, or any other single problem. CED means seeing the interrelations between all those deficiencies and trying to make the interrelations work for positive development. This does not necessarily mean attacking all the problems at the same time. To be sure, a local organization must choose an attractive opportunity when it sees one in order to achieve results on any particular problem.

However, *specializing* in a single issue does not work for the recovery of a distressed area, unless there are other organizations that take up the related problems. This is the strategy pursued by RESO. It has been criticized for "shooting at every moving target." Neamtan's answer is, "No, we shoot at everything that does *not* move." The basic philosophy she enunciates sees the complex problems of the neighbourhoods of southwest Montreal as linked. But progress is not measured simply in jobs created or people trained; it means a fundamental change in the mentality or culture of the area---from hopelessness to a sense of opportunity. That change will occur, Neamtan says, by constructing models that work, that are exciting to see in action. And this cannot be done on the margin: RESO must do its work within the mainstream. So the program of RESO emphasizes what is happening in the mainstream of business within Pointe St-Charles.

Any emphasis on issues relevant to private business, however, is handled with other community aims taken into consideration. For example, managers of a major tobacco plant are concerned by the high taxes that Canada levies on its products. This threatens its level of production and the layoff of workers who in the Pointe St-Charles area are among the highest paid. RESO sponsored a training program for upgrading skills, enlisting more than 100 employees, first asking them what they would like to learn. The union, the company, and government underwrite the costs of the training, and the workers at risk are receiving insurance, so to speak, against future layoffs.

In another instance, RESO promoted the installation of factory-based literacy training for a firm's workers, and saw that a local community literacy organization got the contract for the training to be conducted inside the company. Or a business may see a need for workers with a particular skill, and RESO will energetically canvass the appropriate government officials to see what can be done. RESO will have the information and will pass it on to the right person; but rather than just wait for something to happen, a RESO representative will follow up later on with a searching question for the government official: "Have you gone to see them yet, and found out what they need?"

In another case, some community groups did a feasibility study on a recycling venture but froze on the next step of setting up a business. RESO recruited a local business to work with the groups to set up a joint venture. Naturally, this sort of wide-angle vision builds allegiances in the community---with business, with unions, with community groups.

In still other cases RESO has sponsored the creation of social businesses (much like the case of A-Way) to deal with long-term youth unemployment. One of these, the Canal Co-op, a firm that provided maintenance and moving services, was run by the youth themselves with the aid of a manager recruited by RESO. The Canal Co-op lost its supportive funding, but another social business, Formetal, producing sheetmetal products, remains effective as a training site, sending young people off to other jobs or back to school for more education after a program that offered counselling as well as training and job experience.

However, all these various forms of RESO's business development activity have not included the most powerful of all such efforts that CDCs may undertake---namely, the development of a venture owned in whole or in significant part by the CDC itself. That particular technique of building local economic resources has not so much been specifically rejected by RESO as it has continually been downgraded in potential attention by both staff and board. Until very recently, their priorities clearly have been elsewhere. Yet in addition to whatever local stimulus these sorts of ventures can represent, they are also a potentially important reinforcement of the strength of the CDC itself. That is, the income stream (or asset building) represented by a business owned by the community group makes the group to that extent more independent of financial support from government.[10] In RESO's case, the organization has been able to generate government funding fairly successfully and may not have felt the pressure to engage in what is admittedly a risky development technique. As already suggested, however, RESO's board is now seriously considering an equity investment program.

Jobs and Institutional Change

In any case, business development in general has not been the major focus of RESO's work to date. By far the major portion of its budget is devoted to one or another aspect of getting people into jobs---by pre-employment preparation, by skills upgrading, by referrals, and so on. In the last two years, for instance, 1500 trainees have gone through its program. But all this is carefully designed to fit real opportunities for employment. Further, RESO does not try to do the training if there is another appropriate institution in the community that is ready to take it up. And if that appropriate institution is not ready or if it requires collaboration that has not been forthcoming from a third organization, RESO will push levers to make sure that something happens.

The intelligence RESO gains from involvement with so many large and small businesses has provided it with a detailed understanding of the local labour market---emerging job roles, job training needs, etc. This has a direct impact on the ability of RESO to tailor its training investments to real demand. Competency-based curricula directly derived from profiling of business labour market needs are now being developed and delivered. Through this integrated approach, RESO is building effective bridges between the needs of the poor and the needs of the business community.

A good example of RESO's impact in a multi-dimensional project began as an effort to combine literacy training with vocational training that could lead directly to jobs. The best opportunity for that seemed to be to use the school cafeterias as a training site, with the aim of later serving the school needs by contracting for food service. The idea of beginning with illiterate workers, however, horrified one necessary partner in the venture:

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[10] A CDC may choose to reinvest income from the venture in the venture itself to build its worth, rather than using the income for other community-building purposes at that point. But the assets themselves remain as a potential source of dollars in a time of future need.

"Do you want to poison Quebec?" RESO had to leapfrog the resistant official and obtain approval at a higher level for what was a reasonable training plan. That training program today is underway, and a new catering business is likely to emerge from it. RESO's previous experience in helping a group of women create their own business, first serving hot lunches in one school and now catering to elder citizens as well, was undoubtedly a useful forerunner to this effort.

As RESO has found, working within the system and working within the mainstream does not and must not mean accepting all the existing rules. Some of the rules do not fit the needs of a distressed area. That is part of the reason why it is so difficult for such an area to make progress. Institutional change is fundamental to community economic development, and RESO recognizes this. For example, a government department had unallocated money available for vocational training and wanted to promote training in the southwest Montreal area. RESO proposed a useful course for certain available jobs that also required secondary level education and so designed a curriculum that included basic secondary education topics. But the rules held that vocational funds could not be used for secondary education, so the grant could not be made. With the aid of a sympathetic government program officer, RESO took the issue to higher levels, and eventually the rules were changed---not just for RESO and southwest Montreal but for any program anywhere that reasonably required the same sort of combined work.

Institutional change is not easy, especially for organizations like RESO that depend so clearly on government funding. It is only natural that the funders generally seek to continue the patterns that they are familiar with and that underlie their own operations. Perhaps what is most difficult for CED groups is the expectation that they should merely deliver the programs that governments have decided are needed. This way of operating may not meet the needs of the local communities, each of which has its own special conditions and its own priorities. By normal bureaucratic operations, a program is supposed to be similarly applied in any location, hence the apparent pressure on the community group to merely deliver an established activity. To re-design a program to fit local needs may pit the CED group against the very people who would give funds for the program.

In the case of the community economic development groups in Montreal, there is a special difficulty. The city has sought to co-opt the energy of CED groups to its own agenda (see Chapter 10). For example, existing CDCs were enjoined by municipal authorities to expand their target areas so as to be coterminous with city administrative and electoral districts; groups were to merge with other groups so that the area would have a single community spokesgroup (and delivery agent) for economic development purposes; and the city expected to help decide who would be chosen as board members. These were proposed as conditions of city funding, where the groups were seen as private delivery vehicles for city programs. Of course, RESO has generally resisted such importunings, but it is true that PEP originally expanded its target area out of the CREESOM recommendations to become RESO. It must exert continued effort to maintain its self-definition as an independent actor, not a city contractor.

Another conceptual/bureaucratic issue that currently plagues RESO (and other community groups) is the notion rife in some government programs that community groups planning development should not do projects themselves but should facilitate others in the community to carry out the development projects. The issue as expressed in

Quebec is “faire vs. faire faire,” or doing vs. getting others to do. For example, the federal Community Futures program urges all the groups it funds to stick to planning and let others do the project work, and it has pressed that view on RESO. But at this point RESO is too independent to let its own programs be taken away, especially since these give it a certain invulnerability to the pressures of the different (and differing) bureaucracies.

While RESO is generally strong enough and reputable enough to resist such pressures, that is not always true. For example, RESO has an entrepreneurial training program that is working very successfully. Thus, when the federal government wanted to set up an entrepreneurial program in the area specifically to serve those currently on unemployment compensation, RESO suggested expanding its existing project to serve the new clientele. The government, however, wanted RESO to set up a separate program. RESO pointed out that the combined programs could save the government money by sharing certain expenses, such as initial interviewing, common workshops, telephone, etc. But the government was not persuaded. Down the hall from RESO a separate program is now operating, which costs about three times as much as RESO had offered it for. Further, the clients of the new service are eligible for assistance only for a year, and after that time they must go to the original RESO program for additional help.

The Critical Features for CED

The episode of the entrepreneurial training project suggests again a basic resistance that the CED strategy confronts---namely, the impetus for local empowerment is counter-institutional---and so CED will never be an easy task. The fundamental features of the local empowering institution, the CDC, are key to being able to overcome the forces that maintain the interlocking pattern of the distressed and dependent community.

In RESO’s case, the critical features that have enabled it to continue its work effectively may be summarized very succinctly. To begin with, it is firmly rooted in a broad base of support in the community. Beginning with the strength of its original community organizing effort that mobilized the general citizenry, RESO has expanded its supporters beyond the general residents to include key economic sectors or interest groups in the community, such as local unions and businesses. The broad-based support is maintained by an unceasing program of networking. This represents RESO’s version of the essential grassroots strength of CED.

In a further critical feature, RESO defends and maintains its independence of action in order to keep and expand local control of the development process. Although government and industry and other sectors of society each has its own perspective on what ought to be done, RESO promotes local joint decision-making, not to assert power but because only local people can make the best decisions for themselves. Local empowerment works because, as the saying goes, “Local people know where the ice is thin.” RESO’s history is marked by battles fought to assert its authority on its own turf: for example, when RESO (with others) forced the city to abandon a plan for substituting upscale residences for the potentially job-producing industrial properties along the canal; when it forced Price Club to honour its local hiring agreement; when it designed a board structure that was not industry dominated but broadly representative of different perspectives; and when it rejected municipal pressures to assume the role of contractor for the city.

Also critical: RESO engages in a multi-functional, multi-dimensional program that recognizes the problems of the community as being interlinked and that therefore all aspects of community-building must be attended. Although business development is a critical and essential element in CED, it is not the sole concern for RESO as for any successful CDC. In fact, most of the money that RESO currently spends is for employment services; yet these services too are not permitted to absorb exclusive attention, and thus downgrade other necessary community-building activities.

And finally, RESO has stressed the significance of friendly capital that is allocated on the basis of community priorities for the expansion or creation of local businesses, both for the jobs and for the accessibility of goods and services. A depressed area is investment starved. Indeed it suffers from *dis*investment. For one of its solutions to this part of the problem, RESO constructed a development finance institution, along with fellow CDCs. In this instance, as in the funds it administered as PEP, the capital has been used for local businesses owned conventionally or owned by nonprofits, but not for any ventures to be owned by RESO. However, building equity of its own has just recently been unanimously adopted by the board as a top priority. With its own ventures, RESO will have taken another powerful step for creating new economic resources in its community with friendly capital.

All these critical features in RESO's mode of operation were visible in prototypical form in PEP from its very beginnings. Ten years after PEP's founding they have proven conclusively to be a powerful dynamic for community economic development. Whatever the organizational evolution and expansion that has taken place over the ten years, these same features continue to operate to bring hope and success to a hitherto battered community.

Chapter Ten

MAKING A SIGNIFICANT IMPACT WITH A COMMUNITY LOAN FUND: ACEM

Critical to all CED is, of course, the financing of the business development activity that is always a part of a local strategy. The next case describes an organization that specializes in the finance of community-based business, without reliance upon government funding. *Given the vagaries of government programs and their administration, mechanisms of private financing will always generate high interest among local practitioners. One of the first cases we have presented in this book (Cape Breton Labourers Development Company) involves a private financing mechanism that has received awards for its ingenuity and innovation; but CBLDC has used substantial government funding as a kick-start, in addition to the private sources it has tapped.*

ACEM, however, is totally privately capitalized, although that does not mean that it has escaped some negative influences from government programming---on the municipal level. And it has had a very limited impact partly because it has not yet been able to build a really substantial endowment. Moreover, the community that it seeks to assist is actually the congeries of disadvantaged communities of inner-city Montreal. These have not institutionalized their interrelations sufficiently to generate a working base for the common support institution that ACEM could represent for them. Thus, ACEM does not have access to the energy of a committed community constituency. Nevertheless, it expresses functionally and structurally the integration of social and business development goals in its very being.

L'Association communautaire d'emprunt de Montréal (ACEM) literally translates as the "community association for borrowing." But in its English name the action is reversed, so that ACEM is known as the Community *Loan* Association of Montreal. The names represent of course two sides of the same coin, and ACEM itself aims to borrow at very low rates from those who can offer friendly money, and then lend this capital at correspondingly low rates to community residents or community organizations in Montreal's low-income neighbourhoods. Although this basic approach has remained steady since it was chartered in 1990, ACEM has been through a series of complications not of its own making that has forced it to refine its organization and the tasks it undertakes.

As a loan fund, ACEM remains at a small scale, perhaps mainly because what might have taken off more vigorously was handicapped by political maneuvering by the city government. In any event, today it is characterized by a board member as "a very large small initiative." The central question to be considered in this case report is how it can, does, and could operate so that, even given a restricted capacity, ACEM can have a still greater impact.

Background

ACEM arose from the evolution of efforts begun in the mid-1980s by a coalition of community groups and social agencies in the Grand Plateau Mont-Royal district of the city. The coalition identified community economic development as the necessary strategy to serve the marginalized residents of that area---specifically, the unemployed, recent immigrants and refugees, women, and welfare recipients.

The first step by the coalition was to establish in 1987 a resource and advocacy centre (Centre de développement économique communautaire du Grand Plateau, or CDEC-GP) to focus on CED on behalf of the neighbourhood. The Centre shortly determined that a high priority should be placed on setting up a source of capital that the community could control.

Thus as its second step in CED organizing, the Grand Plateau coalition established ACEM to focus on the capital needs of that area but potentially serve the entire city of Montreal. Unfortunately ACEM and its sponsoring centre soon became caught up in the bureaucratic plans of the city government that sought to anoint a CED delivery vehicle for each administrative-electoral district.[1] Rather than build upon the grassroots efforts already taking shape, the city preferred to set up another group for the Grand Plateau area.

The Centre thereupon changed its name to separate its identity from the other group (which was also abbreviated as CDEC) and to emphasize its aims at innovation. Now as the Centre for Innovation in Local Development, it tried to find other means of financing for its core expenses and for ACEM, because ACEM itself did not have its own budget then and was dependent upon the Centre.

For a while the centre and ACEM subsisted on small grants from different government sources. Their joint programs included loan circles to assist those on welfare in Grand Plateau and throughout the city to create their own jobs by starting a micro-business.[2] City officials promised to continue support. But in what Dr. Marguerite Mendell, president of the ACEM board, has termed “a breach of contract,” and in negotiations that another board member, Lance Evoy, calls “simply intimidating,” it cut funding in half for 1991-92 and then cut it out altogether. It was in this period, nevertheless, that two successful loan circles were started and financed solely with capital raised by ACEM.

By the start of 1993 the Innovation Centre gave up its independence and was absorbed by the city’s CDEC for the Plateau area. However, by this time it had established the loan circle program as an independent nonprofit group, and that program managed to get city funding through the CDEC. ACEM, though, had to fend for itself, particularly because it felt that the CDEC did not sufficiently stress the social dimension in its technical assistance for local business.

In July of 1993, ACEM formally re-organized in order to accommodate the fact that the centre no longer existed and thus would not be appointing members to the board. In all this time the vicissitudes of funding threats to the centre reduced the capacity of ACEM itself to raise its own financing. Nevertheless, its loan capital fund was doubled by the end of 1992 to about $230,000. And since that time its capital has risen somewhat to about $300,000 from a total of 34 different lenders. Another $150,000 has been committed but not drawn down.

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[1] Tara McMurty, a centre staff member, gives an acid account of these events in her “The Loan Circle Programme as a Model of Alternative Community Economics,” Chapter Four, pp. 60-75, in Eric Schragge, work cited.

[2] See McMurty, work cited, for a description of this program which brought needed capital to Grand Plateau residents.

A finance committee organized by the board is always seeking additional commitments to build up its loan capital. Its task is made easier because generally lenders maintain their investment in ACEM. Although some may initially lend for only a year, they will typically renew their loans for another two or three years or longer.

The major portion of the capital has come from sources outside Quebec, especially from Ontario. Thus ACEM has been able to define itself very positively to those outside its service area. A very significant source within Quebec has been tapped but not yet drawn upon. ACEM was approved for a $150,000 loan from Quebec's Labour Solidarity Fund (FSTQ). This is to be funnelled through the Fonds de developpement d'Emploi Montreal, the business loan fund established by RESO and two other Montreal CDCs and capitalized in part by FSTQ.[3] However, ACEM has not yet called on the commitment partly because the interest to be charged by FSTQ would require ACEM to charge more than it wants to in the current market of low interest rates. A summary of the sources of capital is provided in Table IV.

Table IV: Current ACEM Lenders (as of March 1994)

INVESTOR TYPE	NO. OF LOANS	TOTAL LENT	PERCENT
Individuals	22	$96,100	32
Religious Institutions	5	72,000	24
Businesses	1	10,000	3
Foundations	1	50,000	17
Nongovernmental orgs.	10	69,250	23
TOTAL	39*	$297,350	99**

*Number of lenders is less (34), some making more than one loan.
**Does not add to 100 percent due to rounding.

Following the CLF Model

ACEM was designed on the model of the community loan funds (CLFs) that have flourished in the United States since about 1980. In fact, it was help from the Massachusetts-based Institute for Community Economics (ICE) that ACEM relied on to get set up. ICE had already been key in helping many U.S. groups organize innovative funds for investment in community economic development.[4]

The central idea of the CLF is to borrow from socially responsible investors at little or

[3] FSTQ had also been an original sponsor to help the Grand Plateau group set up ACEM. RESO is described in Chapter 9.

[4] ICE also publishes a monthly newsletter as part of its work with the National Association of Community Loan Funds: *Community Economics*. ICE has also been heavily involved in promoting the model of the community land trust (CLT) for long term development goals, in which land is removed from the speculative market in perpetuity. See *The Community Land Trust Handbook* (Greemfield, Mass.: Institute for Community Economics, 1982). CLT financing needs were, in fact, a major stimulus to the growth of the loan fund (CLF) movement.

no interest and re-loan the funds on a prudent basis to community groups. The interest rate charged to the CLF's borrowers is intended to be just enough higher (usually targeted at 2 percent) than what the CLF must pay to its own lenders so that the administrative expenses are covered. However, in most cases much of that cost must be met through gifts and grants, especially because CLFs often find themselves lending at lesser rates that provide little income. According to an ICE rule of thumb, only at the time that a fund is handling and lending out from a total capital base of about $1 million, can it usually earn even one percent annually for administrative expenses.

In the United States CLFs have operated primarily as a source of financing for affordable housing constructed, renovated, or purchased by community groups for low-income families, seniors, disabled, and other marginalized people. Only in some communities have the CLFs also financed groups to establish or expand business ventures. This is partly because the former sort of financing is more easily secured by the property being developed, while a business loan is apt to be riskier with fewer assets to secure the funds. It also arises out of the tradition of loan fund support for community land trusts. In any case, CLFs have amassed an enviable record of very low losses that competes favourably with the loan/loss ratio of conventional banks or other lending institutions.[5]

As the first CLF in Canada, ACEM differs from its sister institutions in the United States in that from the beginning it has intended to focus on job-creating businesses, although it also expected to support housing. Multiple forms of ownership for the businesses were anticipated: standard proprietorships, co-ops, CDC-owned ventures, etc.

Benefits and Beneficiaries

Whatever the form of the business, all were to provide social benefits, not just make profits; and so ACEM, from its origin, has fundamentally integrated business and social goals. The social benefits were to be primarily long-term jobs for the unemployed or underemployed, but other results were expected to go along with the stable paychecks that a solid business would generate, such as training for marketable skills and cultural opportunities for community residents.

Among the benefits that have accompanied the loans are results that help build the social foundations of the communities served. From one ACEM loan, every six months 13-18 unemployed young people receive training and work experience in an ACEM-financed restaurant and community kitchen. Resto-Plateau, as it is called, also combats hunger in its low-income neighbourhood by serving very low-priced lunches. What may be as important, however, is that the restaurant also serves as a drop-in meeting place in a neighbourhood that has no comparable amenity.

The beneficiaries of ACEM's loans are always marginalized people or community organizations serving such people.[6] One of the earliest loans was made to three women

[5] See the statistical profile of all CLFs in the U.S., published by the National Association of Community Loan Funds, *Community Investment Monitor*, Summer 1994. The cumulative loss is .875 percent of the total $193,100,000 loaned from 1975 through December 31, 1993.

[6] For example, on several occasions ACEM has made a loan to sponsors of loan circles which in turn lend the funds. And on several occasions, ACEM has made a bridge loan to tide a community organization over a period

(two unemployed) to produce environmentally friendly covers for cloth diapers. The very first loan went to a musician to carry on a community-based music school that gives free concerts and low-cost classes, emphasizing a multi-cultural range of indigenous music. That venture received $6,000, which was paid off routinely. With this credit record, the owner has qualified for a substantial line of credit from a regular bank and admits that the amount that the bank is now ready to lend him is “frightening.” But he had been denied credit by the banks until ACEM helped him.

In fact, ACEM has found that it is the credit itself---not low interest credit---that is the critical lack for the sector of people and groups that it serves. Its borrowers might be able to afford what a bank would charge, but the banks do not accept their applications. Indeed before making a loan, ACEM ascertains that the applicant borrowers cannot get financed anywhere else. This would seem to offer an opportunity to ACEM to charge higher interest rates than in fact it does and thereby earn more return that could be applied to administrative costs. At the present time, however, the general low interest rate level in Canada will in any case restrict ACEM’s current income.

The Loans

Loans made to clients have basically ranged from $1,500 to $55,000. The smaller amounts are generally for micro-businesses, while the largest so far was for a second mortgage on a 15-unit housing co-op for refugees, which permitted the co-op to complete its financing with a first mortgage from a bank. The terms of the loans can be for one to ten years, and the interest rate must be somewhere between four percent and the current market rate. Usually ACEM’s loans are made at a rate that is about two percent higher than what it remits to its own lenders, but by policy the rate to borrowers can never be higher than the current market rate.

With quite limited capital, making loans requires careful attention not just to the interest ACEM must pay but also the length of its lenders’ commitments. Only 80 percent of borrowed capital is considered available for lending at any one time, with 20 percent maintained for a reserve.

ACEM’s mode of operation depends, as does any community development finance institution, upon a good deal of follow-up and support activities. With only one staff person, much of the work must be done by volunteers, including board members. Mendell feels that this is the biggest challenge: “But it’s not ’technical assistance’ that is needed so much as it is ’support.’” For this purpose, ACEM is considering a more systematic use of client peer groups---with all its clients participating, not just the members of the loan circles where reliance on a peer group is standard.[7] ACEM’s last Christmas party, attended

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until it actually receives funds from a grant commitment. It once did this for its own sponsoring organization, for example.

[7] In the loan circle model, originated in Bangladesh as the Grameen Bank, the circles are explicitly peer support groups, which have been organized and operating for some time as arenas for vetting business ideas, and only over time do they qualify to receive credit. Not only does each circle make the decision on loans to its members but it meets weekly to collect the repayments, handle missed payments (sometimes by sharing the payments to the central fund), and hear the problems and activities of each business owner. See an article by the Grameen founder, Mohammad Yunus, “The Poor as the Engine of Development,” *The Washington Quarterly* (1987), Vol. 10, No. 4. For a full ranging report of credit-based income-generating projects which depend on peer

by clients, further encouraged it to use peer group support because the occasion had been used so intensely by the clients as an opportunity for a mutually helpful exchange.

Table V: ACEM Borrowers (February 1990 to March 1994)

BORROWER (ACTIVITY OR LOAN PURPOSE)	AMOUNT	YEAR
Avatra (music school)	$6,000	1990
Bummis (manuf. covers for cloth diapers)	15,000	1990
Coop. de travail l'Escarboucle (sewing co-op)*	15,000	1990
Paula's (beauty shop)*	7,000	1991
Cheminée (chimney sweeping)*	6,000	1991
CIDEL-GP (bridge loan)	5,000	1991
Cercle d'emprunt de Montréal (loan circle program)	5,000	1991
Loge-Union - ROMEL (co-op housing sponsor)	55,000	1992
CDEC-Centre nord (bridge loan)	5,000	1992
Jacques Campeau (artificial flowers)*	4,000	1992
Cercle d'emprunt de Montréal (loan circle program)	5,000	1992
Assar Santana (musicians group)	4,000	1992
Vox populi (promotional photography - youth group)	15,000	1992
Resto-Plateau (restaurant - training site)	15,000	1992
Cercle d'emprunt de Montréal (loan circle program)	5,000	1993
Revue Ciel Variable (youth magazine)	10,000	1993
Coop. de Travail Le Petit Creux (co-op bakery)	1,500	1993
Afrique au fémenin (loan circle program)	5,000	1993
CDEC-Rosemont Petite Patrie (bridge loan)	20,000	1993
Productions la Cité ouverte 2002 (bridge loan)	7,125	1993
Le Trait d'Union (bridge loan)	606	1993
Centre Salvadorien de développement (bridge loan)	5,000	1994
Le Trait d'Union (bridge loan)	3,800	1994
TOTAL LENT (1990-1994)	$220,831	

* Loan not repaid or not repaid in full.

Clients do not have to rely solely on ACEM's technical support. Important preliminary assistance to a borrower is often available from the Montreal CEDCs that serve the borrower's neighbourhood or from other technical support organizations in Montreal such as the YMCA Enterprise Centre. Although some applicants are referred to ACEM from CEDCs for capital, the referring organization can often offer a full range of early business support activities, including aid in developing a plan, in market or financial analysis, and so on. Relations with these other groups help ACEM to complement and supplement its own services and reduces somewhat the bite of its restricted budget.

group support, see Joe Remenyi, *Where Credit Is Due: Income-Generating Programmes for the Poor in Developing Countries* (London: Intermediate Technology Publications, 1991).

However, the CEDCs do not offer technical assistance on demand, so to speak, after the business has started---only at pre-set periodic reviews. Thus the critical post partum period in the birth of business is not attended to adequately under the current set-up. ACEM board member Lance Evoy, an original founder, believes that it is critical for ACEM to find a way to fill this gap. Even though some volunteer mentoring can be mobilized from ACEM supporters, it will require a paid staff person, he feels, to co-ordinate and supplement the volunteer effort.

Organizing to Meld the Social and the Economic

ACEM continues to suffer severely from an insecure and low budget for core costs. At an early stage of its independence, it had two staff; but with the demise of funding, both staff members for a time subsisted on unemployment compensation and donated their services. Finally, ACEM obtained some small grants from Canadian foundations and has been able to maintain one of the staff members as manager, Milder Villegas, a young immigrant who came to find an education in Montreal and became one of the original founders of the Association.

The 1992-93 operating budget was about $40,000, and the 1993-94 budget is projected at about $55,000. This is clearly a very limited resource on which to base its program. But despite the limit, “Everything does somehow get done,” says Villegas. He admits, though, that the fund could do more if it could afford another staff person, especially since the clients are scattered throughout the city.

The organization continues to search out private financial support for core costs, but ACEM no longer actively seeks government grants, a restrictive policy firmly supported by Villegas. Board chair Mendell, also one of the original founders,[8] says, “If government money falls on us, fine. But we are not going on bended knee or allow ourselves to be dependent on it.” The board is now more strongly determined than ever to survive as an independent organization---after its unstable beginnings in dependency upon others.

Looking at that uncertain history, some observers might raise questions about the capacity of the board and staff to handle a loan fund. By design the board includes representatives from its borrowers, but a plurality of the board are community activists and academics, and indeed only two board members actually come from a business development background. The experience and background of the board thus may not seem to predict a dollar-wise and effective loan fund. But the results of their work belie such reservations.

Of the 23 loans made to date, only four have not been repaid in part or in full, representing a loss of about $18,000. The losses did not affect the lenders to the fund; the entire amount was absorbed by ACEM’s permanent capital. (Permanent capital today amounts to about $50,000, and any donations to the organization go into this fund to protect ACEM’s lenders.) In general, ACEM’s borrowers routinely meet their scheduled payments, and even when a payment is not met or seems under threat, re-negotiation of loan terms have ordinarily assured repayment.

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[8] Mendell is an economist and the principal of the School for Community and Public Affairs, Concordia University. Interestingly, the founding board members were particularly specialists in so-called popular education.

While staff work is at base responsible here, ACEM utilizes a small working committee to review and recommend loan applications for board action. The board has decided that this volunteer committee be made up mostly of people with business experience. The committee has only the power to recommend, but the board has on only one occasion rejected a loan committee recommendation. That occasion was when the board sent the application back to clarify and strengthen the security arrangements.

It should be stressed that although the loan committee is weighted with persons from a business background, the final decisions are made by ACEM's board, which is mostly nonbusiness in background. In fact it is usual in CED organizations for boards to be weighted with socially oriented rather than business oriented decision-makers, even though they must manage some business development activities in their programs or even manage businesses owned by their organization.

In the case of ACEM, business development *is* the program; yet the pattern holds of business issues being decided by people not from the business sector. In this respect ACEM should not be taken as a special case even though it is probably a particularly vivid example of this feature of CED. The emphasis on governance by primarily nonbusiness representatives is often jealously guarded to make sure that the business development activities fit and strengthen social goals.[9] Moreover, experience in the field has generally borne out the observation that when CED is the fundamental concern of an organization, a business-like approach is maintained, no matter the background of the directors.[10] The nonbusiness decision-makers can be as hard-nosed as anyone else in dealing with business issues, partly because they are aware that the social benefits they seek depend upon good business decisions.[11]

The melding of social and business considerations in CED organizations begins in the mind and vision of the organization's leaders and members. When that integration has taken place for board members, it will obviously be represented throughout the organization. On ACEM's board, the two people from a business background are as strongly committed socially as the other board members, and the policies and actions demonstrate that.

The Potential for Impact

Mendell notes that the need for loans is only one facet of the larger problem in Canadian society in that the establishment institutions are not meeting the basic needs of marginalized people. In the specific case of lending practices, the banks do not accept responsibility for the credit needs of the poor, and the government does not find itself prepared to insist that banks perform this service, or help them to do so. For example, there is nothing like a Canadian version of the Community Reinvestment Act in the

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[9] See, for example, the case of RESO (Chapter 9).

[10] Board members, of course, have to learn how to meld the two sets of concerns, and this learning process may not be without cost. For a discussion of the psychology of decision-making on business issues in CED groups, see Perry, *Communities on the Way*, work cited, pp. 109 and 172-175.

[11] The experience of one of the authors (SEP) as a member of the loan committee for a CLF in the United States was enlightening in this regard. Those with banking or business background were careful to assess the social benefits in a loan, and those outside the financial and business sector were just as searching in their questions on the prospects for repayment and security.

United States, which gets financial institutions to set and meet standards of service for low-income and minority neighbourhoods in their service area.

Mendell notes that, on the one hand, the federal government is peeling back its programs of support for marginalized citizens and, on the other, it has not been able to design anything for their needs except top-down programs, which do not give people the tools to improve their own lives. She feels that community loan funds have to try to fill a very big gap, and it is questionable that they can do so. She takes considerable encouragement from the new Ontario legislation that fosters community based loan and equity funds.[12]

From a policy standpoint, ACEM has probably had an impact far beyond its small resources. Government researchers from Ontario studied ACEM's experience and found encouragement that a provincial program of support for community loan funds could work, and the legislation was eventually passed. Also, ACEM was the impetus for the first PRI (so-called program related investment) of any Canadian foundation and its subsequent approval by Revenue Canada as being a charitable activity. The PRI is a common technique of foundations in the United States, but it had not been used in Canada until ACEM.

Moreover, ACEM has at least attempted to do what many CLFs have avoided, namely, get engaged whole-heartedly in business finance with low-income and other marginalized people determined to help themselves in micro-businesses. Micro-businesses are a not very visible feature of life in a distressed neighbourhood, but in the all too frequent decay of other local commercial and production units in such neighbourhoods, micro-businesses perform a critical function, both for their owners and for their clientele. Such ventures are a technique for survival for the owners, but they are also a community-building force since the businesses often provide affordable local goods and services that would otherwise not be accessible. They can thus be a significant dimension in any community economic development strategy, and ACEM's openness to the micro-entrepreneur strengthens that dimension in Montreal.

Nevertheless, there are real limitations in depending upon micro-business support for the alleviation of joblessness and the problems of a jobless community. It should be recognized that relying on the micro-business approach by itself partakes of the mistaken perspective that poverty is a condition of individuals who are poor, independent of the impoverishment of their communities. But people remain poor if the context within which they continue to live continues to remain impoverished. That is the vicious cycle of the distressed community and its effect upon its residents. So merely helping some individuals create their own jobs overlooks the pressures that they must withstand in a low-income community. Recognizing that fact is the fundamental contribution of the comprehensive CED approach.

It should be stressed over and over that micro-business finance is simply one tool in a CED strategy; the strategy must encompass much more to make an impact upon a distressed neighbourhood. In fact, of course, a multi-dimensional approach (including, for example, training, housing, social services, attention to infrastructure problems, and so on) is the hallmark of the CED strategy and its only chance for success. Only a comprehensively multi-functional approach will interrupt the vicious cycle operating in a depleted community.

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[12] See a discussion of the Ontario programs in Chapter 12.

In its beginnings, ACEM was an integral part of a community approach to the problems of Grand Plateau. Accidents of fate have attenuated its connections to a more comprehensive strategy and deprived it of a firm footing in the CED strategy for the Grand Plateau community. On the one hand, its independence has assured a continuity of effort; on the other hand, it is vulnerable to dilution of its work. With its limited resources, responding to calls for help from individuals and small groups throughout the city tends to reduce its potential impact as a force in any one low-income community.

ACEM, at least for the immediate future, will remain a fairly small scale operation with a limited impact, particularly considering that it takes the entire city of Montreal as its target area. For the time being, it must take primary comfort in the impact of the individual loans on the lives of the people assisted rather than in its community impact. Yet it can complement other CED entities in the city and have a powerful influence---to the extent that its activities are dovetailed with those of more diversified and comprehensive CED organizations. Its relations with CDECs in the low-income neighbourhoods of Montreal offer the possibility of making an impact on a community. If the CEDCs can provide comprehensive programs otherwise, ACEM will have the capital available to collaborate with them. The strategic question in ACEM's future is how it can choose and emphasize such relationships, acting in partnerships with CED organizations in order to make a difference in specific Montreal neighbourhoods. In that way it becomes truly a significant actor in a community economic development program.

Chapter Eleven

VANCITY CREDIT UNION: MOVING A BANKING INSTITUTION TOWARD CED

Like the case of Co-op Atlantic, Vancouver City Savings Credit Union illustrates the potential of re-directing a major institution to take CED as a central commitment. In this instance, the institution comes from the critical sector of finance; and indeed the success of CED nationally may well depend upon important institutional change in that sector. Certainly the experience in the United States with the legislation known as the Community Re-investment Act shows how crucial resources can be brought back into disadvantaged neighbourhoods and regions when and if the banking sector changes its orientation to them.

The change at VanCity sprang from internal forces, not external ones, in that new policies were begun after depositors elected a reform-oriented board. In this respect, it offers encouragement for democratic techniques to mobilize resources for CED. However, in comparison to the vision clearly expressed by the board actions at Co-op Atlantic, VanCity seems not yet to have found a coherent CED perspective. Rather it is still in the stage of firm commitment to community values without a well-considered, fully devised strategy for comprehensive CED, despite its own truly thorough-going internal development.

Like ACEM, VanCity has a wide and diffuse metropolitan arena for its operations, which in turn diffuses its impact in the absence of a CED strategy. And, like A-Way or HRDA, its base constituents (member-depositors of the credit union) are not related to each other for accomplishing common goals for impact on their localities, and this too reduces its capacity to make an impact on disadvantaged areas. In short, it is limited in what it can count on for community energy. The credit union's branch offices are a tantalizing institutional opportunity for mobilizing locally, but so far the VanCity board has not discovered a means for using them that way. At the same time, VanCity with its enormous financial resources (one of the largest banking institutions in the nation) and its gifted staff and board will remain a place to watch for potential CED innovation in the years to come.

Vancouver City Savings Credit Union was founded in 1946 to provide financial services specifically for residents of a part of the city that had been redlined by the conventional banks. Its major contribution then was in home mortgages for area residents---in many cases, recent immigrants. For the succeeding 35 or so years it built a record of effective and low-cost financial services. At the same time it made a point of providing its staff with fringe benefits well above the average for the banking sector. The credit union's rationale for paying higher benefits was that profits were less important to members than quality service, and staff would be key to that quality. Thus from early on the credit union had a history of trading off profits for other purposes; and this presaged its current special contributions to the welfare of its community.

In 1983 there began an even more systematic process of using the institution for purposes other than financial benefit for members. This case study focuses on how, in recent years, VanCity has put the goal of community development at the forefront instead of merely profits. Yet during this same period VanCity has grown ever stronger and financially more secure. Today it has about 205,000 members---and assets of about $3.8 billion.

Background

In 1983-84 a number of reform-minded credit union members, quite independently, sought positions on the board of directors in order to change policies that they deemed inappropriate---such as support of a local right-wing thinktank (Fraser Institute) or investments made far out of the Vancouver area (for example, in the Caribbean). That year only one dissident won a place on the board. Later the various dissidents began working co-operatively, reconciling differences among themselves in order to organize a joint slate---the so-called Action Slate---and make a stronger campaign for change. After three years of successive annual meetings of the credit union, they finally obtained majority control of the board, which they have maintained to date. Their major point of consensus was to re-direct the credit union into activities responsive to a full range of community needs.

Eventually enlarging its target area to include all of metropolitan Vancouver (population about 1.4 million) and then to include the Fraser Valley region north of Vancouver where many of its members had moved, VanCity also greatly enlarged its array of services. For example, it became the first financial institution in the Vancouver area to introduce automated teller machines for after-hours banking, and the first to offer daily-interest checking accounts. It was, in addition, the first to expand regular business hours for evening and Saturday banking. However, it has also reached far beyond the usual service orientation of the financial institution sector, and it is these nontraditional activities that make it potentially very significant for the field of community economic development.

Focusing on Internal Operations

What is most striking in VanCity's progressive policy re-orientation is the thoroughness with which this new orientation operates. It is not just a matter of externally focused programs, but the internal operations have been examined to make sure they reflect an activist perspective. Thus, VanCity has taken special responsibility for its impact upon the environment---for example, conducting a full environmental audit. Staff regularly monitor all purchases to make sure that they are environmentally sound, and this extends to banning throwaway coffee cups in the staff lunchrooms. In itself that is probably not so unusual today, but it has been in place for some years. Also today other credit card issuers may commit contributions to one or another nonprofit cause, but VanCity's EnviroFund (financed by a one percent contribution by the credit union on all purchases made with its Visa card) stands out as probably the earliest such arrangement. In 1992, the EnviroFund contributed $35,000 to the Community Alternatives Society to establish a consultation service to aid nonprofits and co-ops in establishing their own positive environmental practices. Another contribution of $35,000 was made to the Environmental Youth Alliance to help high school students take on projects in the rehabilitation of local natural areas.

While most financial institutions have some sort of general financial donation policy for broad community benefits, VanCity scours any request for a donation to make sure that the credit union's contribution will not marry with donations from sources that are suspect from an environmental (or health) perspective. That is, VanCity will not contribute even indirectly to a good public image for other donors who are operating contrary to VanCity's standards. Thus neither of the annual charity programs of board or staff (and they are independent of each other) will co-sponsor activities (no matter how praiseworthy) that are also financed by, for instance, a foundation operated by a tobacco company. It should not be surprising then that throughout all its other activities, the credit union looks for ways to promote progressive social change and a stronger society, as it views it.

Four percent of after-tax profits are allocated for supporting socially responsible causes, but all must be local rather than national. (However, VanCity also has launched technical support programs for credit union and co-op development in Poland and in the minority sector of South Africa, as well as programs for women in developing countries.) Of the four percent, one percent is earmarked for whatever solicitations may appear from time to time; the remaining three percent is given in accordance with an annual theme that is adopted by the board each year. For example, in one year the theme may be youth activities; in another it may be promoting the prevention of violence or advancing women's issues. Donations must support "progressive social causes," and they tend to emphasize multi-cultural and self-help groups. Staff too will adopt a theme, and then solicit donations, hold bake sales, etc., to finance contributions guided by their annual theme. Because they seek out ways to make a difference, they will often find that they are the first to have made a contribution to a particular group.

VanCity's basic work functions, its financial services, are also designed to make a difference, both directly in conventional service activities and indirectly in its search for new ways for a credit union to serve its community---such as with more convenient service hours. VanCity routinely seeks to make sure that its financial services are accessible to disenfranchised groups and to community-based enterprises.

In addition to assuring that those rejected by the conventional banks have a chance to be served, lending policies are established to achieve specific community ends. For example, there are special lending rates for financing child care centres and for homeowners who want to renovate or create a second unit in the home, which the owner can offer for rent as "affordable" housing.

Most recently, the credit union established what it calls Community Investment Deposits, to accomplish a number of social aims. Members accept one percent less than the standard interest for term deposits in order for their deposits to be re-lent from a separate pool at a one percent discount for a major project with social aims such as affordable housing or job creation. By this means a $500,000 loan was recently made for a housing development. In the future the investments may also be in the form of equity commitments.[1]

The overall aim of this innovation in investment policy has been to include socially good investments as contrasted to the usual ethical investment programs that merely screen out socially unattractive investments. An advisory council of depositors and local

[1] A cap of $18 million has been set for this program in order to assure sufficient diversification of lending risk in the VanCity portfolio.

advocates and experts in the social fields make recommendations on the projects to receive financial support. The program is designed to latch onto two trends that VanCity sees: first, Canadian depositors are generally looking for more control over their investments and shop around for that opportunity; and second, they are increasingly expressing ethical concerns about what their money will accomplish. To satisfy such goals as fully as possible, each depositor will receive a report three times a year on exactly what investments the Community Investment Fund has made and what the results have been. It is further the hope of the new program that it will stimulate bank customers throughout Canada to require similar services from other banks.

In general, VanCity aims to administer its basic services in ways to assure community improvement and community development in those neighbourhood areas and socio-economic sectors that most need financial services. To set a mark for the banking community as a whole is an additional but intended by-product of VanCity's policies.

VanCity examines all aspects of its lending activities to assure that they are socially responsible. It has established an internal review committee that looks at all rejected loan applications made by women, in order to make sure that no inadvertent systematic influences put women borrowers at a disadvantage. Also, local micro-businesses and other Canadian suppliers are favoured. Minorities and women are vigorously recruited for all positions, and special attention has been paid to designing career paths for younger women employees who will be taking some years away from the work world to be mothers. Also, a policy of staff consultation and suggestions for improved service is vigorously pursued, and staff are encouraged to contribute their own services personally for community purposes. Thus, a staff member may be given up to three years' leave to go and work for a community organization.

Financial Performance

In all this, the board takes seriously its fiduciary responsibility for the basic strength and stability of the credit union. For example, Chris Dobrzanski, vice president for finance, states that he is explicitly charged with the duty to figure out how to make the most money possible (in an ethical way) so as to surpass any competitors. He claims that this has not been a problem as such. "That's our professional responsibility, but we [at VanCity] also have a social conscience, and *that* makes it different." The entry of social considerations produces tension within the management committee, regarding the pricing of the banking services. What is the impact of providing free checking as well as offering interest on the checking accounts? What is the appropriate balance among the goals of profit, of low-cost services to members, and of community development? The staff and board juggle these considerations.

Profits after dividends and taxes for 1992 were $23 million. A 15 percent per share dividend was distributed to members, as well as a 5 percent bonus on interest paid during the year. (For some time the dividend had been at 7 percent.) And in 1993, profits again rose, to over $30 million.

Some of the profits, though, are retained for program and re-investment purposes. Indeed, today probably because of its stress on re-investment, VanCity, with $3.8 billion in assets, ranks in size about 25th out of 100 in the entire Canadian private *and* government banking sector. An impressive new headquarters office is being constructed in a part of the city that has needed re-development and where a rapid transit station will provide ready access. VanCity has demonstrated that a financial institution can excel in financial performance and at the same time make an impact for social change. As the only major surviving banking institution based in Western Canada, it remains fundamentally locally controlled and rooted in a single community, in contrast to any others in the ranks of large Canadian banking institutions.

The melding of business goals and community goals is, of course, a central and defining task of all CED groups. In the case of VanCity, this is generally conceded to have been effectively managed. But neither board nor staff underestimate the inherent difficulty. Senior staff are recruited primarily because of their technical competence in financial management and banking, while the Action Slate board members took on their jobs primarily because they wanted to foster the melding of social and business goals on behalf of their community. So there is an initial divergence in perspective.

As one board member put it, “I don’t think the directors can get top management to buy into CED to the degree that it is as important to them as a new financial product---because they come from a different tradition, from the market economy perspective. It is not realistic to expect them to think the same way as the directors.” And a member of top management comments, “The board’s perspective is different from that of the professional manager.” He goes on to say, however, that he feels the board has come to understand the principles of running a financial institution and that VanCity has been going after both types of goals and generally succeeding.

Learning from Failure

Not all VanCity’s efforts have been totally successful, but even where they have not, the credit union has tried to use the experience to good effect. An early experiment was a seed capital fund, designed to assist entrepreneurs with good ideas but insufficient capital at the earliest stages. Those assisted tended to be people on UIC or welfare;[2] and ventures that involved import substitution were favoured---that is, ventures to produce locally what would otherwise be bought from another area.

Although it was technically a loan program (so that losses could be written off), it was operated so as to provide some of the advantages of friendly equity. For example, there was ordinarily an interest moratorium for 6-12 months; and no security was required, nor were there the usual income standards of a conventional loan program.

A board idea, the seed capital program was operated out of the CEO’s office. Through the appointment of a program officer who was himself a successful entrepreneur, a great deal of technical support was given to each of the borrowers. The first year $500,000 was allocated for the program, and then a second $500,000 was provided. However, after a year or so the CEO who was committed to the idea left VanCity; and a new CEO re-organized the program management to be handled in the regular business loan office, letting go the person who was providing the technical assistance. In any case, the board, mostly new members then, shortly decided to close the program down.

The seed capital experiment had made perhaps 20 loans, of which by the end of the

[2] This was before Canada as a whole began to stress the self-employment initiative for those on transfer payments.

second year only two had failed. When the program was curtailed, the failures increased. David Levi, a board member who staunchly promoted the idea, sees the eventual 50 percent failure rate as really due to cutting off the necessary technical assistance from a specialist who was not merely acting as a loan officer. Certainly the need of emerging entrepreneurs for sustained consultation in the early years of a start-up is well-recognized. CED groups offering capital to local entrepreneurs have learned that technical assistance is absolutely essential for reasons in addition to the ordinary problems of start-ups. Residents of low-income communities often do not have some of the skills required for business although they may swiftly learn them; and the depleted community represents a higher risk environmentally, economically, and socially.

One project of the seed capital program stands out as a special success: financing a fee-for-service co-op medical clinic. Mid-Main Medical Centre operates as an unsubsidized service to its patients, where all costs are met through the standard provincial insurance payments for services rendered. After about three years, it was in the black and had repaid half of the original loan of $120,000. The clinic has been so successful that the provincial government decided to replicate the model with similar “friendly” funding for several more free-standing service centres throughout the province. Also, the VanCity idea for early-stage entrepreneurial finance was eventually taken over by the provincial government in a new business support program.

More to the point, what did the experience mean to VanCity? It led initially to basic re-thinking about how to handle VanCity’s future specialized lending---especially to risky nonprofits like Mid-Main. In effect, from then on as some new programs were created, they were not lodged within the standing structure of the credit union, but in new more or less independent units established to serve specialized functions. In that manner the credit union can be insulated from the potentially excessive risks and costs of its innovations. Naturally this practice can also allay anxieties among both members and the regulatory agencies about the potential risks, while still freeing the credit union to be experimental. There are other benefits from the creation of a specialized subsidiary: It enables a sharper focus on a particular function; it can be more efficient in decision-making, with its own board not having to deal with other issues; and it can call upon different skill sets. So perhaps learning from the experience with the seed capital losses was not the only reason for the board’s new approach of setting up a number of fairly independent subsidiaries.

Among the other lessons that the seed capital experience led to was the recognition of two second-stage problems even with the successful new ventures helped by the friendly capital. Even when the assisted venture finally becomes strong enough to borrow conventionally, it may not have the equity picture that a conventional lender will expect. Thus, before the business can graduate to standard credit sources, a lender must help recruit a third party to make a supportive equity investment. A CED seed capital program must be prepared to deal with that second-stage issue.

Further, in all growing and successful businesses, there comes a point at which necessary expansion will require massive new credit capital or the venture will not be able to meet the demands of its enthusiastic market. Unless the original lender is prepared to help provide or find that second-stage loan financing, the business is in jeopardy. In fact, VanCity’s seed capital program had adopted a rule of a basic limit for each borrower, and that meant that one very successful business (a bicycle manufacturer) eventually failed, not being able to get VanCity (or anyone else) to provide the additional necessary $300,000 line of credit to finance increased demands for its product. Indeed, Mid-Main experienced the same problem and was able to solve it only because the staff members themselves provided personal guarantees for a $30,000 loan to finance receivables.

VanCity Foundation

To engage in more risky and innovative ventures, a completely new institution, the VanCity Community Foundation, was established in 1989. The Foundation's endowment began with a $500,000 grant from the credit union and has now reached about $3 million. The Foundation came into being just at the point that the seed capital program was being phased out, and it was designed, in part, to address the same financing requirements for co-ops and nonprofits. In fact one of its earliest projects was some additional support for Mid-Main.

The intent of the VanCity board was to provide the initial endowment for the Foundation. Also, also credit union members were asked to consider contributing individually about a quarter of their dividends annually to increase the endowment, while the Foundation itself tried to raise outside charitable funds. Member contributions have been at about $200,000 a year, but the Foundation was not able to attract substantial outside endowment. Early on this was mainly because the original staff director left soon after the endowment campaign (which she had co-ordinated) began, and there was a long hiatus in hiring a replacement. The delay eventually led to the Foundation's board putting off the campaign, since momentum on all Foundation activities had been lost. Even when finally a new executive director was recruited, he was initially able to devote only part time to the work while he wound down other commitments.

Nevertheless, the Foundation represents potentially the most daring and ambitious initiative of the credit union so far. Its explicit purpose is "to be a catalyst for growth and empowerment of disadvantaged groups and communities served by VanCity." This means offering loans, grants, technical assistance, etc., for CED in the broadest sense. The primary goal is "to foster the qualities of [community self-reliance], community initiatives and a renewed sense of self-esteem." The Foundation has adopted three specific strategic areas in addition to CED in general: (1) nonprofit enterprise; (2) housing alternatives; and (3) peer group lending for micro-enterprise.

In the first year and a half of the Foundation, there were immediate activities in all areas, but its efforts were ultimately restricted in part by the staff hiatus and in part by a drop in interest rates and therefore a reduction in earnings for the Foundation endowment. In order to leverage the Foundation's limited funds (it may spend only the earnings on its endowment for the first 10 years), it has so far mostly joined in projects that have already engendered other support. This may have contributed to a sense, expressed by some VanCity staff, that it did not adopt a systematic approach to what it might accomplish, for its projects have been scattered and fairly limited in scope and reach. In the first two years, it granted only about $78,000 to 10 or so projects and loaned an additional $30,000. The Foundation may legally offer support only to organizations that also have a Revenue Canada charitable designation, and this too limits its scope.

Financial support is given only when the applicant provides evidence of a strong community base. Good ideas are not enough; they must be intimately rooted in a community sponsor. An example of a project that has qualified is a nonprofit gourmet restaurant, which also receives government grants as a training vehicle for young people making a transition from the streets of Vancouver. The Foundation's aim for its grant here has been to help the restaurant increase its revenues and thereby move more readily towards financial self-sufficiency, by implementing a new marketing plan. The plan itself was brokered by the Foundation, which got the accountancy firm of Coopers and Lybrand to design and donate it.

The Foundation has also made a contribution to a small loan program initiated by the local Hebrew Assistance Association to further the Association's aims to help people improve their economic status through education, starting a business, etc.

The Foundation will join with other parts of the VanCity family, so each part can be used in accordance with its appropriate function. The Foundation might make the higher risk loans for a project's operating costs, while the credit union accepts a mortgage on the project's real estate---as has been the case for the Mid-Main Health Centre. Or the Foundation may underwrite the early organizational costs that will permit a group to qualify for a conventional loan from the credit union.

The newest Foundation initiative, the creation of a Community Development Loan Fund, is specifically for projects that are too risky for the credit union itself to finance. The staff work and costs of the Fund are, however, shared by the credit union and the Foundation.

Other Subsidiaries and Spin-offs

One of the earliest other independent units formed by VanCity was a mutual fund, the Ethical Growth Fund, which manages a pool of publicly traded stocks that are screened for investors who want to be sure that their investments are socially responsible. The Fund has been successful enough that it has been spun off to Credit Union Central of Canada, and now through that channel any member of any credit union in Canada can buy into the fund.

Still another subsidiary, VanCity Enterprises Ltd., has been established to enter progressive real estate deals and developments. One outstanding project has been the construction of a branch office over which affordable housing units were also built. Another is the provision of social housing in Vancouver's Chinatown, where single room occupancy is a routine pattern but very expensive and without amenities. Enterprises has designed a single room project that will give each room its own plumbing and can be rented at an unsubsidized rate affordable to elderly residents with rental allowances. There will also be commodious common space, and it will offer one meal a day in a dining room for all residents.

The newest subsidiary, a federally chartered trust company, Citizens Trust, was not organized but purchased. It was acquired to bring new capital into Vancouver. VanCity had found itself with more demands for mortgage loans than it had capital to satisfy, and so it bought Citizens Trust, which with operations in Alberta, Manitoba, Saskatchewan, and Ontario as well as B.C., is rich in customer deposits. Also, the trust company is able to deal in foreign currency, and so members can now get that service too within the VanCity family.

Other new subsidiaries will surely be organized, as the board considers taking what may well be its next outstanding move---to create a land trust for all kinds of social housing. If today in Greater Vancouver the number one social problem is housing the homeless, that will figure in the credit union's future programs, says David Levi, one of the original Action Slate board members. He believes, "We have created a juggernaut---hugely successful financially and driven by a policy of social responsibility." His opinion is shared by many others, including staff---that the credit union will never stop in its progress toward wider contributions to the Greater Vancouver community. That conclusion, however, is often joined with a sense that VanCity could and should do even more.

Practice and Policy Issues

Nationally, it is recognized in the credit union system that mergers will be necessary for survival everywhere in Canada.[3] The smaller credit union cannot provide the services that its members need and expect, as they look at what they might get from conventional banks. Naturally, some of the smaller credit unions have worried about their mammoth sibling. But in the metropolitan Vancouver area many locally-based credit unions (about 40) have over time merged with VanCity to gain access to its strength and services. VanCity has outlived the (undeserved) soubriquet, "the communist credit union,"[4] and also expanded its network of decentralized branches, showing that all neighbourhoods can be fully served; it has thereby developed trust within the credit union movement and can offer collaborative as well as merger relationships. The question that VanCity board and staff ponder, however, is whether the growth of the institution will eventually mean succumbing to some evils of size itself.

The basic issue can be formulated as whether VanCity can discover new ways to continue the democratic evolution of its policy and structure. In a sense, this credit union and its proliferating subsidiaries are analogous to the Mondragon co-op system, where the leaders after some 40 years still speak of their "experiment" and where the structures of democratic control have been continuously evolving. Can VanCity emulate that routine of self-renewal?

Perhaps the clearest and most significant lesson to learn from VanCity is that a major credit union *can* undergo a fundamental policy change. And its history has demonstrated that through democratic evolution an ordinary credit union can establish itself as a prominent mover and shaker in progressive social activism---and at the same time maintain and gain a reputation in banking circles for financial performance and profitability. But this is a process still less than 10 years old. Has the change been institutionalized, embedded in VanCity's ways of doing and thinking, so that it can continue? Certainly there are more changes already underway, but these also raise troublesome questions.

In 1993 VanCity began a pilot project of organizing neighbourhood advisory councils

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[3] Government de-regulation of financial institutions is foreseen to put the entire credit union system at risk from conventional banks.

[4] Local political critics have also accused the credit union of favouring borrowers who have ties to the New Democratic Party, but there seems to be no evidence at all for that, even though prominent board members are very publicly tied to the NDP in their personal political activities.

for individual branches, as part of its exploration of new approaches to member involvement. Two branch councils were established, but as one staff member suggested, no true decentralization could occur unless the local councils had real decision-making power. Devolution of authority to the individual branches while at the same time maintaining at least some of the critical advantages of central services and policies was a complex challenge. VanCity apparently could not confront it adequately, and the branch councils eventually withered away. The board will have to determine how it can more effectively devolve decisions to members. After all, the current board decision-making structure is the same today as it was when VanCity began with 46 members. The current 205,000 membership, still growing, requires re-thinking how to govern this credit union.

Recently VanCity adopted a new mission statement. It reads: "Vancouver City Savings Credit Union is a democratic, innovative, and ethical provider of financial services to its members. Through strong financial performance, we serve as a catalyst for the self-reliance and economic well-being of our membership and community." The statement was a joint staff and board project, each contributing to a revision that was to be the final version. However, a credit union member independently wrote in with further suggestions for revision, and her wording was taken and adopted for the final version.

So there is room for all sorts of input, but the current openness probably depends upon the culture and current personnel of the organization, not upon its specific structure or rules of operation. It is here that VanCity diverges most importantly from the Mondragon analogy of democratic control of community economic development with a central credit union. In the Mondragon system, all co-op units are inextricably related to the central financier, the credit union Caja Laboral Popular, but each unit is organized as self-governing, with the workers in each having a specified share of responsibility for that governance.[5]

Indeed at VanCity, the question of staff participation has become an area to be explored more explicitly for democratic change. While some staff (those in the upper realms at least) feel that the employees truly "own" the operation and there is real team-building, others believe that there is still a long way to go. Tazeem Nathoo, who has newly joined the organization as vice president for human resources and environment, says she found VanCity "a pleasant surprise" and was amazed at the way in which institutional social responsibility was ranked with financial stability. Yet she says, "Although this place is not as hierarchical as I thought it would be, we could do more. We are still very conscious of staff levels here." Another staff person says, "The hierarchical pattern *is* changing, but communication upward is hard; I wonder if people are comfortable about it."

Yet another employee unexpectedly says, "I get too much authority." This upper-rank staff person, while very capable of working quite independently, saw the need of more guidance from the board. Another staff person points out that there is no staff representation on the board of directors. He notes, "We say we believe in democracy, but we do not practice it well. We have done more than most, but still...." So there is by no

[5] A swift but very useful introduction to the Mondragon system is provided in Alastair Campbell et al., work cited. See also Henk Thomas and Chris Logan, *Mondragon: An Economic Analysis* (London: George Allen and Unwin, 1982). A critical view of the dominance of the central credit union over the co-ops may be found in Jack Eaton, "The Basque Workers' Cooperatives," *Industrial Relations Journal* (1979) 10: 32-40.

means a consensus on the state of affairs, which may, in fact, mean that the atmosphere is actually in a state of change, most likely in the direction of increased staff participation in the affairs of the credit union.

Nevertheless, commentators from the staff express a certain uneasiness about where VanCity is going. Chris Catliff, president of VanCity Enterprises, the housing and property development subsidiary, says, “We have a corporate culture that is too homogeneous. We need more differences, more diversity, more boat-rocking.” He goes on to say, to the contrary, that he himself participates in the culture. “I have been converted,” he laughs. But he is not alone in his ambivalence. Even board members wonder where the credit union is going next. And some top staff express dissatisfaction with VanCity’s performance.

In interviews conducted for this report, Bob Quart, chief executive officer, said, “Our involvement [in meaningful social change] has been slower than I would like. We need to do more than just talk.” And Tim Louis, at that time board chair, observed, “I am not certain that we have an agenda now. VanCity will continue to be progressive, but will we be creative? We’ve achieved the original agenda, but now maybe we need to really turn to the question of community economic development.” He wonders whether either board or staff “have a clear picture of CED and VanCity’s role in it.” To him CED means “people at the local level taking more control over their local economy.” He feels that this requires day-to-day democracy, and that is hard.

His feelings are shared by Pieter van Gils, the staff person who had been assigned to systematically review the organization’s “corporate social role.” He has had the task of eliciting ideas from a number of different focus groups from all sectors of the corporate family as well as from non-member observers from the general community. Van Gils too says, “I do not know whether there is a clear idea here of CED, whether there is a commonly held view. What has happened in our work, including with the Foundation, is that some people have been helped to enter the mainstream, rather than our creating alternatives. I do not think this is really CED.” Bob Quart observes, “There is a clear desire from the board to do community things, and we spend more board meeting time on this than on finances.” But he notes, “We seem to be prone to big ideas, instead of really doing a few small things.”

There is probably less satisfaction about the performance of the Foundation than elsewhere. Perhaps that is because it has had to shoulder the highest expectations of producing meaningful change, and it suffered from the lack of a top staff person. Coro Strandberg, the Foundation’s board chair and one of Action Slate’s most vigorous activists, is proud of what the credit union has done over the past few years, but even she recognizes that the Foundation has not accomplished as much as she would have liked. One of the problems she sees is the lack of trained people who are able to merge social development with business development.

But is the foundation model the most appropriate structure to work towards the objectives it has outlined? Even with collaborative relationships with other instruments in the VanCity complex, the requirement of charitable designation for grantees and other beneficiaries may be a severe limit. According to some VanCity leaders, some other means may have to be constructed to get funding to groups without charitable designations.

David Levi, an original Action Slate director, has expressed some uneasiness, as well as satisfaction. (At the time of an earlier interview for this study, he was shortly to be leaving the board because of a bylaw provision that requires turnover. A year later, after the required interim, he had been re-elected.) He says, “VanCity has been proof for me that the things I believe in work.” But he remains concerned about things undone, especially with the lack of impact in poor neighbourhoods. While the Foundation has tried to adopt a deteriorated city district (Granville-Woodland) as a target for special attention, he believes that the work has really "gone nowhere.” Coro Strandberg takes issue here. She points out that the neighbourhood group had not yet come to the point where it sees CED as a priority and the Foundation has to go at the neighbourhood’s pace. She pointed out also that all community work proceeds at an agonizingly slow pace. But staff member Pieter van Gils is impatient. “We do little for neighbourhood revitalization,” he says. Although he believes that the promotion of an alternative neighbourhood health clinic (Mid-Main Health Centre) has been an outstanding move, a real innovation, he does not see the crucial condition of neighbourhood empowerment as a result of VanCity’s work.

What has to be striking in all of this self-examination is the commitment to doing better. Board and staff alike are not content with resting on the laurels of past accomplishments and seem to be restlessly seeking new ways to make a contribution. On that may depend the creation of a true model for other credit unions and indeed for CED organizations in general. The issue that it highlights is inherent in CED: How can CED groups maintain a continuing struggle (not just launch projects) for new economic equity in an unfavourable social, political, and economic environment?

Before concluding this report, it is necessary to recognize briefly something that may be overlooked in the analysis of CED activities---namely, that independent macroeconomic processes in part shape what is accomplished by CED practitioners. Although local efforts are partially constrained by the larger economic trends, they can also be assisted by them. In fact, the financial success of VanCity should be attributed in part to the macroeconomic setting in which it has operated. For example, the high demand for local mortgages has spurred the credit union’s growth.

In contrast to the rest of Canada, the Vancouver area has been less threatened by recessionary trends, and the real estate market has continued to offer the credit union its basic revenues. That favourable economic environment, though it is certainly not shared by many disadvantaged residents of the greater Vancouver area, has offered the opportunity for the credit union to do a good job. Even basic changes in interest rates have not handicapped VanCity’s growth.

Yet as sure as it is that such economic trends will always be influential, VanCity also demonstrates that local leadership can turn a locally based resource toward significant social goals joined with economic ones. Now VanCity’s record of growth and financial success appears to be spurring it on toward even more fundamental service on behalf of its community.

Chapter Twelve

REFLECTIONS, LESSONS, AND DIRECTIONS

As this century draws to a close, our globe is facing multiple challenges---ecologically, socially, economically, politically, and, one might add, spiritually. Canadians, ensconced in a country that in 1994 was again named by the United Nations Development Program as the best place to live in the world, may feel momentary satisfaction and pride at this designation. However, for thoughtful Canadians such recognition is no reason for smugness. Indeed, it might be said that it adds to the responsibility all must assume for the deepening suffering and insecurity that so many citizens face day in and day out.

The stories encompassed in this volume are examples of dedicated, caring people learning to marshall effectively an array of resources to build ways out of the endemic suffering and insecurity of disadvantaged citizens. No matter which of the cases one chooses, the genesis of the initiative is found in a human desire to create a means, a strategy, an organization that will contribute to building alternatives to what is excluding more and more people, indeed entire communities, from the means to survive with some modicum of decency.

There are many results, permutations, and implications of these cases to be drawn together in this chapter: what factors lead to generating durable, long term results; and what are some of the most significant practice and policy implications of the cases presented here, especially for the looming social issues of Canadian society.

Certain basic and enduring themes flow from the testimony of these cases. First and foremost is how the various initiatives *create hope in the lives of disadvantaged people*. The despair engendered by chronic poverty, the isolation felt by so many living in wounded circumstances, the lack of influence or control over their own lives or the social well-being of their own community---all this leads to a complex of social pathologies that infect our society. People without hope become people who cannot cope. And people who cannot cope become dependent individuals, families, and communities. As such conditions extend over time, alcohol and drug abuse, suicide, crime, inter-generational poverty, spousal and child abuse rise in prominence. And all of these ills translate into broad financial, economic, political, social costs for all citizens. The message of hope is therefore a critical message not just for the disadvantaged but for all Canadians. CED initiatives first and foremost create that essential hope.

A second theme, accented throughout the cases, is that of *community*, a theme that is intimately connected to creating hope. The homeless of Toronto cannot, as isolated individuals, work at creating durable solutions to their shelter problems; they must first join in a community. The boxed-in inhabitants of public housing high-rises in Ottawa's Pinescrest-Queensway district, speaking 19 different languages, have to transcend their differences to create a community, in order to become active participants in finding solutions to their individual and collective circumstances. Those who suffer from mental illness, who try to move from the hospital into productive activity, must escape the anomie endemic to isolated city life and find the means to connect, to contribute together with their fellow sufferers.

Again, the cases provide testimony that the fostering of community, of social relationships with common purpose, is a prerequisite to effective action. In some instances, such as Point St. Charles in Montreal, an existing strong sense of community can be built upon and mobilized for strategic action. In others, part of the solution must necessarily first involve weaving the social fabric, in short, creating community through social development.

A third theme, linked to the first two, is that common action through a community *organizing* process is fundamental. To create and sustain hope, to strengthen community, and to get durable and concrete results, effective organizing is key. Moreover, the organizations that are most effective are creating bridges that cross old divides, aligning poor people with business people, employed trade unionists with those who are being cast off by structural changes in the economy, financial institutions with those who have no assets. The point is that new partnerships are built in CED organizations, and those new partnerships release new energies for change.

As the OECD has stressed, given the substantial pressures being created by globalization on nations, their regions, and the local communities, "new and more flexible forms and mechanisms for preserving social cohesion and solidarity" are required.[1] Add to this the fact that the most effective CED organizations incorporate a range of functions that cross the boundaries of social and economic development, and it is little wonder that one of the favourite phrases in CED jargon is "organizational capacity building."

A fourth theme is one that is often resisted by a wide range of people in and out of CED---namely, that CED is not a short-term fix, it is a *long-term* investment. Some results can be yielded in relatively short periods of time. But in general, the economic and social results will not be durable nor will the organizations that create them be able to accelerate the depth and breadth of those results, if the overall investment horizon is short term.

Disadvantaged people do not like to hear this because they want and need results quickly. Bureaucrats do not like to hear it because it means stepping out of conventional program frameworks that annually justify their existence through counting 'beans and bodies.' Politicians do not like it because they get elected with arguments for mandates that require that they show results within their term, or pay the price. The point, amply illustrated by many of the cases, is that practitioners, policy makers, and managers of public and private sector institutions, must understand that to generate a social and economic return on CED investment, the CED organizations must be encouraged to continuously innovate within a long-term perspective.

These four themes will appear in various guises throughout this chapter. They inform the whole spectrum of social and economic development techniques involved in CED and the whole range of national policy issues to which CED can contribute.

Beyond Programs and Projects to Development Systems

Comparisons among the cases in this book help lead to a conclusion about "best practice." Some of the cases---like RESO, HRDA, and Homes First---have clearly demonstrated how CED can achieve comprehensive, long-term, and durable results.

[1] Organization for Economic Co-operation and Development, "OECD Societies in Transition: The Future of Work and Leisure," OECD Working Papers (1994) Vol. 2, No. 26.

Others---like West End Community Ventures, Co-op Atlantic, and VanCity---seem to have the full potential for that sort of results, but they have not yet fully demonstrated them. Still others have generated real benefits---like A-Way, ACEM, Cape Breton Labourers Development Company, and Saskatchewan Community Bonds Program---but are highly limited in scope or focus so that the benefits themselves are restricted in breadth and depth.

The central findings to be derived from these cases (and others studied in the same research project, and previously reported upon) reflect the variation in practice and scope of results.[2]

1. The most successful CED organizations take a *multi-functional approach* and/or supplement their activities through close relations with other groups that take on some part of the necessary functions. The functions that are somehow fulfilled are equity investment; lending accompanied by technical assistance to borrowers; human resource development; and research, planning, advisory, and advocacy services. These multiple functions make up the requisite elements of a 'development system.'

RESO, for example, operates intensively at several levels. While it is most heavily involved in human resource development, it maintains a sophisticated program of outreach, technical assistance, and advocacy focused on the business sector in southwest Montreal. Moreover, it manages to assist the private business sector while maintaining a strong commitment to representing the interests of the low-income community as its central goal. It has also helped establish a loan fund that is accessible to the projects it generates or facilitates. Lastly, it is positioning itself to become involved directly as an investor and owner in businesses and projects that will serve the low-income neighbourhoods and concurrently diversify RESO's financial base.

Co-op Atlantic, on a regional basis, is specifically focusing on creating a development system, the base of which is its support for local capacity building (establishing local co-operative development councils). It is paying attention to other pieces of the system as well, particularly the need to mobilize debt and equity capital at the local and regional levels for new co-op development and the need for technical assistance and skill development for local cadres.

2. The multi-functional approach makes the CED organization more effective for *merging economic and social goals* and for stressing the *empowerment* of disadvantaged populations and communities, especially in terms of their participation in the governance of the organization and in terms of human resource development, generally speaking.

HRDA in Halifax, which has a mission aimed at creating and managing profitable enterprises (an economic goal) dedicated to employing people off the social assistance treadmill (a social goal) illustrates the success with which the two sorts of goals can be merged, within a CED context. In brief, HRDA, in a systematic, explicit manner has utilized a modest public incentive to create 1400 job placements in its own enterprises

[2] The following discussion draws from Perry, Lewis, and Fontan, work cited.

over the last ten years. The Halifax private sector, which has had the same incentive available to it, has made virtually no use of the opportunity. Incorporating social goals is not yet widely seen as making good business sense. Moreover, small businesses, comparable to those operated by HRDA, where nationwide most new jobs are being created, are not equipped to add on the kind of human resource development expertise that is required to create a social bridge for disadvantaged people.

RESO has managed to create this bridge by linking its support of business with detailed intelligence on the local labour market. Thereby it can direct its training investments to the needs of its low-income community base, and it can do so because, just as importantly, those needs are interpreted effectively by representatives of the low-income community well organized to hold about half the seats on RESO's board. This active involvement is an important feature that distinguishes RESO from HRDA, and doubtless accounts for the more limited range of HRDA's program activities. It will be recalled that HRDA arose from the municipal social planning department and its professional and business partners. In contrast, RESO grew out of the struggles and action of residents of one of Montreal's poorest neighbourhoods, where more than jobs and businesses was important.

Homes First has used housing development as the medium for merging economic and social goals, demonstrating the critical role of the social process of organizing and developing a community of the homeless, as a bridge to greater self-sufficiency. Over time, the economic dimension is being more and more integrated into both the housing developments themselves and the evolving business development component of Homes First.

3. Through *strategic planning* or similar systematic efforts, the successful projects become focused and specific about what they are trying to do, even though they may use many different means to achieve their objectives and can maintain comprehensive programs.

Some of the cases, with more limited scope, have not been as systematic in planning their way. Instead, they seem to have been shaped more by fortuitous events, both positive and negative; and this may be a part of the reason of their restricted scope. For example, ACEM, born out of the inspiration of the U.S. model of the Community Loan Fund, lost its base in a particular neighbourhood and has had to stand alone, to rethink its mission. Likewise, while the business of A-Way was chosen for its special features for serving the needs of the former patients, it was restrained by government agency expectations and only now appears to be on the edge of becoming more systematic about business planning.

In contrast, RESO was forged out of a broadly based strategic planning process, one which served not only to establish priorities and targets for action, but also was the basis upon which the non-profit, business and labour coalition was forged. Similarly, Co-op Atlantic did extensive analysis and internal coalition building through its initial planning process which led to the Renewal Initiative. This process is continuing as it seeks out how to flesh out a regional development system. Also, part of its support to local co-operative development councils has been to aid in their strategic planning efforts.

Other groups started less systematically but later on focused their work through strategic planning exercises. Some months after beginning full operations under a program grant, West End used a deliberate planning process to orient itself for its challenging tasks. While HRDA began with one person who mobilized others to provide skills he did not possess for choosing potential business investments on an ad hoc basis, more recently HRDA has initiated a more systematic approach. On-going strategic planning is an important feature of its overall approach to expansion.

4. *Asset building*, in housing or other real property development and in business development, as well as searching out *a range of financing sources*, public and private, are critical to longevity and to accelerated growth. Organizations employing these techniques tend to have a larger scale of operation, another component of their success.

HRDA is the main example of how a solid business development program can create the financial basis for sustaining an organization's mission. However, it also had the core support required to sustain itself over the first several years, until the businesses started kicking in dollars to support the core development capacity. In addition, it has had a fee-for-service revenue flow for every person it hires off the welfare rolls.

The Cape Breton Labourers Development Company generated capital from many different public and private sources and has linked support of its core operations to secure revenues generated by the housing it has constructed. It has still had to rely on dedication of the core staff who work at a meager salary level, but its program will eventually make the organization totally self-sustaining. For Homes First each housing development project is self-sustaining, but meeting the organization's central expenses depends upon grants to start new projects.

RESO, in contrast, has generated all of its resources from various levels of government. The results and performance it has achieved thus far plus its political sophistication has ensured that resources have thus far continued to flow. However, its vulnerability is well recognized by the board and leadership, and they are taking steps to become directly involved in revenue-generating business assets, as a way of diversifying their financial base. This has been a very hard sell to the various government agencies providing grant support. It would appear that direct ownership of businesses by community organizations as a means of strengthening their economic base is not recognized as a technique that reduces dependency upon grants.

VanCity, with the most assets of all the cases, is certainly independent of any public sector support, but it, like HRDA, has had difficulties in getting strategically focused in the CED field so as to make a specific neighbourhood impact. While its continuing innovations are inspiring, the nitty-gritty of becoming a catalyst for neighbourhood-based community revitalization remains elusive. It may well be that part of the problem is that most of the planning has been institution-bound. For example, if VanCity were to create a subsidiary with a governance structure that is more broadly constructed and rooted in one or more neighbourhoods, a very different set of dynamics and opportunities might be engendered.

5. Several *organizational features* loom as important. Most successful CED organizations rise up out of local initiatives, rather than from top-down strategies, and virtually all develop through independent nonprofit entities. They are led by 'social entrepreneurs,' who combine social vision, organizing skills, and political acumen with the tenacity and business management skills needed to perform in this very difficult arena, and through very difficult times. People with these qualifications, who

may be termed development managers, are in short supply, but in almost all cases they have played the critical role in the genesis of local initiatives. Of course, it is a part of their job to make connections with outside resources that can finance the development activities, and without those resources, even gifted leadership is not enough.

The efforts of most of the initiatives in this book do not fit nicely the boxes of conventional public programs in which line departments, budgets, and program criteria shape what is defined as do-able or acceptable. In contrast, the best CED practice continuously strives to create 'development systems' for the unemployed, the poor, the distressed community, as a related study has determined.[3] According to this study, the most effective organizations for generating income and jobs for the marginalized citizen:

- ☐ serve as empowerment vehicles by devolving responsibility for performance to community organizations and beneficiaries, while creating an atmosphere of dignity, participation and an orientation to achieving durable results.
- ☐ link poverty alleviation directly to broader economic development goals rather than viewing it as an end in itself.
- ☐ pursue market-based strategies, often geographic and sector specific, that exploit market niches for beneficiaries.
- ☐ seek to become sustainable components of the local economy (often by creating profitable enterprises).

The convergence of such findings from many different studies in the U.S. over the years needs to be stressed. Many years ago Rita Kelly established that success in CED organizations is positively related to the extent of control on their boards that is exerted by the representatives of the low-income communities to be served.[4] In short, empowerment works. Another, less extensive but earlier study documented the same general finding and also that business development could be successfully used by multi-function CED groups when joined with social goals.[5] These studies were conducted on U.S. CED activities,[6] but it should come as no surprise that CED in Canada can be equally successful in combining social and business goals and do this effectively with local control by low-income people.

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[3] Fred Regan and Maureen Conway, work cited. This preliminary study, however, overlooks the significance of the neighbourhood base even as it cites neighbourhood-based cases.

[4] Rita M. Kelly, *Community Control of Economic Development* (New York: Praeger, 1977).

[5] *An Evaluation of the Special Impact Program* (Cambridge, Mass.: Abt Associates, 1973).

[6] The most recent study demonstrating the impact of CED is by Avis Vidal, work cited. For a general review of many earlier studies, see Perry, *Communities on the Way*, work cited, Chapter 12.

Linkages to Major Policy Issues

Community economic development is a field of practice that is lodged within the larger policy issues Canadians are wrestling with. It is influenced by the current policy context; and its practice, to the extent that it yields results relevant to these broader issues, has real potential as an instrument for influencing policy formulation. We therefore seek in this section to explore some of the linkages between the research reported in this volume and three arenas of policy debate in Canada: sustainable development, social security reform, and access to capital for business development.

Linking CED to Sustainable Development

There is a global imperative to conserve and, in some cases, restore the resources of the planet upon which all living creatures depend. All are in definite danger. To ignore this reality is akin to a deliberate commitment to crippling the world's children. There is mounting and incontrovertible evidence that the economic and social relationships of humankind must be redesigned to the carrying capacity of the planet.[7] "Sustainability must be socially constructed---that is, arrangements of a social and economic nature must be made purposively."[8]

Within this book, community organization, both in structure and in process, has emerged as a critical factor in the success of CED initiatives, and the lesson must be extended to the tasks of sustainable development. "Get organized" remains the key phrase. This is not just a slogan about 'beneficiary participation.' Rather, it is a clear recognition that without local participation through existing and/or new institutional mechanisms, enduring benefits cannot be generated or more sustainable approaches to development fostered.

The World Bank has confirmed these basic facts once again in a recent study that examined whether 25 projects financed by the Bank in Africa, Asia, and Latin America had demonstrated sustainability several years after their completion.

> Disappointingly, the study found that over half of them (13 projects) had left no lasting developmental impact 6-10 years after completion and had failed to produce the expected flow of benefits. Among the basic causes of non-sustainability were the neglect of sociological factors in project design and the lack of supportive institutions and grassroots participation. In sum, the 'social scaffolding' of sustainability was missing. Conversely, all the projects that proved to be sustainable undertook from the outset purposive institution building.[9]

In short, then, what may be found in urban Canada can be discovered world wide and

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[7] See Paul Hawken's latest book, *The Ecology of Commerce*, (New York: HarperCollins Publishers, 1993) for both the evidence and an inspiring yet practical framework for re-designing the system of commerce so that it is consistent with the restoration and sustaining of natural systems.

[8] Cernea M. Michael, "The Sociologist's Approach to Sustainable Development," *Finance and Development*, Quarterly of the International Monetary Fund and the World Bank, December 1993, p. 12.

[9] Michael, work cited, p. 8.

lies at the base of sustainable development. What was described in previous chapters as social development and community-building represent the "social scaffolding" upon which CED's best practice has created durable results. Without it there would be no StreetCity (Homes First). West End Community Ventures would have died when its funding was cut off. RESO would never have arisen from Pointe St-Charles. The commitment, drive, and capacity rooted in participatory, community-controlled organizing processes are important, whether in Canada or in the developing world. Development, if it is to be sustained, must be meaningful to the people targeted to benefit from CED and sustainable development initiatives.

"This notion of building the 'social scaffolding' is important to all aspects of sustainable development."[10] On the environmental side, while governments have developed a wide array of environmental laws and regulations, meeting goals of environmental protection and restoration requires, over the long term, local/bio-regional co-operation, participation, and action. Local stakeholders are an important part of the equation, and in many cases new institutions must be evolved to appropriately mandate and structure the local stakeholder role. For those in poverty, this clearly implies empowerment to participate meaningfully at the individual and collective levels, particularly through organizations over which they have significant influence.

Aside from the social scaffolding, the economic dimension itself is critical. CED's best practice takes some small steps at reinventing the goals of business from a social/community perspective, particularly from the point of view of issues related to poverty and quality of life. These practices have demonstrated that the integration of social and economic action by appropriately supported community organizations is cost effective and creates durable results. Thus in this respect too CED is an important area of enquiry when probing strategies that move our communities and our country onto a more sustainable footing.

Though most of the cases in this book focus on local re-development, the environmental connection was also foreshadowed. For example, one of West End Community Ventures initial forays into business was Green Works. HRDA operates the entire recycling operation in Halifax, effectively linking an environmental business to explicit social and economic goals.[11]

This linkage of CED social and economic goals to the environment is poised to expand. Since the time our research was completed, West End Community Ventures has parleyed its modest beginnings and struggle for survival into the role of an important

[10] This line of argument has been developed more fully in a paper prepared for the Conference on Employment and Sustainable Development, International Institute for Sustainable Development, Winnipeg, June, 1994. See Mike Lewis, "Community Economic Development: Lessons from the Trenches, Directions for the Future" (paper available from Centre for Community Enterprise, Port Alberni, B.C.).

[11] A similar operation in the west, operated by the Edmonton Recycling Society has linked its management of the recycling operation in the north half of the city to social goals. Currently in its sixth year of operation, ERS has provided training in life skills and employment to more than 500 persons and provided steady, full-time employment to a workforce of more than 70 persons, 25 percent of which are severely employment disadvantaged and would otherwise be on social assistance. See Cornelius Guenter, "The Edmonton Recycling Society: An Experiment in Employment and Sustainable Development," paper prepared for the Conference on Employment and Sustainable Development, International Institute for Sustainable Development, Winnipeg, June 1994.

player in the Ottawa-Carleton Green Community initiative. This is translating into significant business opportunities. One business that is about to be started at the time of writing is an energy retrofit business focused on doing over 3000 commercial and 4000 residential energy audits over the next three years. There is a series of related downstream business opportunities that are also being explored with the view to creating a systematic bridge between an environmentally sensitive growth sector, the interests of the low-income community, and the financial base for WECV. Such initiatives represent a triple win for the public sector. Durable jobs are created (generating payroll taxes), welfare costs are saved, and CED capacity is increased and a one step closer to self-sufficiency. Moreover, the retrofitting itself creates a more sustainable infrastructure and frees up long-term savings for small business and residential property owners.

A report prepared for the Minister of Human Resource Development by the International Institute for Sustainable Development sums up this perspective:

> By putting people and the environment first, community economic development agencies can devise development strategies tailored to the strengths and needs of specific regions. Their traditional emphasis has been on building locally accountable organizations committed to alleviating poverty and increasing social equity. As their mandate expands to restoring ecological health and developing local businesses, these organizations can play a significant role in promoting economic development and expanding employment opportunities. Accelerating the dissemination and replication of CED's best practices will provide guidance, and ultimately jobs, to communities around the country.[12]

Linking CED to Social Security Reform

An immediate issue in national policy is the struggle to find a solution to the conflict between Canada's impulse to assist the disadvantaged and the costliness and inefficiency of the nation's current programs to do so. The solution seems to lie, in part at least, in the need for a changed perspective on the appropriate focus of social security programs.

> In Canada almost all approaches (and concomitantly, public expenditures) aimed at eradicating poverty and impoverishment have focused *on individuals rather than communities*. Programs such as employment training, guaranteed income supplements, social assistance, and subsidized work initiatives have targeted individuals. There has been a growing public awareness that individual-centred approaches have not adequately addressed these problems. At times, such approaches have inadvertently reinforced already desperate situations by promoting dependency rather than independence.[13]

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[12] "Employment and Sustainable Development: Opportunity for Canada," International Institute for Sustainable Development, Winnipeg, 1994.

[13] Guy Brethour, discussion of the objectives of the National Welfare Grants program that sponsored this research and its publication: "Bridging the Social/Economic Gap: Reports from CED Research Projects Sponsored by National Welfare Grants," *Making Waves*, Vol. 4, No. 4 (November, 1993), p. 1. (Emphasis supplied.)

Politicians, government officials, and other leaders have been struggling to articulate the necessary changes in policy, not only in Canada but other in industrialized countries. The Secretary General of the United Nations summarized the common challenge in July 1992: “It is necessary to address in creative ways the interaction between the social safety net, innovative market responses to social demands and the imperatives of sustainable development.”[14]

The current Canadian government is proffering what it terms a major reform of the social security system. Will it embrace the Secretary General’s challenge and use the insights of CED to meld the three elements that he cited?

The federal Liberals, elected in October 1993, describe the reform as a major priority. Although still in the very early stages of debate and discussion, the politics of reform are evolving into a potentially volatile set of issues. The unemployment insurance system and the federal cost sharing of social assistance and social services have been put on the reform table in a fiscal context dominated by a major commitment to deficit cutting. There is more and more talk about moving people from dependence (the current system of social supports) toward some measure of self-help (linking assistance to training and/or work experience). The cynical view is that the poor are been set up to pay a significant portion of the burden for budget cuts. This view is supported by the widely reported target of cutting $4 billion from the Department of Human Resource Development in fiscal year 1995/96. The positive view of reform is that the changes will support people moving from dependent citizens toward becoming more independent, contributing citizens.[15]

The cases examined in this book provide a strong underpinning for arguing that community level organizations must play an important role and that economic and social goals must be linked to achieve durable results. For example, HRDA created 1400 jobs for social assistance recipients over the last 10 years. A large percentage of these people went on into the private labour market and others, having got a leg up, went on to further education or training. The percentage going back to welfare was relatively low.

Policy makers may question, What numbers of these people would have ended up in regular jobs anyway? This challenge cannot be answered definitively with the data available today, but the fact is that the private sector, having access to the same incentive for job creation and hiring welfare recipients, made almost no use of the program. In short, it seems that the CED approach can address the necessary movement from welfare to self-sufficiency, when the private sector cannot.

In the current policy discussions, there is a heavy emphasis on linking unemployment insurance and welfare payments to a requirement that the recipients undertake training and education. While this may be laudable, there appears to be little said on how to link up education and training investments to the needs of the labour market and/or to economic strategies that will create jobs. The assumption is that better trained people will have a better chance of getting jobs. However, this assumption begs two more questions:

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[14] Quoted in Brethour, work cited.

[15] The Liberal Red Book, the election platform on which the current government came to power, said it this way: “We will work with the provinces to redesign the current social assistance programs, so sorely tested in recent years, to help people on social assistance who are able to work, to move from dependence to full participation in the economic and social life of this country...The current passive support programs, which offer income to people in need but no plan for achieving self-sufficiency, are not enough....”

Are there the jobs for those who complete the training? Are they the kind of jobs by which the hundreds of thousands of long-term unemployed can successfully re-enter the workforce? Indeed, the overall reform effort appears to be uncoupled from micro-economic policy.

Nevertheless, there are some “experiments and innovations” being funded by Human Resources Development Canada that provide some clues as to the possible direction of future policy. Known as the Strategic Initiatives Fund, $900 million has been earmarked to jointly fund programs with the provinces to pilot new approaches.

One of the earliest and most widely known pilot programs under this scheme has been promoted heavily as “New Brunswick Works.” It provides New Brunswick welfare recipients with up to three years of education and training at an estimated cost of $100,000 per person. However, there is no plan to link locally based training programs to the local labour markets or to economic development strategies at the local or regional levels. This lack of linkage may be a factor in the fact that approximately 50 percent of the first 2000 people entering the scheme dropped out within the first year.[16] The high drop-out rate means that the real cost of the program is going to be much higher than $100,000 per person.

In contrast, HRDA has over the last 10 years returned $1.80 to the public treasury for every $1 that the taxpayer has invested.[17] And this return includes only the welfare and training savings and the payroll taxes generated while people were working directly for one of HRDA’s enterprises. On-going savings and payroll taxes from the large number who stay in the private labour market after leaving HRDA, if taken into account, would increase the dollar benefit to the public treasury.

In brief, the new government pilot programs do not seem pointed toward merging the social goals of training and education with opportunities for economic development, a problem that a CED project like HRDA addresses.

Another clue to policy directions may be the July 1994 announcement by the Federal and Ontario governments of a pilot known as JobLink. The Federal contribution of $25 million is for what is essentially a decentralized one-window approach whereby both governments will co-ordinate the delivery of employment related services to local social assistance recipients. Stakeholders from the local community will be expected to advise on these delivery efforts. While this is a worthy step to tap community ideas, it is definitely not CED nor can it be termed community development.[18]

Although, as HRD Minister Lloyd Axworthy has commented, “Choices will be made very much at the local level,”[19] it appears to mean merely that local Canada Employment Centres will each have a general budget which will be allocated according to the local Centre’s own priorities. He has said in the same comment, “If they want to put more emphasis on training versus direct job creation or something, then that would be based upon a judgement in the local, regional context.” This of course is not community

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[16] *McClean’s*, April 11, 1994, p. 24.

[17] Computed from data presented in Bay State Skills, work cited.

[18] A link is expected to be made to Ontario’s CED program, which itself is flawed, as will be discussed in the following section of this chapter.

[19] Minutes of Proceedings of the Standing Committee on Human Resources Development, Issue No. 12 (April 27, 1994), p. 24.

control. It means merely that civil servants residing in the communities will have the authority to make the decisions, using only as much advice from other residents as they wish.

Contrast this with RESO, where a local board with many low-income representatives shape training programs and goals so that they can be linked to business development, infrastructure improvement, and advocacy strategies within the realities of a rapidly changing local environment. The community owns and drives the process. They are responsible for the outcomes. Government is only a funder and a monitor. Federal Finance Minister Paul Martin has publicly referred to RESO as a "model for the country" on several occasions. One can only hope that the reform effort will recognize its relevance.

Another potential signal (and arena for application of CED principles) is policy on Community Futures, the one Federal program that showed some promise as a vehicle for linking community development with business development in the rural and small town areas for which it was designed. At this juncture it is slated to be transferred from Human Resource Development Canada and parcelled out to the various regional development agencies, such as ACOA in the Atlantic region and Western Diversification in the west. Will this undermine the potential for merging social with economic considerations, or will it provide more of such a potential? The concern is that the regional development agencies have been almost totally focused on venture financing and little else. The long history of attempts within the HRD Department (and its predecessors) to create programs that had social as well as business development may have been weak in some areas, but it is doubtful that transferring Community Futures to agencies with little background in community development will lead to the necessary improvements.

The role of the community has not yet been a serious policy consideration in the whole debate. Instead of stressing the community as the beneficiary of changing policies, the early indications are that social security reform will maintain the traditional government focus on individual-oriented programs. An example is provided by the programming being offered for the adjustment of fishers and communities devastated by the fishery collapse. The Atlantic Fisheries Adjustment Program seems designed quite contrary to the government's expressed interest that communities "do their own economic development...to make those choices and design the economic and labour market programs that will both meet and fulfil their needs."[20] There has been no attention to building community capacity as a key component to community survival and revitalization. Much of what is provided for is a wide ranging menu of traditional labour market programs.[21]

If these early indications prove correct, there does not seem to be much to predict that the benefits of the CED perspective will be utilized. Programs may become re-packaged, entitlements may be cut back, but the basic relationship of the state transferring rights and benefits to individuals without consideration of the community context and social scaffolding will not have changed.

Nevertheless, this is not the end of the story. As Canadians, we remain at the outset of a reform process. Those involved in the best CED practice must assume responsibility to

[20] Minutes of Proceedings, work cited, p. 9.

[21] Minutes of Proceedings of the Standing Committee on Human Resources Development, Issue No. 23 (June 14, 1994), pp. 15-24.

play an important role to play in the months ahead. The case must be made by practitioners at every turn, to bureaucrats, to the Parliamentary Committee hearings, and to senior members of the Liberal Government: Canada can build on what has been learned from CED's best practice; economic and social goals must be more effectively integrated if durable results are to be achieved; local neighbourhoods and communities are where it should be done; and social security reform must have a strategic element integrated into the overall package that supports more and more communities becoming directly involved in such initiatives.

Linking CED to Access to Capital

A burning issue for many people in small business is bank credit; in the last few years the decline of credit from the banks has reached into the billions. The high level of concern of small business in this matter has not attained the same prominence in national policy debate. However, the question of access to capital has garnered some general attention, and there has been significant testimony in an array of parliamentary committees at the federal and provincial levels. The results of the credit squeeze are lost jobs, increased bankruptcies and increased unemployment and welfare costs.[22] Here too CED experience can be helpful.

Part of creating a development system in CED is building access to capital. For communities in distress, or for those that are chronically marginalized, reasonable access to capital, both equity and debt, has been a major program concern. ACEM in Montreal is a special case in point. Saskatchewan Community Bonds, Cape Breton Labourers Development Company, and VanCity also represent cases relevant to the capital access issue.

Concern with creating development systems at the local level has thrust CED practitioners into the broader concerns of capital access for local business development. If viable businesses are being lost because the banks are systematically restricting access to capital, the question can be raised legitimately as to whether new institutions must be created or whether greater priority should be given to getting changes in bank behaviour.

Up to now, Canadian CED practice has focused on creating new institutions (as the cases in this book demonstrate), but CED activists in the U.S. in the late 1970s pushed hard for federal legislation known as the Community Reinvestment Act (CRA). That law requires banks to reinvest some percentage of the deposits from any community back into the community it comes from. Extensive research has shown that even low-income communities generate significant capital, which gets deposited in local banking institutions, but which is usually transshipped to meet capital needs elsewhere. The CRA provides a lever that is being successfully used in the U.S. to re-direct depositors' money back to where it came from, for businesses and for local home mortgages especially. This

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[22] See *Making Waves,* Vol. 5, No. 2, (Summer 1994). Among the items of interest in this issue is the testimony of Susan Bellan, Chair of the Banking Committee of the Canadian Organization of Small Business. She calculated the cost to the public purse of one bank's decision to close down a profitable company employing 500 people just because of a temporary cash flow crisis. Her estimate is that the failure of the bank to provide a $2 million loan to cover the impact of customers holding back on payments in the height of the recession, cost the Canadian taxpayer $16.5 million dollars within two years of the company being forced into bankruptcy.

of course is a mighty instrument for revitalizing disadvantaged communities and for building local jobs.

It may be that the time has come in Canada to build some sort of Community Reinvestment Coalition. CED practitioners and organizations should, in any case, support the efforts of the Ottawa-based Democracy Watch to organize a national coalition capable of dealing with both banks and governments on the issue of capital access. Also important is a new organization out of Toronto called Bankwatch, which grew out of the concerns of small businesses unjustly treated by individual banks. CED strategy should not concentrate only on creating alternative finance institutions but must address directly the national policy issue of adequate capital access.

Ontario's CED Program

The insights of CED have not been ignored in Canada by governments seeking economic revitalization, for the Province of Ontario has in the past year elevated CED to the level of a distinct strategy. Much like the case of the Saskatchewan Community Bonds, however, an examination of this new initative offers a cautionary note on the application of CED through direct government programming. In short, even if CED is specifically recognized as a policy lever, there remain problems to be avoided.

The Ontario government is the first provincial jurisdiction in Canada to provide CED with its own legislation and program apparatus. Since 1993, millions of dollars have been channelled into CED through an array of programs under the rubric of "jobsOntario." Research for this book has not explicitly and systematically reviewed the Ontario programs, but the provincial government publications provide enough information to compare what is intended there with what our cases have demonstrated.[23]

The legislation is comprehensive in concept. It addresses development finance (equity and debt), planning and research, and human resource development---all the central elements necessary for fostering effective local development systems. And the $300 million to be spent over three years is available to an unrestricted range of nonprofit community groups, incorporated or unincorporated, including co-operatives, as well as to municipal bodies. For-profit groups may be associated with nonprofits on a project. Thus there are no structural limitations as is often the case in other government programs.

Capital access is provided through both equity and credit mechanisms, which are explicitly based upon two of the cases discussed in this book: the Saskatchewan Community Bonds program becomes the Community Investment Share Corporation (CISC) Program in Ontario, and ACEM becomes the Community Loan Fund Program. Another program component helps establish a community mechanism (community development corporations) in up to 35 communities through which the various opportunities flowing from the legislation and from other sources can be co-ordinated and managed at the local level.

Separate from this CDC component is a heavy emphasis of jobsOntario on self-employment programs. More than 20 community-based brokers have received core funding to link training for self-employment with micro-enterprise development. Some of

[23] The following discussion is based upon a review of the legislation and the informational materials, applications, etc., issued by the Ontario Ministry of Municipal Affairs.

these are also setting up CLFs---a good move, as access to loan capital is critical for creating jobs through self-employment. Also, there are specific pots of money for feasibility studies and business plans and lastly, the various training programs can be accessed to support a broad range of human resource development activities. The entire panoply of programs has been informed by a systematic attempt to consult with specialists in the CED experience throughout Canada, and even in the U.S.

Since the CED initiative is well funded at $100 million per year, Ontario seems poised to reap a ripe return from community efforts. The experience of the cases in this book, however, offer some cautions to such expectations. First and foremost, Ontario does not have the existing CED organizations to make the best use of the large funds available. Indeed it assumes that it can start new CDCs in dozens of communities which can then use the other grant opportunities. Yet the experience of WECV suggests that new organizations are overwhelmed with the task of effectively spending a lot of money from the start. A second problem is that, again very much as in the case of WECV (and other projects we described in an earlier publication[24]), the Ontario program seems to assume that after one year of funding, the community groups will be self-sufficient. Even a cursory look at the cases of RESO, HRDA, and other CDCs reveals that the notion of creating CED organizations that will be self-supporting in one year is totally unrealistic.

A third factor that should dampen expectations is that, just as in the case of the Saskatchewan Bonds program, the Ontario CISC initiative does not provide the community organization with an opportunity to build assets for itself. The CISC is merely an energetic organizer of capital for other people's projects.

The convergence of these flaws in design---no stable capacity building/core support, a short time-frame for self-sufficiency, and no easy access to equity from which to build a sustainable, long-term basis for CED organizations---ensures that the overall response will be oriented to highly specific and limited projects or ventures. The few organizations with already existing capacity certainly are in a position to access and productively use the resources, but the news reports will likely talk mainly about municipal and other projects like hockey rinks, libraries, etc. As one Ontario civil servant recently suggested, the whole system becomes a numbers game, everything geared to creating counts for the counters.

There will undoubtedly be some notable successes, despite the difficulties. One organization that will be making good use of the program is CODA (Community Opportunities Development Association), based in Cambridge, which was mentioned earlier in connection with WECV. This very creative organization has previously made good use of the funds it has received. Indeed, through their self-employment program,[25] they helped to create 200 businesses in 1993 alone. However, they have now been in existence for ten years, and during the first six years of their self-employment project (before the jobsOntario funding but with other provincial grants) they had helped to

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[24] Perry, Lewis, and Fontan, work cited. See, for example, discussions of Canal Co-op, CCED, Colville Investment Corporation, and DEEDS.

[25] Self-employment with micro-enterprise development is only one of several components of CODA's work which includes training and job placement, housing placement, and a wide range of other community-targeted activities. CODA undergirds all its programs with a strong emphasis on community development, including organizing in 17 low-income neighbourhoods. For a recent report on CODA activities, see Paul Born, "Building Our Community," paper prepared for Conference on Employment and Sustainable Development, Institute for Sustainable Development, Winnipeg, June 1994.

create only 200 businesses. What this indicates is that it takes time to accelerate the generation of larger scale results. CODA also realizes that it is very vulnerable unless it can get directly involved as owner of revenue-generating assets as a base for the organization. In short, CODA knows that in the long term it must generate a more diverse funding base than that afforded by government funding alone.

The Ontario experience deserves to be examined in much more detail and at a date from which results can be reasonably evaluated. However, even at this point the experiences described in this book help to assess the strengths and weaknesses of this, the first systematic CED support program in Canada.

Chapter Thirteen

CHARTING A FUTURE FOR CED IN CANADA

CED practitioners, the co-op sector, the labour movement, and such public interest organizations as the National Anti-Poverty Organization or Democracy Watch join public policy makers in facing a very difficult task---to forge a productive and effective policy framework for building sustainable communities in Canada. The authors of this book want to contribute to work on that task by using the case experiences to lay out a preliminary sketch for such a policy framework. Our motivation is rooted in the themes set out at the beginning of Chapter Twelve: creating hope, strengthening community, building democratic development organizations, and generating sound long-term results, economically, socially, and environmentally---all of which are ultimately in the interest of all Canadians.

Activities in a National Strategy

A national strategy must mobilize the public, private, and philanthropic sectors, as well as the CED groups themselves. It is not a matter of enormous dollar allocations. Indeed given the present level of capacity even in provinces as active as Ontario, as has been noted earlier, initial financial outlays should be very modest, with a high concentration on capacity building. Investments should increase over time only as capacity grows. The shape of the effort, its design, will be the critical factor, not the level of outlays.

The resources designated to expand and strengthen the support base for CED on a national level must, on the one hand, be allocated in a *decentralized structure* and *responsive to local situations and institutions*. On the other hand, there must be a strong proactive element to assure that certain activities are emphasized in order to:

1. accelerate dissemination and learning based on best practice and thereby reduce any unnecessary trial and error in the local situations.
2. support the appropriate replication of methodologies from model programs (including promoting exchanges among local CED leaders, especially relying on exchanges with outstanding practitioners).
3. support continued innovation and learning, especially focused on stronger ties between CED groups and key sustainable growth sectors (e.g., energy retrofitting, recycling, and environmental management technologies).
4. join direct financial support for local institutions with support for training and technical assistance---especially for smaller and/or newer programs in communities and regions lacking an institutional base of CED expertise. (This must include general leadership training as well as more specialized training to enlarge the pool of development management talent.)

Both federal and provincial governments will have critical roles to play in all this, but unlike the roles of earlier eras in which governments took a directive stance, they should act primarily as catalyst and facilitator. However, the federal government itself is best positioned for certain key tasks: placing the issue of poverty alleviation squarely within the scheme of national economic priorities; establishing goals and promoting co-ordination strategies; enlisting the co-operation of the provinces; and providing seed capital to mobilize action. And the provincial governments for their part will probably contribute most by assessing local performance and capacity so as to facilitate allocating scarce government resources.

Government Support to Foster Local Development Systems[1]

How will it be possible to assure the most effective design for a strategy of support services for the CED sector? Whether they are philanthropic foundation officers or civil servants or interested corporate officers, the designers themselves will need to gain a better grasp on the fundamental processes involved in CED. The field is new enough so that its requirements are not necessarily well known or self-evident to those outside it who are nevertheless concerned to support it. Thus outstanding practitioners should be relied on systematically as resources for a self-preparation sequence for program administrators. Further, there are features in the relationship between potential supporters and the organizations out in the field which must be different from the usual framework for the financing of local initiatives. For example, this will entail a rather thorough re-orientation of conventional administration of the support programs:

- ☐ *away* from a framework of aiding clients and *toward* a framework that emphasizes partnership with local groups and the practitioners in the field.
- ☐ *away* from a framework of the detailed application of donor programs and *toward* a framework that offers flexibility for local strategies.
- ☐ *away* from a framework of evaluating local projects and *toward* a framework in which performance evaluation includes the program itself and its administrators, as well as the local projects and their administrators.
- ☐ *away* from a framework in which assessment is intended merely for improving projects and *toward* a framework of partnered activity aimed at self-improvement for each partner in order to achieve the mutually defined results and to improve the entire process of CED, stretching from sources of financial support to the community arena.

As these points imply, program administration has to be tailored to fit the fundamental source of energy for CED---namely, local decision-making by a locally mobilized community.

Taking government alone as an example here (although the same points would hold for other financing sources), there are several key elements that should be included in any program design consideration.

1. *A program for support of CED should concentrate initially on providing a variety of aids for*

[1] The following section draws from an earlier report of the research team: Perry, Lewis, and Fontan, work cited, Chapter Five.

local capacity building. And this should emphasize the particular form of local institution that carries out CED in its most powerful strategy---that is, the multi-purpose development organization. Social and economic goals will best be merged within that strategic format.

There are two leverage points that can be stressed. First, at the point that a community is exploring what it wants to do and can do by putting together a broad-based coalition and a long-term plan, very modest government funding can make a big difference, as in the case of PEP, the precursor to RESO. The local process referred to here is not a once-and-for-all preparation; rather, it may extend over a period of a couple of years or even more (and require re-tooling from time to time in the future). In the early period, however, the local leadership sorts out its interrelations and its ideas, while mobilizing the significant sectors of the community---church leaders, business leaders, labour leaders, ethnic and cultural leaders, and so on, who will represent the various perspectives that must be combined in the compromises among social and economic goals. Sometimes such a group will have built itself in part by the successful conclusion of one or more action projects, not necessarily major ones but meaningful to the community; but the group will still be in a natural process of defining itself. This history of the group helps program funders to determine its potential.

The second point of leverage is when the local organization is actually carrying out major projects which have received some financial support, but not enough to manage continued growth and the generic expenses of fielding a multi-purpose strategy. Homes First has struggled for some years in this stage. There are general administrative costs, overhead, R&D, liaison, self-evaluation, re-planning, and other wide-focus activities that do not get funded in the project-specific support that such an organization is usually relying on.

As demonstrated by Ontario's approach to CED programming, project activities often get funded for short time frames with expectations for self-sufficiency thereafter. The result is that the organization is put under extreme strain to maintain and improve its basic operations to carry out a comprehensive strategy. At this point, a funder concerned with capacity-building can offer multi-year general support (of course, tied to a set of mutually agreed-upon performance expectations) that is not project-specific.

Results such as those achieved by HRDA and RESO could not have been generated without multi-year funding. Multi-year funding gives the organization the confidence to think long term, and their energies are not spent inefficiently on annual re-funding searches and proposals. Instead the secure group can attack the challenges of seeking out and designing the specific projects for which it will then scour around for financing, private and public. Thus capacity-building support at this stage can have rich rewards in producing an energetic organization with a comprehensive panoply of projects funded elsewhere. And those projects will offer the organization opportunities to develop other sources of revenue, including income streams from its assets created in the projects. Thereby, the basic financing of capacity is in time relieved of any continued call on its program.

2. *Specialized projects can be funded when this will not force or shape the organization to veer from the more comprehensive aims of local CED*. Every specialized government agency will have its own objectives that can be fostered by CED groups with wide-angle vision, and

funding the local group to carry out a specialized function can actually expand the group's reach. But that element of new capacity must not be promoted in ways that will distract the organization from its broader mission. Agencies must avoid the temptation of co-opting successful groups.

3. *Support for CED infrastructure in the shape of specialized intermediaries for technical services and for development finance is another element of government programming for CED that can be significant.* CED groups need access to many different sorts of technical expertise (in human, organizational, and business development) which is often not efficiently paid for by hiring their own specialists on a staff basis. However, the necessary technical assistance resource can be maintained on staff in intermediary organizations serving many different CED groups. Such a dedicated support service reduces the effort and costs to local organizations in searching out and assessing the competence of needed specialists.

Similarly, development finance intermediaries (like ACEM or VanCity or Fonds de développement Emploi Montréal) can offer close-to-the-site and flexible services for a number of groups. Such intermediaries are better able to give 'retail' financial services than government agencies, which for the most part ought to 'wholesale' development finance through them.[2] Both types of intermediaries, in order to qualify for government support, ought to maintain mutually agreed-upon performance standards and to be governed by CED specialists, rooted in the communities of Canada.

The design of different types of development finance intermediaries to provide capital for the projects of comprehensive CED organizations is beyond the scope of this discussion. Yet it seems worthwhile to make some suggestions. For example, government equity capital might be linked to incentives for credit unions and the co-op sector in order to engage their members as participants in CED financing. Thus VanCity's community investment deposit program might be matched with government funds for investment in CED businesses.

The co-ordination of financial support in the public and private sectors could lead to a public foundation for development finance, endowed by both government and private sources such as businesses, churches, unions, etc. Surely, the task of designing a variety of development finance mechanisms can be made easier by researching in detail the experience of Canadian and U.S. intermediaries. Again, the longer term experience in the States offers a wide range of potential formats to examine (the New Hampshire Community Development Financing Authority Tax Credit, revolving loan guarantee funds, Local Initiative Support Corporation, etc.).

Another set of measures lie in tax policy. Tax credit provisions have already encouraged private capital to move into some community-focused investment funds.[3] A systematic program can expand this trend, for example, by designing credits that encourage individual, institutional, or corporate investors to partner with local CED groups on specific housing or other development projects. And finally, since the

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[2] A successful example of such a wholesale/retail relationship is the local work of Business Development Centres operating with funding from the federal Community Futures program. Their record in the finance of small local business stands out in comparison with the Federal Business Development Bank.

[3] For a description of some of these, like the Crocus fund or the Quebec Workers' Solidarity Fund, see Perry, Lewis, and Fontan, work cited.

conventional banking sector has not participated actively in CED, some attention should be paid to legislative and regulatory changes to encourage this---on the model of the U.S. Community Reinvestment Act.

4. *Finally, a systematic review of existing public policies that militate against local initiatives and self-reliance should be undertaken, with the aid of CED practitioners who have struggled with such obstacles.* CED practitioners can readily point out the self-defeating provisions that should be addressed and changed. Social security reform, for example, needs to include new provisions for earned income exclusion, as the experience of A-Way and Homes First demonstrates. A government agency that takes up responsibility for CED should assume the role of advocate with other government agencies and private sector institutions (such as banks) to encourage them to re-think any policies that inhibit growth from within, which even disadvantaged communities could foster.

Beyond Government, the Challenge to Other Sectors

If this book casts a challenge to governments to become better and smarter partners in the task of growing more inclusive, vibrant and sustainable community economies, it must do the same to a wide range of other organizations and interests. For all those inspired by a concern with human and social development, the fostering of citizenship, and the evolution of more democratic forms, there is the challenge of extending their social vision and their skills to integrate an economic perspective into their goals and their organizational operations. Since governments are undoubtedly in real fiscal difficulties, private organizations will have a greater role to play. More important, linking their social mission with a more economic approach could well be part of this sector beginning to re-invent itself.

For those concerned primarily with business development and job creation as a strategy for alleviating poverty (and there are some who would erroneously term this work alone as CED), the challenge is to become more sensitive to the “social scaffolding” that is a prerequisite to creating durable, long term results. The condition of dependency on the state is too often decried without an understanding of either the conditions that create dependency or the means and methods which, as community development efforts, can create a ladder out of poverty and dependency.

For those who stress the problems of environment and sustainable development, the challenge is to recognize that the interests and involvement of local people are crucial to creating and maintaining efforts to protect and restore the environment. Moreover, environmental restoration must be joined to strategies that reweave the social fabric and that create livelihoods for people who otherwise might not be able to meet their basic human needs with decency.

For those in the private business sector who hold that the market is the only arbiter of what is economic, the challenge is to develop the wisdom that comes from confronting the realities of millions of their disadvantaged fellow citizens. Poverty is the result of more than individual decisions and factors. It is a systemic result just as the environmental crisis is. And the private sector has unfortunately played its part in the system that creates a vicious circle of poverty. Perhaps leaders in private sector organizations need to start visiting successful CED sites around the country and see how the organizations which most often include community-minded business people are integrating market-based strategies with social goals.

The co-op sectors throughout the nation could look carefully at the renewal initiative of Co-op Atlantic and develop their own analyses and strategies relevant to revitalizing co-operative development efforts in their regions. The credit union sector needs to review VanCity's experience and that of other activist credit unions and seek out the means by which their membership and financial resources can be mobilized to become partners in revitalizing community economies. The labour movement needs to take a good look at CBLDC and at the results emanating from southwest Montreal, where labour has become a vital partner with the community movement and the business sector in innovative, results-oriented CED. It could also take a closer look at how the increasing number of labour-sponsored investment funds in Canada could become joint venture partners with CED organizations in productive enterprises that have multiple bottom lines.

The churches need to become more active as investors and as participants in CED organizations. Moving beyond charity and towards a more pro-active mission aimed at building healthier communities could stimulate new hope within the parishes and the neighbourhoods surrounding them. Foundations play a vital role in CED south of the Canadian border, but their Canadian counterparts generally are not active in the field. There is a critical role for them as long term partners in financing innovations and the expansion of best practice in CED.

Major corporations are only just beginning to explore CED as a possible area of involvement, particularly as it relates to their corporate donation policies.[4] They should energetically pursue this interest, but they also need to examine a range of other practices, including how their expenditures might be linked to revitalizing poor neighbourhoods. The partnership of the corporate sector with RESO in southwest Montreal offers one model. There are surely others to be created.

And finally CED practitioners themselves must extend their already heavy responsibilities into new realms. In the last decade, there has been a significant increase in the breadth and depth of CED organizations and actions across Canada. This book speaks to only a small part of this experience. However, as many of those in the trenches of the CED struggle know, organizational and other specialized capacity is still thin, and there are unexplored ways for self-development. For example, there has never been a national organization in Canada to support the evolution of CED and to provide a broad forum for all those involved in the field. At the practice level, getting the results of best practice into the hands of all those doing the work has been slow and cumbersome. At the policy level, there has been no organized voice to represent what is being learned in the field and how what is now known should be integrated into the policy and programs of government and other sectors.

The time is rapidly approaching when the existing local organizations (and practitioners in general) will have to decide whether the additional effort required for a national vehicle must be found. The strength of CED in the U.S. appears to be closely allied to the presence and activity of national associations, which promote the exchange of expertise and put it at the service of policy makers. The National Congress for

[4] For more information see the recent publication by Stelios Loizides, "The Role of the Private Sector in Community Economic Development," (Conference Board of Canada: Report 126-94).

Community Economic Development and the National Economic Development and Law Center, with its connections to local Legal Services groups throughout the States, have been a part of the CED scene for well over 25 years. They have been and continue to be important means by which the practice of CED is strengthened and through which the experience gained can find a collective voice.

If those of us involved in the CED struggle are to join together in a new and effective effort for a national expression of our common goals, we will need:

- ☐ a commitment to supporting the expansion of CED based on the best practices emerging in the field.
- ☐ a commitment to keep in focus the social, economic and environmental dimensions of CED.
- ☐ a commitment to keeping the empowerment of marginalized neighbourhoods and communities as a central priority.
- ☐ a commitment to on-going innovation and learning in an atmosphere of respect and a pre-occupation with creating long-term, durable results.

Building a national expression of people and organizations energized by such commitments must include active collaboration on key national policy issues. Social security reform, labour market expansion, sustainable development, capital access, and regional development---all these are arenas that are fundamental to anything that can be accomplished by community economic development. Those active in CED have a contribution to make in all these policy arenas and indeed must make that contribution if CED is to reach its full potential for a better Canadian society that can also inspire communities elsewhere.

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