



**MARITIME Series**

**MONOGRAPHS**

Donald J. Savoie

# **Community Economic Development in Atlantic Canada: False Hope or Panacea?**



INSTITUT CANADIEN DE RECHERCHE SUR LE DÉVELOPPEMENT RÉGIONAL  
THE CANADIAN INSTITUTE FOR RESEARCH ON REGIONAL DEVELOPMENT



---

**Community**

---

**Economic**

---

**Development**

---

**in Atlantic Canada:**

---

**False Hope**

---

**or Panacea?**

---



**MARITIME Series**

**MONOGRAPHS**

**Donald J. Savoie**

---

**Community  
Economic  
Development  
in Atlantic Canada:  
False Hope  
or Panacea?**

---



INSTITUT CANADIEN DE RECHERCHE SUR LE DÉVELOPPEMENT RÉGIONAL  
THE CANADIAN INSTITUTE FOR RESEARCH ON REGIONAL DEVELOPMENT

Publications in the Maritime Series are also available on the Web  
at [www.umoncton.ca/ICRDR/collec.htm](http://www.umoncton.ca/ICRDR/collec.htm)

Graphic design: Raymond Thériault  
with the assistance of Josette Thériault

© Institut canadien de recherche sur le développement régional/  
The Canadian Institute for Research on Regional Development

**ISBN 0-88659-062-0**

Legal deposit: 3<sup>rd</sup> quarter 2000  
National Library of Canada  
Printed in Canada

---

## *About the Monograph*

Community economic development is the latest fashion in the field of regional development. In this monograph, we explore the reasons why and review the literature relating to this comparatively new discipline.

Four case studies are presented in chapter II, which are based on the different experiences of communities in each of the four Atlantic provinces: the Kent region, New Brunswick; Isle Madame, Nova Scotia; Summerside, Prince Edward Island; and Bishop's Falls, Newfoundland and Labrador. These particular cases were selected because they all enjoyed some economic success. In order to benefit other communities facing similar economic difficulties, we review the lessons learned from each case.

The purpose of this monograph is to offer practical suggestions for promoting community economic development. During the course of our investigation, we consulted various documents relating to the four communities as well as a number of individuals in those communities who have been active in implementing measures to promote community economic development. We conclude our study by proposing answers to several key questions about how communities and the senior levels of government can advance the cause of this approach to regional development.





---

## *About the Author*

Donald J. Savoie holds the Clément-Cormier Chair in Economic Development at the Université de Moncton. He has extensive experience in academia and government and has served as an advisor to a number of federal, provincial, and territorial government departments; the private sector; OECD; the World Bank; and the United Nations. He has also served on various decision-making, advisory, and editorial committees. He was appointed to the Advisory Committee of the Order of Canada (1995–2000), the National Task Force on Incomes and Adjustment in the Atlantic Fishery (1992–94), the Steering Committee of Canada's Prosperity and Competitiveness planning exercise (1991–92), Canada's International Trade Advisory Committee (1991–93), the Economic Council of Canada (1990–92), and the editorial boards of *Governance* (1995–98), *Canadian Public Administration* (1985–94), and *Optimum* (1991–99). He also chaired the national panel on Partnering in the Fishery (1998).

Dr. Savoie has published thirty books and over 150 articles on economic development and public administration. Some of his best-known books include *Regional Economic Development: Canada's Search for Solutions*; *La lutte pour le développement*; *Governing from the Centre: The Concentration of Power in Canadian Politics*; *The Politics of Public Spending in Canada*; and *Thatcher, Reagan, Mulroney: In Search of a New Bureaucracy*. *The Politics of Public Spending in Canada* was the inaugural recipient of the Smiley Prize (1992), which is awarded biennially by the Canadian Political Science Association for the best book on government and politics in Canada. In 1994 he was awarded the Mosher Prize for the best article published in public administration in the United States.

Dr. Savoie was made an Officer of the Order of Canada (1993), awarded honorary doctorates by l'Université Sainte-Anne (1993) and Mount Allison University (1997) and a Doctor of Letters by Oxford University (2000), elected a Fellow of the Royal Society of Canada (Canada's National Academy) (1992), and selected alumnus of the

year by l'Université de Moncton (1991). He was also presented with the Vanier Medal (1999) by the Institute of Public Administration of Canada for having "made a significant contribution in the field of public administration in Canada," and the distinguished Canadian Award by the Public Policy Forum (1999) for "having left an indelible mark on the calibre of public policy and public management in Canada."

---

# *Contents*

Preface .....	13
Introduction .....	17
<b>I. The Literature and Past Efforts in Community Economic Development .....</b>	<b>27</b>
The Early Years and the Early Literature .....	29
Into the 1970s and 1980s .....	35
The 1990s .....	41
Summary .....	56
<b>II. Case Studies .....</b>	<b>59</b>
The Kent Region .....	60
Summerside .....	75
Isle Madame .....	85
Bishop's Falls .....	97
<b>III. False Hope or Panacea? .....</b>	<b>109</b>
List of Figures .....	129
List of Maps .....	130



## *P*reface

Two issues prompted me to write this monograph on community economic development in Atlantic Canada. First, I noted that a great deal has been said and written, particularly in recent years, about community economic development and the promise it holds for both slow-growth regions and communities confronting sudden and serious economic problems, and that much of it was unclear, impractical, and lacking in purpose. Second, I wanted to go out into the communities to gain an appreciation of how government programs and the challenges of economic development are viewed by those who are directly affected by them.

Community economic development, as I soon discovered, means different things to different people. It may mean (1) institution building at the community level, (2) economic development in a specific geographical area, (3) bottom-up rather than top-down development, or (4) the development of a community business. No clear distinctions between any of the above have been made in this monograph. In fact, it is apparent that more work needs to be done to arrive at a better understanding of what properly constitutes community economic development. My hope is that students of economic development will take up this task and decide on the merits of a more precise definition of the subject.

For my part, I decided to review four cases in Atlantic Canada that have been widely regarded as success stories. I have emphasized the lessons learned from these successes while at the same time viewing community economic development as it is broadly defined rather than focusing on any of its aspects, such as institution building or community-based institutions.

My main goal in this study has been to provide help to those working in the field of community economic development and to consider the economic potential of measures advanced at the community level. It is for this reason that I have ventured out into the

communities to gain first-hand information about the effect of these measures on the local economies.

Of the many people who assisted me in my research, too many to thank individually, I would like to acknowledge in particular the help given by those in the communities who patiently answered my questions and willingly provided me with material and background information. I would also like to thank the officials with the Atlantic Canada Opportunities Agency who supplied me with important information and offered valuable advice on the selection of particular cases to investigate.

I am indebted to Greg MacLeod for his careful reading of the manuscript in draft form and for his valuable insights and comments, which greatly improved the study. I am also grateful to Rick Williams and Pierre-Marcel Desjardins for their important suggestions. A special thank you is extended to Professor Samuel Arseneault for preparing the maps of the four communities and to Ginette Benoit for typing and retyping the manuscript. Bryan Baker made numerous editorial suggestions, and the book has been greatly improved as a result. It only remains for me to say that the responsibility for any errors or deficiencies in the following pages is mine.

Donald J. Savoie

***Community***  
***Economic Development***  
***in Atlantic Canada:***  
***False Hope or Panacea?***





## Introduction

There is no denying the extremely powerful forces presently at work in reshaping national and regional economies. One can debate whether these forces developed on their own or whether policy makers encouraged their development by implementing a reform agenda. There is no question, for example, that the policies of leaders like Margaret Thatcher and Ronald Reagan in the 1980s had a profound impact on their national economies and on the public sector. Putting aside the chicken-and-egg question for a moment, we know that the new policy environment is pushing governments in many countries into adopting market-based and trade-centred policies. Call it what you will — globalization, international competitiveness, or the new economy — it is clear that the current policy environment is creating a vast array of new economic opportunities. It is equally clear, however, that it is also producing important socio-economic challenges and problems. The opening sentence of Edward J. Blakely's book *Planning Local Economic Development* expresses it this way: "There is increasing national argument that the experiments of the 1980s, variously labelled as *supply-side*, *free market*, *export-based* and the like, have transformed and weakened local and regional economics."<sup>1</sup> However, the communities negatively affected by the new economy are less interested in reading about how the new economic forces took shape than they are about how to deal with them and, more importantly, how to turn them to their advantage. That is the purpose of this monograph — to contribute to the effort of communities to grow and prosper in the new economy.

The modern world is witnessing the end of certainty, at least in economic terms. Economic activities can arrive in a region with little advance warning, and just as quickly disappear. Few workers today are able to find a job that brings with it the kind of security

---

1. Edward J. Blakely, *Planning Local Economic Development: Theory and Practice* (London: Sage, 1994), 1.

that was common as recently as twenty years ago. The federal government, for example, cut fifty thousand jobs in the public service as a result of its program review in the mid-1990s. And if public service jobs are no longer certain, one can only imagine the situation with private sector jobs. There is a new saying that sums up the economic times in which we live: "There is plenty of work but only a few jobs." In other words, if a worker can acquire the necessary skills and is prepared to move, he or she will always be able to find work; however, job security — a job for life in one community, particularly in smaller rural communities — is less and less possible.

The drive to compete, combined with the need to deal with difficult fiscal situations, has also forced governments to abandon a number of activities and economic sectors. It has now become conventional wisdom in many quarters that a competitive economic environment implies a minimum of government involvement. Much as the Keynesian revolution was able to capture the treasuries of most Western countries in the immediate postwar period, the neoconservative ideology has now firmly established itself in many of those same countries, notably in Anglo-American democracies. The pendulum has indeed swung to a laissez-faire position, and there is no telling how long it will stay there. It may well be that the pendulum will never return to its former position but rather find a new one that has yet to be defined.

When industries or communities are hard hit, the solution for those who subscribe to a neoconservative agenda is straightforward: unleash the invisible hand of market forces to restore the necessary economic equilibrium, and in time all will be well. If people have to be moved to other jobs or to other communities, so be it. This, they insist, is healthy — if not in the short term then certainly in the medium and longer terms. Governments should not, the argument goes, intervene to attenuate the economic misfortune, however difficult the circumstances may be. Governments can only make the situation worse by temporarily postponing the required economic equilibrium and, in the process, waste taxpayers money.

Regional development efforts have also fallen on hard times, at least in Anglo-American democracies, and supporters of government policies directed at regional development are clearly on the defensive. There is now a widely held perception that past regional development efforts have failed. Reality may well be different from perception, and in many cases it is. To be sure, there are numerous

instances of very successful government-sponsored regional development initiatives, but little is heard about them. Still, in recent years, regional development measures have lost the important “perception” war. And as politicians often observe, “In politics, perception is reality.” In any event, there is today much less appetite for government intervention in the economy, for whatever purpose, than was the case, say, twenty years ago. In 1995, for example, the federal minister of finance declared, “Government has promised more than it could deliver and delivered more than it could afford.”<sup>2</sup> There is also now a widely held consensus among policy-makers that governments cannot create jobs — only the private sector can. The role of the public sector, in the eyes of many, ought to be limited to creating the proper policy and economic environment for the private sector to grow, prosper, and produce jobs.

The fall from favour of regional development policy can also be traced to its treatment in the media, which are invariably drawn more to failures than to successes. Successful regional development projects do not usually make good copy. In addition, business people who have been able to launch successful new activities rarely give credit publicly to regional development programming. There is simply no advantage for them to do so. Even some economists who see a positive role for government in the economy are now reluctant to express support for regional development policies. In his book *The Competitive Advantage of Nations*, Michael Porter writes: “Regional economic development policies ... are also often misguided. Many nations and states attempt to lure industries to remote areas or to regions that are economically depressed. Large subsidies, for example, have persuaded steel and auto companies to build greenfield sites in such areas of Italy and the United Kingdom. The result is usually disastrous.”<sup>3</sup> All of this suggests that the neoconservative agenda is clearly in the ascendancy, and nowhere is this more evident than in regional development policy.

However, the neoconservative ideology invariably runs into problems when it comes face to face with politics, with many politicians, and with communities or regions confronting economic difficulties. In any case, it is naive to believe that governments do not or will not intervene to promote economic development at the regional level. There may be less government intervention in future, but it

---

2. Canada, Department of Finance, *The Budget Speech*, February 1994, 14.

3. Michael E. Porter, *The Competitive Advantage of Nations* (New York: The Free Press, 1990), 8.

will be present to some extent, so the important questions are how, when, and in what areas. One can hardly imagine a politician representing a "have-less" region embracing a neoconservative philosophy, even if it could be shown that long-term benefits would accrue not only to the national economy but also to his or her own region. The long-term perspective holds little appeal for Canadian politicians; their instinct is to push for measures that will bring immediate relief to their communities. Tom Courchene, one of Canada's best-known neoconservative economists, acknowledged as much when he said that governments will intervene rather than "stand idly by and allow the unfettered market to call the adjustment tune."<sup>4</sup> In the end, communities facing an economic crisis simply have nowhere else to turn except to the two senior levels of government, their local member of the Legislative Assembly, and the local member of Parliament. One can hardly imagine a mayor of a small town facing a plant closure knocking on the doors of Canada's leading industrialists to ask for help or telling the federal and provincial governments not to intervene to promote economic development in his or her community.

The question then is not so much if governments will intervene, but how they will do it. NCARP (the Northern Cod Adjustment and Recovery Program), AGAP (the Atlantic Groundfish Adjustment Program), and TAGS (the Atlantic Groundfish Strategy) are cases in point. It will be recalled that the minister of Fisheries and Oceans announced a moratorium on the northern cod on 2 July 1992. Some six months later, scientists reported that the cod stocks off Cape Breton were also in serious decline, so fishing quotas there were slashed by 60 percent. The moratorium's impact was concentrated on the East Coast of Newfoundland and Labrador, the lower North Shore of Quebec, Cape Breton, and Northeast New Brunswick. A federal government task force on incomes and adjustment in the fishery sector in Atlantic Canada suggested in 1994 that the industry was facing a catastrophe of "biblical proportion."<sup>5</sup> Few were surprised, therefore, when the federal government introduced a series of measures (they lasted throughout the 1990s) to assist individuals and communities to adjust to the new economic realities. Unfortunately, the success of these measures has been mixed.<sup>6</sup>

4. Tom Courchene, "A Market Perspective on Regional Disparities," *Canadian Public Policy* 7, no. 4 (1981): 513.

5. Quoted in Donald J. Savoie, *A Review of NCARP and AGAP Training Efforts*, report prepared for the Department of Human Resources Development, Ottawa, April 1994, 3.

6. Ibid.

Nevertheless, these measures make it clear that governments are still willing to get involved in the economy, regardless of the new economic order and developments such as globalization. Communities in all provinces and in all regions of Canada have, at one point or another, turned to governments for help when dealing with the closure or the threatened closure of a large industry. But as the Economic Council of Canada (ECC) once pointed out, these communities tend “to be more prevalent in the have-not provinces and hence [are] a reflection of the broad imbalances in economic development in Canada.”<sup>7</sup> The council added: “It is an unfortunate fact of life that individual communities can find themselves facing long-term economic stagnation and, in some instances, severe economic crisis.... The impact of such adjustments is particularly acute in smaller, more isolated communities.”<sup>8</sup> The council, it will be recalled, produced a major report in 1990 on community economic development — *From the Bottom Up: The Community Economic Development Approach*. More is said about this report later in the study.

Community economic development measures can be attractive to national and provincial governments. If recent economic history has taught us anything, it is that the two senior levels of government do not always have the answers when communities are faced with having to make serious economic adjustments. Nor is it reasonable to expect that either government would be able to produce, on short notice, specific solutions for every community confronting an economic crisis or wishing to promote economic growth. One possible option would be to turn the problem over to the affected community and say, “Ok, now you drive.” Governments can easily make the case that solutions should come from the communities themselves, not from Ottawa, St. John’s, Halifax, Charlottetown, or Fredericton. This is a relatively simple and easy message to sell, particularly if a special development fund is attached to the proposal. In any event, community leaders in peripheral communities continually make this very point when they argue, as they often do, that viable economic solutions must come from the grass roots — i.e., from the communities themselves.

There are strong signs, however, that the bulk of the new economic opportunities being created are concentrated in relatively large

---

7. Canada, *From the Bottom Up: The Community Economic Development Approach* (Ottawa: Economic Council of Canada, 1990), ix.

8. Ibid.

urban centres. A recent economic survey reveals that eight of every ten net new jobs created in Atlantic Canada between 1992 and 1998 were in service-producing industries. Moreover, the two occupational groups where Atlantic Canada has come nearest to the Canadian average are managerial/professional and sales/services. It takes only a moment's reflection to appreciate why the great majority of these new jobs are created in urban centres. By contrast, jobs which tend to be created in rural areas, such as those in the primary and processing sectors, are found in the slowest-growing industries in Atlantic Canada.<sup>9</sup> What this suggests is that there are no easy or obvious answers for rural communities in Atlantic Canada looking for growth and new jobs. In their absence, community economic development measures are the only option. Indeed in many instances it is that or nothing.

Still, in its 1990 study the ECC concluded, "Community-based economic development can, in the right circumstances, be an effective approach."<sup>10</sup> The council insisted, however, that to be effective, local development organizations need to select their targets carefully and tap the full range of information that firms can put to effective use (about market production, technologies, funding sources, and other matters), which, it argued, "is virtually infinite."<sup>11</sup>

But therein lies the rub. How does a small, stagnant, or declining low-income community facing a sudden and sharp downturn in its main industry obtain, sort out, and apply all this information? Put differently, how can a small community shaken by a plant closure or suffering from 40 percent unemployment find the knowledge, energy, and self-confidence to launch new economic activities? In some instances, it may be that the community will be unable to make the transition and will eventually die. But this begs the question, should or, better yet, can governments play God and decide which communities have the capacity to launch new economic activities and which do not? How can they tell? Assuming it is possible to identify communities with the potential for promoting new economic activities, what should be the role of government in assisting them?

---

9. *Report Card* (Halifax: Atlantic Provinces Economic Council (APEC) and Scotiabank, April 1999) and *Atlantic Report* (Halifax: APEC, 33, no. 4. Winter 1999).

10. Canada, *From the Bottom Up*, 9.

11. *Ibid.*

The purpose of this monograph is to attempt to answer these questions together with the following additional questions about community economic development:

- ▶ What have we learned about community economic development in recent years?
- ▶ Do community economic development measures offer any promise?
- ▶ What kind of promise do they offer, when, and in what circumstances?
- ▶ What should be the role of communities and the various levels of government in promoting community economic development?
- ▶ What are the issues that need to be addressed when planning for community economic development?

To answer these questions, I consulted the relevant literature, carried out interviews with a number of individuals from both the public and private sectors who are directly involved in promoting community economic development, consulted numerous government documents, and studied several specific cases. The research was carried out between March and October 1999.

It is important to keep in mind here that community economic development, both as a public policy process and a field of study, is still in its infancy. Consequently, we are still at the stage of trying various measures to see what works and what does not. An approach that is successful in one community may be ineffective in another.

Because it has such a brief history, the literature on community economic development is rather thin. It consists mainly of case studies, many of which are revealing and often insightful, though little effort has been made to draw any lessons from them that might be applied to other circumstances or even to other communities. Many of those who write about community economic development are very committed to the subject. Their aim is to highlight the promise and advantages of community economic development, and they function with a missionary zeal and are in no mood to compromise. The sceptics, meanwhile, dismiss community economic development out of hand and see no reason to study it let alone write about it. Many of them argue that since community-level adjustments are

best made by giving free reign to market forces, devising other solutions is a waste of time. Failing that, they insist that regional development problems should be tackled at either the provincial or the broad regional level (e.g., Atlantic Canada). Their view is that communities are small economic units, too small to properly plan new measures or to marshal the necessary resources to launch many new economic activities. If some communities hard hit by economic problems can generate new activities, so much the better. But they see little merit in making the subject a legitimate field of research.

All of this explains, at least in part, why it is important to consult with individuals in the communities who have been asked to promote and implement measures directed at community economic development. After all, these are the people who have first-hand experience with what does and does not work; many of them have important insights to share on how things ought to be done to have any chance of success. However, because they are often too busy managing community economic development initiatives to be able to step back, reflect, and document the lessons they have learned, those lessons are distilled and expressed here, through their eyes, in this monograph. Other cases were also examined with a view to discovering the lessons they contain. As already noted, the literature is rich in case studies, and we review a number of them. We also produced new cases especially for this study, cases based on the following communities:

- ▶ The Kent region, New Brunswick
- ▶ Isle Madame, Nova Scotia
- ▶ Summerside, Prince Edward Island
- ▶ Bishop's Falls, Newfoundland and Labrador

There are several reasons why these cases were selected. First, we consulted people in the field of community economic development for advice. Second, we leaned towards cases that had met with at least some economic success. In other words, the cases examined in this study were not chosen at random. Our view was that the ones that had gone bad and wasted government funds were already well-reported in the popular press, so there was no need to repeat their stories here. We decided that it would be more valuable and useful for people working in the field and for communities facing difficult



economic challenges if we documented successful cases and reported on the circumstances, conditions, and reasons for their success.

We conclude the study by attempting to answer a number of specific questions and by offering advice to those seeking to promote economic development in their own communities. We also review lessons learned from comparable situations and present some observations that apply generally to community economic development. We want to stress, however, and with more than usual emphasis, that much of this advice is derived from the existing literature on community economic development, from lessons learned from specific cases, and from people directly involved in community economic development.

This study comprises an introduction and three chapters. The introduction states the purpose of the study, outlines the important forces at play in community economic development, and identifies the significant issues that need to be examined.

In the first chapter we review the literature on community economic development. The purpose here is not only to gain an understanding of the different approaches to community economic development in various jurisdictions but also to identify the lessons we have learned that might apply to communities in Atlantic Canada. With the growing number of books, articles, and reports now dealing with community economic development, it is impossible to review all the major studies in a single chapter of a monograph. For this reason, we decided not to adopt the standard academic approach in reviewing the literature, choosing instead to link the literature to actual government policies and programs to see how they were able to influence one another. We also decided to focus on the literature that had relevance to Atlantic Canada, with the result that the review looks mainly at Canadian cases and studies.

The second chapter reports on cases produced specifically for this monograph. We carried out reviews of these cases in the four Atlantic provinces, dealing with organizational aspects of community economic development, financing issues, how strategies and efforts were planned, the role of government, and what policy approach was adopted and why. One quickly discovers that how communities organize themselves to promote economic development is just as important as the substance of those efforts, perhaps more so. One also discovers that there is no single model for or approach to the promotion of community economic development. In fact, the four

cases outlined in this study present vastly different approaches and strategies. Indeed, if the four cases can be properly labelled community economic development cases, then that label may well have come to mean all things to all people.

The concluding chapter reports on the lessons learned and on the state of community economic development and its potential. The purpose of the chapter is to provide assistance both to communities looking for new approaches to promoting economic development and to policy-makers at all levels of government who are responsible for measures directed at regional and community economic development.

## I

# *The Literature and Past Efforts in Community Economic Development*

One does not have to look very far to see that there is a new level of interest in community economic development. C. R. Leana and D. C. Fellman write that the most important reason for this growing interest is the necessity to cope with job losses, particularly in towns dependent on a single large employer forced to close down or drastically cut its workforce.<sup>12</sup> Another reason, at least in Canada, is that recent cuts in government transfer payments to individuals living in slow-growth regions are being felt, and the search is on to create new economic activities. In some regions like northern New Brunswick, cuts in the federal government's employment insurance program alone have resulted in a tremendous loss of purchasing power, something in the order of \$100 million a year. As a consequence of this, the affected regions are in urgent need of developing new economic activities. Regardless of whether local job losses are the result of market failure, cuts in government spending, economic adjustments in key sectors, or deindustrialization, it is, as Edward J. Blakely writes, a "disaster for the locality" wherever it occurs.<sup>13</sup> Local political and community leaders have no choice but to act — or, at the very least, to be seen to act.

Communities still instinctively turn to the two senior levels of government when confronting an economic crisis, and local community leaders, without much hesitation, will call on the premier, the federal regional minister, or even the prime minister to support specific measures for their region. But the financial constraints recently imposed on new spending are preventing governments from launching ambitious regional development efforts or pouring money into hard-hit communities in the form of make-work projects, an approach often resorted to in the 1960s and 1970s. In recent years,

---

12. C. R. Leana and D. C. Fellman, *Coping With Job Loss: How individuals, corporations, unions and communities respond to layoffs* (Toronto: Maxwell Macmillan, 1992).

13. Blakely, *Planning Local Economic Development*, 2.

community economic development measures, and the modest government funding that usually accompanies them, have been a more attractive approach for the provincial and federal governments to take.

But what do we know about community economic development? For example, is it attractive to governments simply because it constitutes an easy way out for them when dealing with communities confronting difficult economic challenges? On what basis have government policy-makers concluded that community economic development measures are of any value, or at least of more value than past regional development efforts? Is the literature helpful to governments and communities planning new economic development efforts? This chapter addresses these questions and, as already noted, reviews some past efforts in this field as well as the relevant literature.

Rodolphe Lamarche carried out a survey of the literature on community economic development in 1995.<sup>14</sup> His conclusion was that community economic development is too fragmented to form a unified subject and that the literature reveals a wide range of objectives pursued and approaches taken. Nevertheless, it should be pointed out that at least some of the literature reflects actual field experience far more than is generally acknowledged. Indeed, practical experience with government programs fuels much of the literature, though not all of it. If the literature reveals a lack of coherence and certainty about the practices that work, one can expect to find the same doubts and questions in the minds of the people charged with implementing those practices in the communities. The point is that the literature on community economic development was not created in a vacuum. To a large extent, it reflects what has been and is now being attempted in practice. The uncertainty and imprecision surrounding the subject may also be due to a lack of coherence in past government policies for promoting community economic development.

Lamarche reviews three main streams of research into community economic development. The first stream dates back to the 1960s, when the research being produced was closely tied to emerging theo-

---

14. Rodolphe Lamarche, "Local Development Efforts, Concepts, and Strategies: A Selected Review," in *Economic Adjustment in Selected Coastal Communities*, a document prepared by the Canadian Institute for Research on Regional Development (CIRRD) for the Atlantic Canada Opportunities Agency (ACOA), 1995.

ries, concepts, and practices concerning regional economic development. The second stream is rooted in the sociological literature of the 1960s and 1970s. This approach addresses the concerns of disenfranchised communities who were at the mercy of powerful economic forces. The third stream is a collection of different approaches involving community planning, issues of community empowerment, and multicomunity development efforts. Some students of community economic development would insist that the literature is far too complex, fragmented, and incomplete to be neatly compartmentalised into three categories. I have no quarrel with this view. But for the purposes of this research, I decided, *faute de mieux*, to adopt Lamarche's three streams because it enables us to link the literature to actual practices and government programs. The reader may also wish to consult Lamarche's review, in particular his second stream, which examines more studies than are found in this chapter. We do, however, review many studies that were published after Lamarche published his review and many others that he decided not to review.

### ■ The Early Years and the Early Literature

The early literature on regional economic development did not focus much on community economic development. Instead, the emphasis was on regions, broadly defined, and the purpose often was to stress the importance of the regional dimension in national economic policy. Typically, regional policy objectives in Western industrialized countries, and Canada was no exception, involved the pursuit of one or more of the following goals: reduction of regional disparities, whether for reasons of economic efficiency, political stability, or social justice; redistribution or change in growth patterns of populations and economic activity in space; development of resource frontiers; and improvement in resource allocation.<sup>15</sup> In Canada, the overriding goal of regional development, at least in the early years, was to reduce regional disparities, and community economic development was simply a by-product. It was certainly not central to either the new literature that was being produced or the new government programs that were being conceived and implemented.

The intense interest in regional development policy gave rise to a strong research effort. Indeed, the interest was such that it gave birth to a new discipline with its own theories and planning practices —

---

15. Ibid., 3–4.

regional science. In the 1960s, regional science dominated the economic development literature, and there was very little interest in community economic development. In essence, regional science is based on the fundamental assumption that in the study of human behaviour, we are dealing with a universe that is as deterministic and stable as the natural or physical universe. Any changes in behaviour of the particles which compose this universe are the results of known or knowable laws, so that once all these laws are known and added together, the behaviour of the entire universe will be known. And it will never change, because a law that is proven remains true always and everywhere; the mere passage of time cannot undo it. The goal then of regional science literature was to discover and prove all the laws that applied to economic activities in regions.

In the end, however, the regional science literature was of only limited interest to people working in the field. For those in government departments planning specific initiatives, this literature and other models, including neoclassical and neo-Marxist models, reeked of the ivory tower, and their influence was minimal. There were, however, a number of graduates in regional science who found their way into newly established government departments and agencies such as the federal Department of Regional Economic Expansion (DREE). Their presence brought an analytical rigour to planning, but they had little influence at the more senior levels of the civil service. Without putting too fine a point on it, new economic development departments like DREE had a budget to spend and policies to promote, and senior decision-makers were unwilling to wait the time it took to produce finely tuned initiatives based on regional science. Indeed, most people in the field at the senior level remained largely disconnected from much of the economic development literature, especially the part devoted to regional science.

In any event, for all the interest in things regional or local, community economic development did not figure much in the regional science literature. One can only assume that pioneers of regional science such as Walter Isard and others of like mind believed that growth in larger regional centres would somehow trickle down into smaller centres.<sup>16</sup> Regional scientists were pursuing a much broader objective — sort out in scientific terms what makes a region grow

---

16. Walter Isard, *Methods of Regional Analysis: An Introduction to Regional Science* (Cambridge, Mass.: MIT Press, 1960).

and prosper and then define measures to make it happen. If, by ricochet, communities should benefit from such measures, so much the better, but that was the extent to which regional science would address issues of community economic development.

The early pioneers of community economic development were not government officials nor, for that matter, students of economic development or public policy. They were social reformers with little interest in economics. One can think, for example, of the Antigonish Movement of the early 1900s, which argued that the best way to deal with economic problems in rural areas and in small communities was through a process of self-help. The movement placed its hopes on education and action, or initiatives launched by the people or the communities themselves, to promote economic development, and it spoke of the need for collective action, community organization, and a commitment to social change.<sup>17</sup>

Notwithstanding these social reform movements, government planners of the 1950s and 1960s continued to show only limited interest in community economic development. If anything, early regional planners in Canada were far more interested in rural development, and for good reasons. The 1960 budget speech unveiled the first of many measures Ottawa has developed over the years to combat regional disparities. The budget permitted firms to obtain double the normal rate of capital-cost allowances on most of the assets they acquired to produce new products — if they located in designated regions (with high unemployment and slow economic growth).<sup>18</sup> This measure was especially designed for rural communities, broadly defined, confronting difficult economic circumstances.

Shortly after this measure was introduced, Parliament passed the Agriculture Rehabilitation and Development Act (ARDA). It was an attempt to rebuild the depressed rural economy and represented Ottawa's first *regional* development program. Thus, reducing rural poverty became ARDA's overriding objective. It did not, however, focus its efforts on specific communities. Instead, it again dealt with rural areas very broadly defined<sup>19</sup> — so much so that some Ottawa

---

17. See, among others, F. J. Miflen, "The Antigonish Movement: A Summary Analysis of Its Development, Principles and Goals," *Canadian Journal of Public and Cooperative Economy* 10, no. 1 (1977): 82.

18. Frank Walton, "Canada's Atlantic Region: Recent Policy for Economic Development," in *The Canadian Journal of Regional Sciences*, 1, no. 2 (Autumn 1978), 44.

19. Anthony Careless, *Initiative and Response: The Adaptation of Canadian Federalism to Regional Economic Development* (Montreal: McGill-Queen's University Press, 1977), 71–99.

decision-makers believed that ARDA had one serious drawback: it lacked an appropriate geographical focus. It was, in the words of one federal official, “all over the Canadian map.”

The Fund for Rural Economic Development (FRED), introduced in 1966, would deal with this concern.<sup>20</sup> The program could be applied only in designated regions suffering from widespread low incomes and major problems of economic adjustment. In the end, five regions were identified under FRED: the Interlake region of Manitoba, the Gaspé Peninsula in Quebec, the Mactaquac and north-eastern regions of New Brunswick, and all of Prince Edward Island. Separate “comprehensive development plans” were then formulated for those five regions to develop infrastructure and industry.

As was the case with ARDA, however, FRED’s focus was not community economic development but economically depressed rural areas, and planning efforts were geared to a region or an area that encompassed a number of communities rather than to specific communities. In his review of federal-regional development efforts of the 1960s, Anthony Careless explains that Ottawa emphasized rural development because it became convinced that the productivity, size, and occupation of rural populations “were major factors influencing the ability of certain regions to reduce their disparities in growth potential.”<sup>21</sup> In other words, if the federal government could solve the problem of rural poverty, the battle against regional disparities could be won. But once again the focus was not on specific communities, and the approach was clearly top-down rather than bottom-up, as Anthony Careless argues in his book — i.e., the policies and even the programs were defined in Ottawa.

Governments, however, had limited help from the literature as they sought to promote economic development in economically depressed rural areas. L. E. Poetschke argued that in the absence of adequate theories, the federal government had to rely on an “old machinery” of government, one that was “designed in a different era for different purposes.” He also argued that governments had little choice but to be guided by the “wharf and road” theory of economic development.<sup>22</sup>

20. See, among others, Thomas N. Brewis, *Regional Economic Policies in Canada* (Toronto: Macmillan, 1969), 220.

21. Careless, *Initiative and Response*, 71.

22. L. E. Poetschke, “Regional and Rural Adjustment: Problems and Policies,” in Gunter Schramm, ed., *Regional Poverty and Change* (Ottawa: Canadian Council on Rural Development, 1976), 182.



If community economic development did not receive much attention in early regional development efforts, it would receive even less in the years ahead, as the federal government set out to strengthen its commitment to regional policy. Prime Minister Trudeau, it will be recalled, decided to make regional development policy a top priority of his new government. He appointed his close friend, Jean Marchand, as minister of DREE and Tom Kent, who was prominent in senior government circles in Ottawa, as his deputy minister.<sup>23</sup>

Marchand and Kent immediately set out to overhaul Ottawa's regional development policy, and this time the economic development literature would play an important role. As is now well known, Marchand and Kent would look to the French economist François Perroux for inspiration. Perroux had argued that economic activity tends to concentrate around certain focal points. Growth, he argued, "does not appear everywhere and all at once; it reveals itself in certain points or poles, with different degrees of intensity; it spreads through diverse channels."<sup>24</sup> Efforts to strengthen these focal points in slow-growth regions, it was assumed, could start a process of self-sustaining economic growth. These efforts took the form of incentive grants to businesses to locate in these areas, the provision of land-servicing for industrial and housing developments, and so on.

DREE left little doubt that it favoured strong centres of urban growth and that it was moving away from schemes to alleviate rural poverty and towards the encouragement of rural-based development. The thinking was that in implementing the growth-pole concept, Maritimers could move to Halifax, Moncton, and Saint John rather than to Montreal, Ontario, or Western Canada to find employment. The goal then was to promote economic development in Atlantic Canada, and it was felt that the best way to do this was to focus on urban centres.

Yet only a few years after its introduction, the growth-pole approach was rejected outright. This rather sudden move was based not so much on empirical evidence as on an intuitive belief that something else, a new approach, would be much better. Some said that the growth-pole concept was "too narrow" and "too restricted" for Canada. Its rejection, it should be noted, had nothing to do with

---

23. See Donald J. Savoie, *Regional Economic Development: Canada's Search for Solutions* (Toronto: University of Toronto Press, 1992).

24. François Perroux, *L'économie du XXe siècle* (Paris: Presses universitaires de France, 1975), 179.

its sponsors' apparent inability or even unwillingness to promote community economic development.

However, the main reason for the disappointment with growth poles may have been the high expectations people had for the concept. Growth poles were to give rise to strong and vibrant urban centres that would attract new economic activities and alleviate disparities between Canada's regions. The strong urban centres would attract surplus labour from surrounding rural areas, and new, more-sophisticated economic activities would contribute to higher per capita incomes. But before sufficient time had elapsed to assess its results, the concept was abandoned.

The judgement of social scientists not only in Canada but also abroad was that the growth-pole concept was only one of a series of "fashions and fads" that were seized upon "only to be abandoned ... when it turned out that [they were] not a unique or complete solution after all." Social scientists now insist that "perhaps never in the history of economic thought has so much government activity taken place and so much money been invested on the foundation of so confused a concept as the growth pole became in the late 1960s and early 1970s."<sup>25</sup> Notwithstanding the concept's limited success, it is clear that literature on the subject shaped Canadian regional development policy in the late 1960s and early 1970s. It is also clear, however, that schemes to promote strong growth in urban areas do not always generate trickle-down economic development activities in small rural communities. To promote economic development in these communities, special community economic development measures would have to be introduced.

To sum up, community economic development in the sixties and early seventies never attracted much attention either in the literature or in government programs. To the extent that it had any supporters, they were on the periphery of both the literature and government departments. Province-building, not community-building, was the fashion during this period. That is to say, provincial governments, even in the "have-less" regions, were busy building a policy capacity in their public services, defining new policies for their key economic sectors, and holding their ground at federal-provincial meetings — all the while maintaining a provincial rather than a community perspective.

---

25. Paul Streeten, "Development Ideas in Historical Perspective," *Regional Development Dialogue* 12 (Autumn 1980): 1–38.

## ■ Into the 1970s and 1980s

Following Ottawa's decision to scrap its growth-centre approach after only four or five years, the question being asked was, what now? This time the literature was not very helpful. It did make the case that the growth-centre approach was both costly and ineffective, but it had little to offer in the way of alternatives.

The 1970s had seen important developments that would have a profound impact on public policy and future regional development efforts. There were the rise of the multinationals, the birth of the information economy, the energy crisis, and growing government deficits, but none of these developments would favour economic development in small communities.

On the regional development front, DREE decided in 1973 to decentralize its operations, at the same time introducing a new approach to promoting regional development — the General Development Agreement (GDA). Since it has already been well documented, there is no need to do so again here.<sup>26</sup> Suffice it to say that the approach provided maximum flexibility to decision-makers. It consisted of broad enabling agreements with provincial governments to allow both senior levels of government to conceive and pursue every kind of economic opportunity in virtually every economic sector and in every region within a province. It bears repeating once again that the chief characteristic of GDA was its flexibility, a fact welcomed by politicians if by no one else. And because of its federal-provincial character, it also represented an ideal policy instrument for province-building.

The key architects of the GDA approach were much more pragmatic than Marchand and Kent and in no mood to handcuff themselves again. It is worth repeating here that the literature and regional scientists of the day had few suggestions to offer government decision-makers. There was no François Perroux, and regional science was still too technical, too abstract, too inaccessible to be of much political or even administrative use. In any event, regional science was in bad odour. However, in the absence of a rigorous intellectual framework or a theoretical blueprint, flexibility held great appeal. If nothing else, it enabled decision-makers to experiment with various ideas to see what would and would not work.

---

26. See, among others, Donald J. Savoie, *Federal-Provincial Collaboration: The Canada – New Brunswick General Development Agreement* (Montreal: McGill-Queen's University Press, 1981).

The general outline of the GDA approach remains to this day. Broad enabling federal-provincial agreements continue to underpin federal-regional development efforts. The difference today, however, is that the regional development activities sponsored by intergovernmental agreements are much more focused than they were twenty-five years ago. They tend now to support major development efforts or themes such as entrepreneurship, tourism, and the like.

Still, community economic development measures have not been given a high priority in federal-provincial agreements. Even a cursory look at federal-provincial programs over the years reveals a strong preference for sectoral agreements (e.g., tourism, forestry). These agreements gave provincial governments the capacity to develop measures for the provincial economy rather than for communities. Without putting too fine a point on it, federal-provincial agreements were and are tailor-made for province-building. It is true that some spatial agreements have been signed, but they are clearly the exception, or they encompass an area much larger than a community (e.g., Northeast New Brunswick).

For the most part, regional development literature during this period continued to give short shrift to community economic development. Regional development specialists, for example, did not begin to create development concepts scaled to the local community until it became clear that growth in the larger centres of a region was not diffusing into the surrounding smaller centres. Then there were signs that economic planning efforts would go ahead with or without the involvement of regional scientists. Indeed, during the 1970s and 1980s, the work of regional scientists and regional development specialists was largely irrelevant to community economic leaders. In any event, regional development specialists did not formally recognize local planning as part of regional development policy until well into the 1980s.<sup>27</sup>

Those who had been formed in the traditional school of regional development planning in the 1960s had difficulty adjusting their models to the smaller communities for a number of reasons. First, the classical regional development models such as the neoclassical, growth-centre, export-base, and staples models could not be easily tailored to suit small, local economies. Secondly, economic condi-

---

27. William Coffey and Mario Polèse, "Local Development: Conceptual Bases and Policy Implications," *Regional Studies* 19, no. 2 (1985): 85-93 and D.-G. Tremblay and J.-M. Fontan, *Le développement économique local* (Sainte-Foy, Québec: Télé-université, 1994).

tions had changed drastically during the 1970s and 1980s, and regional development specialists were still in a quandary over how the new economic processes were affecting the larger, peripheral regions let alone the smaller towns.<sup>28</sup>

But by the mid-1980s things began to change. The problem, however, was that there was, as this chapter makes clear, very little guidance or information provided by either the literature or past government programs. Still, the Economic Council of Canada, the Atlantic Provinces Economic Council, and individual scholars began to show a strong interest, if not a new commitment, to community economic development. The 1981–82 economic recession prompted several senior economists to reassess, in a fundamental way, their policy prescriptions for economic development. Even Statistics Canada showed an interest. Through its Analytical Studies Branch, it devoted some of its resources to a study of small towns and villages. One paper of particular interest is entitled “Small Communities in Atlantic Canada: Their Industrial Structure and Labour Market Conditions in the Early 1980s.”<sup>29</sup> This study says in effect that industrial structure and size are two important elements of growth, and that there is an interaction between the two. It also strengthens the market approach taken by regional scientists.

Philippe Aydalot, a French economist, set out to rethink regional and community economic development policies in light of the severe recession of the early 1980s. He concluded that the recession and the emerging global economy were creating different patterns of economic activities which, in turn, called for a completely new approach to economic planning. He insisted that unless economic planning could directly involve local communities and local leadership, there would be little chance of economic success.<sup>30</sup> Economic development planning, he argued, should now take place at the community level to be effective.

Though Aydalot was short on specific solutions or practical advice on how to involve communities and local leadership in economic planning, he at least encouraged the development of a new literature

---

28. Niles Hansen, “Regional Consequences of Structural Changes in the National and International Division of Labor,” *International Regional Science Review* 11, no. 2 (1988): 121–36.

29. W. G. Picot and J. Heath, “Small Communities in Atlantic Canada: Their Industrial Structure and Labour Market Conditions in the Early 1980s,” Statistics Canada, *Analytical Studies*, no. 40 (1991).

30. Philippe Aydalot, “À la recherche de nouveaux dynamismes spatiaux,” in Philippe Aydalot, ed., *Crise et espace* (Paris: Economica, 1984).

on community development. Niles Hansen, for example, also argued in his "Regional Consequences of Structural Changes in the National and International Division of Labor" that traditional approaches to economic development and planning no longer worked. He noted that changes in technology and the natural migration of certain types of jobs were favouring larger urban centres and suggested that the structure of business organizations was an important element in promoting growth in larger centres. However, he held out little hope that growth in large urban centres would trickle down to small, remote communities. Like Aydalot, Hansen insisted that the direct involvement of the business community and local business organizations was essential to promoting growth in small centres. Several European economists also published a number of articles, notably in the *Revue d'économie régionale et urbaine*, suggesting that European economic integration would cause smaller regions and communities to turn to endogenous development and to local economic leaders to promote new development and future growth.<sup>31</sup>

Sociologists entered the debate by developing a dependency theory of underdevelopment. This theory is very different from the dependency theory advanced by neoclassical economists. It argues that in the process of transferring capital and resources from one region to another, developed regions dominate and exploit underdeveloped regions. The problem for slow-growth communities, they argue, is not a lack of economic potential but the inability of the local leadership to control outside economic forces.<sup>32</sup> While this may ring true for some community leaders, it hardly offers a plan of action to government officials on how a community can either break this dependency or promote economic development. The ideal solution would require a fundamental rethinking of how our economic structure and our private sector work, but that is not about to happen, a fact that government officials know only too well.

Other authors with a more prescriptive bias argue that for sustained economic growth to occur, each small community must first develop a cohesiveness and a sense of its own strength in order to

---

31. See, among several others, J.-P. de Gaudemar, "Les deux défis majeurs de la politique d'aménagement du territoire: La crise et l'Europe," *Revue d'économie régionale et urbaine* 1 (1989): 71–96; B. Soulage, "Le développement local endogène: Possibilités et limites," *Revue d'économie régionale et urbaine* 3 (1987): 361–68.

32. See, for example, Ralph Matthews, *The Creation of Regional Dependency* (Toronto: University of Toronto Press, 1983), 69–76.

supply itself with its basic needs and basic infrastructure. The thinking is that the great majority of small communities have not prepared themselves in this way.<sup>33</sup> A number of authors also suggested that rural communities must learn to collaborate more closely in the area of economic development for them to have any chance of success. Because rural communities are loosely structured, it is difficult for them to define economic strategies and exert political pressures to maintain a level of development sufficient to meet their needs. The conference proceedings *Multicommunity Collaboration: An Evolving Rural Revitalization Strategy*, edited by Korsching et al. and published in 1992, provide cases of multicommunity collaboration, a discussion on theoretical and practical issues, and an outlook on future directions.<sup>34</sup>

A new theory of community economic development began to emerge in the early 1980s that stressed a bottom-up approach. It was Walter Stöhr and Fraser Taylor who asked the question, should development be promoted from above or below? and in doing so challenged established economic development theory.<sup>35</sup> Bottom-up development later became the fashion among a new multidisciplinary school of academics (economists, sociologists, and students of public policy) who wrote about “endogenous development” and then sought to identify “endogenous factors.”<sup>36</sup>

The argument is that communities can influence and shape economic development by exploiting their own resources, thereby taking advantage of existing opportunities. Endogenous development requires a nonbureaucratic structure, it is argued, in order to create new development activities and then coordinate them. It also requires a strong capacity to promote change in the local economic and social system as well as the broad-based participation of local residents. Small firms and entrepreneurship broadly defined become key ingredients in the process together with a willingness to promote innovation. The message it sends is that communities need not be

---

33. See, among others, S. Perry, *Communities on the Way* (Albany, N.Y.: State University of New York Press, 1987) and *The Community as a Base for Regional Development* (Ottawa: Economic Council of Canada, Local Development Paper, no. 11, 1989).

34. P.-F. Korsching, “Foreword,” *Multicommunity Collaboration: An Evolving Rural Revitalization Strategy* (Iowa: Iowa State University Publications, 1992).

35. Walter Stöhr and Fraser Taylor, *Development from Above or Below?* (Chichester: John Wiley and Sons, 1981).

36. M.-R. Silva, “Development and Local Productive Spaces: Study on the Ave Valley,” in Gioacchino Garofoli, ed., *Endogenous Development and Southern Europe* (Adershot, England: Aveburg, 1992), 117–30.

fatalistic about their economic future, that they can marshal local resources and local talent to promote economic development.<sup>37</sup>

By the late 1980s, governments, in particular the federal government, decided to invest a substantial amount of new money in regional development. Regional development agencies were established, notably the Atlantic Canada Opportunities Agency (ACOA) and Western Diversification (WD), both of which were allocated over a billion dollars of new money over a five-year period. Setting up the agencies, it was felt, would enable the federal government to design policies and initiatives geared to regional economic circumstances and conditions, but not, as it turned out, to issues relating to community economic development. WD's central purpose was to diversify the economy of Western Canada, while ACOA's main goal was to promote an entrepreneurial-style development.<sup>38</sup> Still, both agencies were given a very broad mandate, and both turned to a bottom-up approach with a regional perspective: priorities, policies, and initiatives were and continue to be planned in the regions rather than in Ottawa. However, though the approach is bottom-up when compared with earlier federal government regional development efforts, which originated in Ottawa, the "bottom" is usually located in provincial capitals and in the agencies' head offices rather than in smaller communities.

This is not to suggest that community economic development has been completely ignored over the years by federal government policy-makers or the regional development agencies. Ottawa first attempted to promote community involvement in economic development back in 1974 through a modest special job-creation package labelled Community Employment Strategy. By the time the program ended in 1979, several community economic organizations had been established. In the early 1980s, it will be recalled, the federal government launched its Local Economic Development Assistance (LEDA), of which more is said later in this study. Suffice it to say here that the LEDA initiative supported community organizations designed to promote new business activities. By the late 1980s, both senior levels of government were spending over \$200 million annually on community development programs.<sup>39</sup> In addition, economic think

---

37. Walter Stöhr, *Global Challenge and Local Response: Local Initiatives for Economic Regeneration in Contemporary Europe* (London: Mansell, 1990).

38. See, for example, Savoie, *Regional Economic Development*.

39. Dal Brodhead et al., "The Local Development Organization: A Canadian Perspective," a paper prepared for the Economic Council of Canada, 1990.



tanks and public policy groups began to take a strong interest in community economic development. This and serious economic difficulties confronting a growing number of small communities served to put community economic development on the public policy agenda.

## ■ The 1990s

The Atlantic Provinces Economic Council (APEC) carried out a study in the late 1980s to assess the dynamics of community economic development from a market approach. It concluded that the future of smaller communities was directly linked to their ability to compete in the emerging global economy. Through the development of case studies, it also sought to explain the economic success of some communities and the failure of others.<sup>40</sup> The APEC study looked at fourteen communities in Atlantic Canada, and APEC staff carried out a series of interviews with community, regional, and provincial leaders and prepared economic profiles of all fourteen communities. The study focused on seven themes that the researchers considered vital to sustainable growth: natural endowments and location, diversity of the local economic base, infrastructure, community cohesion, motivation of leadership, access to assistance, and entrepreneurial spirit.

Of the fourteen communities, six were located in areas of growth and eight in areas of decline. Although the researchers found that all fourteen communities had a few characteristics in common, there were major differences between growing and declining regions. Rated on the following three characteristics, all the communities in growing areas scored high, while all the communities in declining areas scored low: natural resource endowment or location, diversity of the economic base, and entrepreneurial spirit.

Without doubt, however, it was the ECC that launched the most ambitious and costly study on community economic development. The council sponsored a series of case studies and other initiatives and produced a major statement on community economic development. The statement was signed by all twenty-two council members, including high-profile bank executives (e.g., Leon Courville and Alex Granger) and neoclassical economists (e.g., Tom Courchene).<sup>41</sup>

40. APEC, *Areas of Growth and Decline in Atlantic Canada* (Halifax: APEC, 1988).

41. Canada, *From the Bottom-Up*.

The statement was all the more remarkable because it sent a clear signal that the ECC was prepared to abandon its long-standing reservations regarding policies which discriminate in favour of certain regions in order to reduce regional disparities. Throughout its history, the council had shown time and again that it favoured the use of simple macroeconomic policies and market forces to stabilize the national economy. The council, through its statement, also implicitly recognized that Canada's regional economic problems are based not only in large regions like Atlantic Canada or Quebec but also in small regions or communities within provinces. Nevertheless, the council stated at the outset: "We see programs that support community economic development as a supplement to the larger-scale efforts to equalize economic adversity across the country, not as a panacea for all economic activity."<sup>42</sup> The report begins by stressing that the use of community programs as tools for economic and business development is relatively new in Canada.<sup>43</sup>

The report's geographic spread was extremely wide: from Nanaimo, British Columbia, to St. Anthony's, Newfoundland. The findings underlined the seriousness of the situations at the local level. The council found communities where unemployment reached 50 percent and was persistent, despite decades of government efforts to reduce it. In some cases, the situation had deteriorated despite these efforts. Many of the distressed regions were dependent on traditional occupations like fishing, farming, forestry, and mining and were often in remote areas that had been impoverished by resource depletion or adverse price movements. All the communities studied had made efforts to improve their situations by local enterprise aimed at job creation, efforts made "not only *on* Main Street but *by* Main Street."<sup>44</sup>

All these efforts, the ECC maintains, assume the existence of untapped opportunities. Therefore, the failure to launch a development initiative may point to the need for an appropriate mechanism rather than to a lack of potential. By definition, a stagnant or decaying local economy is symptomatic of deficiencies: a shortage of information, very high and chronic unemployment, a lack of basic social services, inadequate access to capital, and high costs. Human resource development is one of the most frequently used devices to over-

---

42. *Ibid.*, 1.

43. This section borrows heavily from a previous study on community economic development with Professor Benjamin Higgins that was carried out in 1994.

44. Canada, *From the Bottom-Up*, 5.

come these deficiencies — retraining unemployed people to facilitate their movement into new occupations with better job prospects. Other actions aim at improving infrastructure, encouraging business investment, and increasing the supply of financial capital. Community loan funds, the council observed, may be established to provide short-term, small-scale loans (usually below \$50,000) at lower-than-market interest rates. Some communities have pooled government funds with local capital for this purpose. The Colville Investment Corporation of Nanaimo, for example, has made loans totalling over \$2 million to about 150 small businesses, providing leverage for an additional \$6.5 million more from banks and credit unions. The report states that local development organizations (LDOs) can raise the productivity of human and other resources partly through the skilful use of volunteer services and cites Cape Breton's New Dawn Enterprises as an example. New Dawn Enterprises, largely the creation of a few key individuals associated with the University College of Cape Breton, was also cited for encouraging entrepreneurship and innovation by providing consulting services to local firms and organizations.

The ECC's overall conclusion is "Community-based economic development action can, in the right circumstances, be an effective approach." However, LDOs need to select their targets carefully and tap the full range of information that firms possess — "about markets, production, technologies, funding sources, and other matters" — which, they say, "is virtually infinite." But here again is the predicament noted earlier: given all its deficiencies, how does a remote, stagnant, or declining low-income community with 50 percent unemployment obtain and apply this "virtually infinite" range of information? The council suggests maintaining up-to-date files and data bases on "government departments and programs that monitor market opportunities, on publications that provide reliable information, and on information networks available to business."<sup>45</sup> But all that requires a good deal of information to begin with. It also requires money and skills that such communities are unlikely to have. And even if they do, the information available from government departments and information services may not be of the highly specialized type needed to convert a declining community into a progressive one. So what is a community to do? The ECC report is not very forthcoming on this question.

---

45. Ibid., 21–23.

The council also recommends the promotion of local products in collaboration with local industrial commissions, but provides no details as to how the LDOs might go about doing this. The ECC does admit that prospects for the revitalization of a community's economy are poor if it has no resources to base it on, and that "dynamic and fast-growing service industries tend to concentrate in the larger towns and cities." They also put their finger on a key element in the local development process: "The case histories of successful community efforts show that the successes of LDOs are often attributable to a very limited number of key individuals — in some cases, on an individual — with exceptional energy, talents for innovation, and technical skills. The scarcity of such people in any community, but particularly in communities depleted by an ongoing 'brain drain,' is another formidable constraint. And finding the right people through recruitment outside the community is usually very difficult."<sup>46</sup> It is important to note that this point comes up time and again in the literature and was also made repeatedly in our consultations to prepare the four cases in this monograph.

The council had no concrete recommendations for those interested in community development. Its suggestions, however, included the following:

1. Give a high priority to building human-resource and information infrastructures to support private initiatives.
2. Do better at responding to market opportunities than has traditionally been done.
3. Pursue a diversified array of projects to increase the stability and sustainability of the overall development effort.
4. Promote a strong local private sector, particularly through the nurturing of new small business.
5. Beware of overstretching LDO managers/leaders, and develop a support system that includes specific training, leaves of absence, and the provision of staff backup.
6. Undertake regular evaluations and, to the extent that resources allow, participate in national data-gathering activities.

The final section of *From the Bottom-Up* is entitled "Policy Directions." It begins with a brief survey of what federal and provincial governments were doing at the time to support community devel-

---

46. Ibid., 24–26.

opment programs. The federal government had one program specifically directed towards such support: the Community Futures Program. This was a small-scale program to provide economic disaster relief to communities that were struck by plant closures and mass layoffs or that were suffering chronic unemployment and economic decline. It was launched in 1986 as part of the Canadian jobs strategy. In its first three years of operation, it assisted more than two hundred communities. Its budget had increased from \$64 million in 1986–87 to \$143 million in 1989–90. These figures suggest that the average amount of financial assistance per community was in the order of \$1.5 million. The program was subsequently transferred from the Department of Human Resources Development to the regional development agencies (i.e., ACOA and WD), where it still operates.

The report *From the Bottom-Up* goes on to discuss the merits and demerits of government funding versus local initiative in LDO projects and of direct commercial activity by LDOs versus the creation of human-resource and information infrastructure. All elements are desirable, but “the Council believes that the general public funding for community development should be applied ... to the building-up of the human-resource and information infrastructure.”<sup>47</sup> It points out that there are many sources of government assistance to private enterprise and that little more needs to be done in this area.

Towards the very end of the report, the ECC states — quite correctly — that in choosing communities for government assistance, two criteria are of utmost importance: need and potential. It states: “Measuring needs is relatively simple, but assessing the development potential is much more complex. There are no widely accepted methods for determining the growth prospects of a given geographic area.”<sup>48</sup> As we will see below, there have been others who have sought to determine the growth prospects of smaller communities.

The government of Newfoundland and Labrador, jointly with the government of Canada, established a task force on community economic development in 1994. The task force was designed to deal with an immediate problem confronting the government of Newfoundland and Labrador — a need to review existing organizational structures for community economic development. Since 1967 the province had supported one community economic

---

47. Ibid., 36.

48. Ibid., 44.

development group after another, so that by 1994 some fifty-nine regional development associations were being supported through government funding. In addition, the groups were increasingly criticized for being too numerous, too costly, and for failing to “contribute to long-term job creation and economic development.”<sup>49</sup>

But if the government of Newfoundland and Labrador expected the task force report simply to restructure its community economic development associations, it got more than it bargained for. The task force was much more ambitious in scope, and its research and recommendations went beyond the issue of local development organizations. The report covers every facet of community economic development and makes a number of sweeping recommendations. The report calls for a “new regional economic development” that would embrace “the principles of community economic development and [adapt] them to the requirements of economic competitiveness and sustainability.”<sup>50</sup> The new regional economic development, as defined by the task force, combines “community and business development skills [and] extends them to the regional level where social and economic activity increasingly takes place.”<sup>51</sup> However, the task force makes the case that for the new regional development to take root, it would be necessary to have “a clear understanding of local economic strengths and weaknesses.”<sup>52</sup>

The task force commissioned important research initiatives, reviewed existing case studies and sponsored new ones, carried out surveys of business and government officials, and held consultative meetings across the province. It also published a discussion paper that reviewed regional development measures in other provinces and provided statistical profiles of certain regions. Clearly, the task force findings were based on both extensive research and wide-ranging public consultations.

The task force consultations revealed a sense of frustration with the number of organizations and programs promoting community economic development. The province’s Advisory Council on the Economy summed it up well when it wrote: “Citizens of the province — including prospective entrepreneurs as well as existing

---

49. *Report of the Task Force on Community Economic Development in Newfoundland and Labrador* (ACOA: St. John’s, Newfoundland, 1995), 29.

50. *Ibid.*, 15.

51. *Ibid.*

52. *Ibid.*

businesses — find it extremely frustrating, trying to steer their way through the maze of business and community development organizations. By the early 1990s, complaints of duplication and overlap were common.”<sup>53</sup>

Notwithstanding the large number of players and programs in place to promote community economic development, the task force reported that there was still an important need for local capital for new business start-ups and the expansion of existing businesses. The commercial banks, it was pointed out, were not meeting the needs of small business in rural areas. In addition, government programs were often too removed from the local level to meet community needs. The task force highlighted one brief that recommended that governments “wholesale” rather than “retail” their economic development programs.

The task force presented twenty-nine recommendations. It urged governments to consolidate and rationalize their community economic development programs and measures. It recommended the establishment of eighteen regional economic development boards to promote development in eighteen zones (the provincial government accepted this recommendation but later expanded the number to nineteen). The boards were asked to perform five functions: play a leadership role in the development and implementation of the economic zones, operate a business investment centre, provide support to organizations and communities within the zone, coordinate all social and economic initiatives relating to regional economic development, and promote public participation and community education. The report also recommended that funding for the boards should be negotiated through performance contracts based on several criteria, including both economic disparity and performance.

The task force urged relevant government agencies to create new financial instruments to support community economic development, instruments such as a community bond program and community capital corporations. It recommended that all government agencies involved in economic development move “toward common application forms, processes, and standards for analysis, and integrate these practices with the operations of regional development boards in each zone.”<sup>54</sup> The report stressed the importance of skills development and training: it asked the Public Service Commission to provide

---

53. Quoted in *ibid.*, 41.

54. *Ibid.*, 195.

government officials with education and training in regional economic development. It also called for new partnership arrangements between governments, communities, and local businesses.

In 1995 a team of researchers at the Canadian Institute for Research on Regional Development carried out a major study on community economic development. The institute decided to sponsor the study in light of the moratorium on the cod fishery and its economic impact on fishing communities. The study looked at twelve communities in Atlantic Canada: six in Newfoundland and Labrador, four in Nova Scotia, one in Prince Edward Island, and one in New Brunswick. All twelve communities were dependent on the fishery, and all were facing important economic challenges. The team looked at a number of indicators including population, demographic shifts, labour force participation and unemployment, and the structure of local economies; education levels; sources of family incomes; income levels; and dependency on unemployment insurance. Team members then visited the communities and consulted a number of people about the nature of local economic circumstances, the economic strengths and weaknesses of their communities, and possible solutions. The consultations were extensive both in the number of people contacted and in the questions asked.<sup>55</sup>

The study sought to look beyond a community's needs or its level of economic disparity and examine instead the economic potential of communities hard hit by the collapse of the fishery. The team of researchers came to "one inescapable conclusion — communities studied and visited are at various stages of economic development and the administrative infrastructure found in the communities are at various stages of maturity. At the risk of overgeneralization, we see three basic types of communities in Atlantic Canada seeking to adjust as a result of the crisis in the groundfishery."<sup>56</sup>

1. *Communities with a solid administrative infrastructure and some economic diversity*

Communities which fall under this category typically have economic activities outside of the fishery. It could be a relatively strong public sector presence (e.g., regional or local offices from one or more levels of government), some agricultural activities, or the production of specialized products (e.g., peat moss in Lamèque).

---

55. CIRRD, *Economic Adjustment in Selected Coastal Communities*.

56. *Ibid.*, 271.



The communities also have a relatively active local leadership and some successful local entrepreneurs. They also demonstrate a unity of purpose or coherence.

2. *Communities showing some promise of economic diversity but having little in the way of administrative infrastructure and support*

Communities which fall under this heading show a potential for diversifying their economic base. The fishery is the economic mainstay of the community, but not the only activity or potential activity. It may well be that because the focus has always been on the fishery, the community has failed to exploit other opportunities. Examples include a potential for tourism, the service sector, or manufacturing. Though there exists some economic potential in these communities, it is also clear that they are unable to exploit it. The administrative capacity is not there, or if it is it is not operating as effectively as it should.

3. *Communities that were totally reliant on the fishery and have few entrepreneurs and little in the way of an administrative capacity to identify, plan, organize, and pursue new economic activities*

Communities which fall under this category have been totally dependent on fishing and processing groundfish. They are a one-industry community. The communities are also remote and isolated and have no, or a very limited, capacity to conceive and pursue new economic activities and no successful entrepreneurs.

The team divided the communities surveyed into the above categories for three reasons:

- ▶ It is important to recognize that some communities have more potential than others and that some communities are adjusting better than others.
- ▶ To emphasize the point that economic development cannot be created in a vacuum. To have any hope of economic prosperity, a community needs assets, comparative advantages, entrepreneurs, and an administrative capacity to achieve a unity of purpose.
- ▶ Successful community economic development requires both economic potential and a local administrative capacity to exploit that potential.

All of this suggests that governments will only support communities with the capacity to make an economic recovery. This is consistent with the view that in an era of financial constraint, governments should invest public funds wisely by promoting communities with the best chance of successfully exploiting their economic potential. But what makes communities different, and why do some communities adjust better than others? The study revealed, for example, that communities dominated by a very large fish plant or a few large employers find it difficult to adjust. It seems that the concentration of jobs and economic activity in the hands of a few drains a community of its ambition and initiative. Communities with smaller plants and a variety of employers appear to cope better by, for example, being more aggressive in exploiting alternate fish species for processing.

The study also revealed that some communities are much better organized than others. The team discovered that communities with one dominant culture or religion had a greater capacity to come together and plan a community solution to the crisis. Communities with cooperatives (e.g., Fogo and Lamèque) also tended to rally together to face the crisis and plan new economic activities. For example, the Fogo Island Workers' Alternative Committee, which produces cotton recyclable grocery bags, was an outcome of the Fogo Fishermen's Cooperative. In communities with little or no coop background, there were fewer signs of community spirit or a united effort, and dealing with the crisis was left more to individuals. The one drawback of fishers or producers cooperatives is that they too often equate the welfare of the fishers and plant workers with the welfare of the community, and vice versa. The result is that they invariably focus their efforts on diversifying the fishery or fish processing rather than trying to conceive or plan new activities outside the fishery. It is interesting to note that many of the people consulted suggested that in future, adjustment funds should be directed to communities rather than individuals, as was the case with TAGS, for example.

The team reminded both senior levels of government that they will have to decide if they are going to base their intervention in community economic development on both need and potential. As the ECC observed, assessing a community's needs is fairly straightforward — any number of socio-economic indicators will do that.

The team acknowledged, however, that defining potential is less straightforward. Nevertheless, it suggested several criteria that could

be used — for example, proximity to urban centres, economic activities or potential activities outside the fishery, and the presence in the community of successful entrepreneurs.

Included in the eight recommendations presented by the study were the following three:

1. Before committing funds and supporting an administrative capacity to promote development in a small coastal community, governments should determine if an economic development plan is at all possible and if local leadership is likely to emerge to direct the effort.
2. Federal departments and provincial governments should make every effort to eliminate duplication and overlap in the government machinery sponsoring community economic development.
3. The administrative capacity promoting community economic development should place the onus for economic development squarely on the shoulders of community leaders and local entrepreneurs. Following the example of the way the business development centres operate (with boards made up of local businesspeople), governments should refrain from heavy-handed direct intervention.

In the mid-1990s David Douglas produced an important two-volume work on community economic development in Canada. It is written in an accessible style by a number of people, several of whom worked in the field of community economic development, and covers a wide variety of issues. The second volume is dedicated to case studies selected from across Canada, while the first deals with such issues as the role of volunteerism, global economic restructuring, and the changing patterns of economic activity. The cases studied in the second volume have something for everyone, dealing with issues ranging from community initiatives in inner-city Montreal to community economic development in Saskatchewan.<sup>57</sup>

More recently, two authors have sought to bring a more theoretical perspective to community economic development. Paul Wilkinson and Jack Quarter developed their theory by studying one community in Prince Edward Island — Évangéline. They labelled Évangéline a “bold experiment in building a community-controlled economy.” They went on to explain: “Citizens of the Évangéline

---

57. David J.-A. Douglas, ed., *Community Economic Development in Canada*, 2 vols. (Toronto: McGraw-Hill Ryerson, 1994 and 1995).

region of Prince Edward Island have refused to accept the conventional wisdom that their tiny community is not viable in a modern economy. Instead, they have intentionally set about creating a community-controlled economy through an interrelated network of co-operative organizations."<sup>58</sup> According to the authors the community is an economic success story, and they suggest that three elements are required for sustained economic development to take root in a community: community consciousness (social), empowering activities (cultural), and supportive structures (economic). They stress that their theory applies not only to the formation of cooperatives but also to community economic development generally. They also say of their theory that "if any of the three elements is absent, it is unlikely that community economic development will occur in any sustained manner."<sup>59</sup>

They argue that community consciousness can be based on cultural, linguistic, religious, or historical circumstances, but that a "common concern for the survival of the community because of a declining economy" can also provide the common bond required to promote community interest.<sup>60</sup> They acknowledge, however, that collective development or collective entrepreneurship is at a disadvantage when it competes with individual entrepreneurship because the "societal context favours material incentives over solidary and purposive ones."<sup>61</sup> Put differently, they claim (quite correctly) that modern society values individual entrepreneurship and applauds its accomplishments, but that it is much less enthusiastic about community-owned-and-operated businesses.

What does this theory actually mean for communities or for those working to develop their economies? The authors offer an answer. With respect to community consciousness, they say it is "difficult to argue that [it] can be fostered ... [though it] can be stimulated with the assistance of animators."<sup>62</sup> At the same time, they are quick to point out that there are important limits to what these "animators" can do.

But what about empowering activities and supportive structures? The authors are much more prescriptive regarding these two

---

58. Paul Wilkinson and Jack Quarter, *Building a Community Controlled Economy: The Évangéline Co-operative Experience* (Toronto: University of Toronto Press, 1996), ix.

59. *Ibid.*, 143.

60. *Ibid.*

61. *Ibid.*, 146.

62. *Ibid.*, 151.

elements. They write that information must be widely shared, and important decisions should be made at open public meetings. They also say that communities will embrace empowering strategies and specific initiatives if they are seen to benefit “most” members of the community,<sup>63</sup> and that empowering activities are a lot easier to promote when “local” people and “local” financing play a lead role.

Supportive structures are no less important than the other two elements of the theory. Wilkinson and Quarter argue that government programs and financial resources “must respond to community initiatives, not direct them.” They add: “Programs must be flexible enough so that they can recognize the uniqueness of a particular community situation. If they are to make this accommodation, the funding should be transferred to the proposed regional or provincial community development organization in the form of block grants.”<sup>64</sup> However, the authors do not deal with the accountability issue, which must be resolved if governments are to provide these block grants. For example, would the auditor general, opposition members of Parliament, or a provincial Legislative Assembly overlook a failed community project funded by the two senior levels of government just because it is in the nature of measures designed to promote community economic development to be flexible, and flexibility necessarily carries with it the possibility of failure? History, even recent history, suggests that this is unlikely unless important changes are made to program delivery.

In 1993 and 1998 Maurice Beaudin produced two papers on community economic development, both designed to assist francophone communities outside Quebec to promote economic development. In those papers he argued that a new economic order is taking shape, even in small remote communities, and that the economic future of many of these communities is less and less tied to physical and natural resources. He suggested that new technologies, new knowledge, a strong community spirit, lifestyle amenities, entrepreneurship, and an ability to forge new partnerships are now the key determinants of growth and prosperity for communities.

Beaudin went on to say that there is ample evidence to suggest that governments need to play a proactive role in promoting both community economic development and entrepreneurship. The

---

63. *Ibid.*, 153.

64. *Ibid.*, 157.

federal government needs to partner with other levels of government and local communities to provide advice, information, and financial support. He argues, however, that the federal government should limit its role to offering encouragement and suggesting broad policy guidelines. On the other hand, the provincial government needs to play a leadership role in designing programs, encouraging cooperation, and promoting public consultations and public input into decision-making. He has very little to say about the role of municipal governments.<sup>65</sup>

In 1998 Gertrude Anne MacIntyre at the University College of Cape Breton published a collection of essays by people active in community economic development. The papers cover an extremely wide array of issues, ranging from the role of universities in economic development to bottom-up development-financing ventures in a "depleted community to structural issues in establishing a not-for-profit corporation." The collection also reports on practical field experience in five case studies. All the essays are highly supportive of efforts towards community economic development; none are critical of past efforts.<sup>66</sup>

Gary Corsano outlines a number of important issues for those wishing to establish non-profit corporations. He correctly reports that while "sophisticated individuals" in private firms spend a lot of time defining relationships and responsibilities to one another, individuals in non-profit organizations will focus more on the task at hand — financial projections and so on. He explains: "To focus energy on legal details amidst the crises in which CDC proponents find their communities may seem like fiddling while Rome burns."<sup>67</sup> Yet, governance and accountability in non-profit and community economic development organizations are no less complex and demanding than they are in the private sector. In the case of community economic development organizations, the organizational structure needs to provide both a sense of community participation and "continuity

---

65. Maurice Beaudin, "Le défi des régions francophones au Canada: Contrer la dévitalisation rurale," presented at the Colloque de réflexion sur l'avenir de la communauté francophone et acadienne de Terre-Neuve et du Labrador, Corner Brook, 15–17 May 1998 and "Rôle des entreprises, des gouvernements et des communautés dans le développement économique," paper presented at a conference entitled "L'Entrepreneurship: Un esprit à découvrir," organised by the Conseil acadien de la coopération, Moncton, 1993.

66. Gertrude Anne MacIntyre, ed., *Perspectives on Communities: A Community Economic Development Roundtable* (Sydney, NS.: UCCB Press, 1998).

67. Gary Corsano, "Structural Considerations in the Creation of a Not-for-Profit Corporation," in *ibid.*, 68.

essential in sustaining a business enterprise.”<sup>68</sup> This is no small task. As Greg MacLeod explains: “A community enterprise is not owned by shareholders or workers but operates as a trust in the interest of the local community.”<sup>69</sup> Establishing governance and accountability procedures for a trust operating in the interest of a local community can never be as straightforward as it is for those defining procedures to establish responsibilities for the pursuit of more sales, greater productivity, and profit.

There is a certain missionary zeal about some of the chapters in the MacIntyre collection, a feature of much of the literature, and it shows up in the uncritical menu of why communities and governments should support community development. The literature is critical of the mainstream economy and mainstream economic thought. It seems to say that if only the right people could see the light, the economy and communities would be well on the road to recovery. Perhaps by design, the literature lacks the kind of academic rigour one expects of scholarly literature. It makes policy prescriptions but mostly to local groups and communities, and even then with the important caveat that they should always be tied to local circumstances. When it comes to the two senior levels of government, the prescription appears to read, transfer block funds to local groups and communities, no strings attached, and then stand aside. If governments try to get too involved, they will end up doing more economic harm than good. At times, the literature seems to applaud its lack of clarity. For example, Jim Lotz writes: “Despite its vagueness and fuzziness, or perhaps because of these characteristics, community economic development offers an arena for more meaningful and fruitful discussions and for co-operation between government and concerned citizens than was possible in the time of the Culture of Dependency.”<sup>70</sup> By way of defining community economic development, Lotz adds this: “Community development involves a shared quest, a voyage on uncharted and dangerous seas in search of those islands of sanity and promise where can be found some answers to enhancing the common good.” One can easily imagine mainstream economists and government officials scratching their heads over how

---

68. Ibid., 74.

69. Greg MacLeod, *New Age Business: Community Corporations That Work* (Ottawa: Canada Council on Social Development, 1986).

70. Jim Lotz, “Marginality, Minimality and Local Development,” in MacIntyre, ed., *Perspective on Communities*, 247, 252.

to apply this kind of thinking to actual policy and program decisions. Nor would this sort of advice be of much help to community leaders trying to decide how best to promote measures relating to local economic development.

## ■ Summary

The previous section provides a brief *tour d'horizon* of some past regional and community efforts in economic development together with the literature on community economic development and how it has influenced the people working in this field. It is safe to assume that with the exception of Perroux and his growth-pole concept, the literature has not had a strong influence on the professionals in the field or on government measures. Some of the literature and models, like regional science, have lacked a practical side and left the professionals having trouble not only applying their approaches or prescriptions but even understanding them.

In spite of weaknesses in the literature, it is clear that community economic measures are the fashion in government circles these days. As one senior federal government official explained in an interview: "Ottawa has told its departments that they need to do something in community economic development. It explains the flurry of activities in recent months. The risk, of course, is that if the activities are uncoordinated, we may be overloading communities and burn out the small number of volunteers out there trying to make this thing work."<sup>71</sup> The question then is not whether governments will intervene to promote community economic development, but rather how, when, and where they will intervene.

We are safe in assuming that the literature as well as the work of the Economic Council of Canada and the Atlantic Provinces Economic Council has helped put community economic development on the public policy agenda. Still, at the risk of sounding repetitive, the literature has been of only limited help to professionals in the field in their search for specific answers on how to make the community economic development process work. For example, the literature is replete with suggestions that government programs must be flexible and government funding should be made in the form of block grants with few strings attached, or preferably none.

---

71. Consultations with a senior official with ACOA, Halifax, 13 July 1999.



Government officials in ACOA or in a provincial department of economic development responsible for community economic development would probably agree, but they are helpless to empower communities in a vacuum, and there is the issue of accountability to resolve. One should never underestimate the importance of accountability to government. Perhaps more than any other factor, it defines the work of government officials. In many ways, it is to government what market forces are to the private sector. Yet, there is little in the literature, including the public administration literature, that would help government departments to reconcile the demands of community economic development and accountability. Though the literature is silent on this issue, one can be sure that the media are not. Indeed, recent history demonstrates that the media are quick to attack the government when there are problems with any of the economic development projects it sponsors.

There is, however, another body of literature on community economic development which may be of more assistance to people in the field than the traditional literature — an abundance of case studies available both to them and to students of community economic development. Some of these cases, as already noted, contain valuable lessons that would be applicable in similar situations. They report on all facets of community economic development, demonstrating what works, what does not, and how best to deal with the issue of accountability. The next chapter reports on four cases that were produced for this study and have met with success in Atlantic Canada.



## II

### *Case Studies*

Case studies offer a distinct advantage both to people working in the field of community economic development and to students of the subject. They are practical, accessible to any reader, and have the potential of providing valuable lessons to those in the field trying to implement measures to promote the growth of community development. They also permit an intensive examination of actual or “live” cases. But case studies also have important drawbacks. Too often they tend to subordinate everything to the need for exhaustive description. That is, the unique takes precedence over the general, and it is difficult for the reader to extract lessons that would apply everywhere and at all times — or even to other cases.<sup>72</sup>

Still, case studies are an important as well as a popular means of gaining a better understanding of community economic development. There is certainly no shortage of cases available to professionals and students in the field, and they illustrate every type of economic circumstance confronting smaller communities and the efforts made to promote the economic development of those communities. Since cases that have been written up in the literature are readily available and in an accessible style,<sup>73</sup> we decided not to review them here but instead to present four new cases of our own.

As noted in the Introduction, we selected four cases from the four Atlantic provinces, cases that have met with some economic success in recent years. The four communities concerned present a variety of economic circumstances and a number of equally various initiatives that were designed to address those circumstances. The communities are all different in size and in economic structure and potential. They provide important insights into what works in community economic development, and they all offer suggestions on

---

72. Richard Simeon made this very point in his *Federal-Provincial Diplomacy: The Making of Recent Policy in Canada* (Toronto: University of Toronto Press, 1972), 11.

73. See, among many others, Douglas, *Community Economic Development in Canada*.

how to promote it. The reader will note that the four communities adopted vastly different approaches to the challenge of economic development. One region relied on public infrastructure and educational facilities to encourage an entrepreneurial spirit, another adopted (or requested) a top-down strategy, another chose a bottom-up approach, and the remaining region made use of its comparative advantages to attract new economic activities. As we just noted, however, the one thing all four cases have in common is their economic success. This success and the variety of approaches the cases demonstrate will provide the bases for presenting not only general observations about community economic development but also lessons that will benefit other communities.

### ■ The Kent Region

The Kent region of New Brunswick is a rural area located in the southeast corner of the province, a short drive north of Moncton along the Northumberland Strait (see map 1). According to the 1996 census, the region's population was 37,551, a slight increase from 36,191 in 1981.<sup>74</sup> Though relatively modest when compared with the growth rate of selected urban regions in Canada, an increase in population of 1,360 over a fifteen-year period is no small achievement for a small rural area. This is particularly true in the case of the Kent region given its recent history. It was only twenty-five years ago that DREE described the Kent region as the second-poorest region in Canada.<sup>75</sup> One would hardly describe it that way today. Indeed, only a few years ago an official with ACOA pointed to the Kent region with pride when reporting that it had, on a per capita basis, one of the highest number of business start-ups of any region in Canada. Clearly, something very important happened between 1970 and 2000.

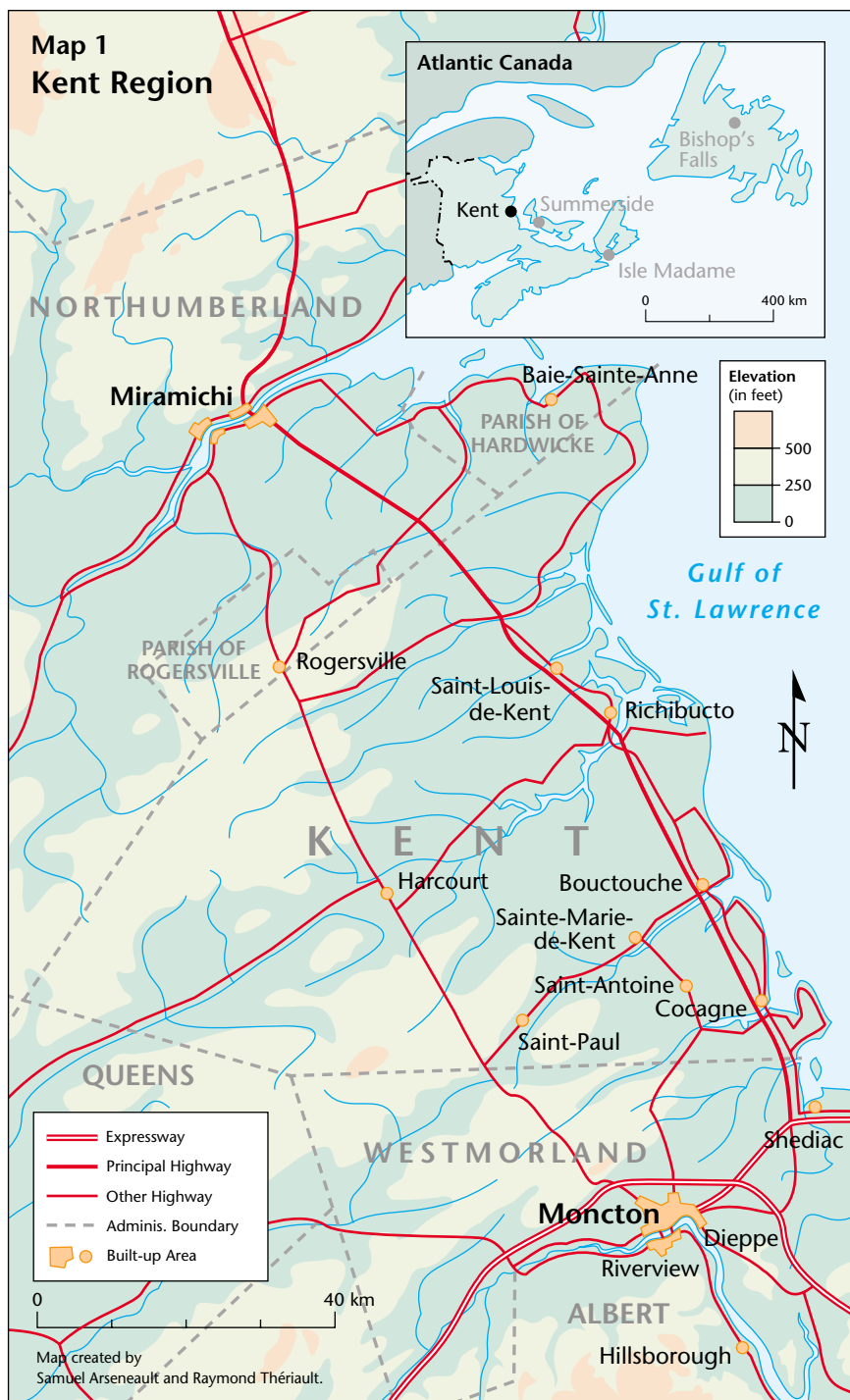
The Kent region includes six municipalities and three First Nation reserves. In total, it has twenty-two communities, ranging in population from three hundred to three thousand. The remaining population live in "ribbon-style" settlements along the coast, rivers, and country roads.<sup>76</sup> The Kent region has always been — and remains — a rural area.

74. 1998 *Socio-Economic Profile for the Kent Region* (Bouctouche: Kent Economic Commission, 1998), 6.

75. See, for example, Savoie, *Regional Economic Development*.

76. 1998 *Socio-Economic Profile for the Kent Region*, 6.

# Map 1 Kent Region



The majority of the region's residents are of Acadian origin, but there are a substantial number of people in the region who claim Aboriginal ancestry. Population data for the Kent region (i.e., Kent County but also including the parishes of Rogersville and Hardwicke) indicate that 1,670 citizens are of Aboriginal ancestry. Comparatively speaking, the number claiming Aboriginal ancestry is substantial because it represents nearly 20 percent of the total Aboriginal population in New Brunswick<sup>77</sup> — and yet the Kent region accounts for only about 5 percent of the province's total population.

There is no need to provide a detailed historical account of New Brunswick's Acadian and Aboriginal populations. Both are minority groups, and both have had a difficult history. Until recent times, neither group had been able to develop much in the way of a business culture. Only in the last few generations has the Acadian community been able to turn this around. Until the 1960s Acadians were dominated by the Roman Catholic clergy, which often warned its parishioners of the evils of business. This was a phenomenon that existed outside the Acadian community and was largely Protestant and English-speaking. One local entrepreneur has said that he remembers the parish priest in his Sunday sermons reiterating the point that "it would be easier for a rich man to pass through the eye of a needle than to go to heaven." Jobs by their very nature (most of them based on natural resources) were seasonal and low-paying. Acadian communities lacked modern educational facilities at both the secondary and postsecondary levels. Well into the 1970s, most Acadians were wage earners, working in the construction industry or as fishers and farmers. Not surprisingly in such an environment, an Acadian entrepreneur was a rarity. Aboriginals, meanwhile, are still doing what they can to promote a business culture in order to take their rightful place in the modern economy.<sup>78</sup>

This is a short sketch of the background behind the comment by DREE officials that Kent County, New Brunswick, is one of the poorest areas in Canada. Now, fast-forward to the year 2000. The Kent region is home to fourteen hundred businesses and has actually witnessed a population growth over the past twenty years or so. Today, it exudes an air of confidence and economic optimism that is evident even to the passing tourist.

---

77. Donald J. Savoie, *Aboriginal Economic Development in New Brunswick* (Moncton: CIRRD, 2000).

78. *Ibid.*

One of the first things to strike a visitor to the area is that much of the local economy is new. Indeed, the Kent region, relatively speaking, accounts for a significant number of new businesses in the province. In the last five years, for example, 532 new businesses have opened in the region, and 63 percent of its 1,400 businesses are less than twelve years old. The businesses are also small — about 74 percent of all businesses employ less than five employees.<sup>79</sup> The extraordinary number of new businesses indicates that an entrepreneurial spirit is taking root in the region, although, as we shall see later, a new business culture is not without its own set of challenges.

Although much of the local private sector is new, it has clearly had an impact on the region. In contrast to twenty years ago, the unemployment rate is now close to the provincial average (in 1997 the difference was only 0.4 of a percentage point). And by 1996 the region's family income had climbed to \$17,200, only \$3,500 less than the provincial average.<sup>80</sup> One can look at any number of social and economic indicators (e.g., education) and see evidence of the remarkable progress the region has made not just over time but also in relation to the provincial average. And that progress has come even though the region's Aboriginal population has not participated in the economic recovery. The progress is all the more striking when one remembers that a rural region and rural communities are not supposed to do well in the new economy. Furthermore, it continues at a time when important cuts in government spending are being implemented.

How does one explain this progress, and are there lessons here that could benefit other regions? The short answer is that the explanation is not simple, and yes there are lessons to be learned. Of the many reasons contributing to the economic success of the Kent region, the most important is the people factor. The people factor, as I explained before, encompasses historical processes, attitudes, education, and all the other factors that affect the capacity of a people to contribute to their community's economic development and their own well-being.<sup>81</sup> It involves the skills, energy, and self-confidence a people and individuals need to conceive, launch, and manage new economic activities.

---

79. 1998 *Socio-Economic Profile for the Kent Region*, 18.

80. See, for example, *The State of the Regions: The Economic Region of Southeast New Brunswick*, The Maritime Series (Moncton: CIRRD, 1996).

81. Savoie, *Aboriginal Economic Development in New Brunswick*.

The crucial importance of the people factor to economic development is not always immediately evident to the observer. Hard economic data and statistics (e.g., education levels) do not tell the whole story. The real challenge, however, is developing the full potential of the people factor, and that takes time, patience, and resources. It does not happen overnight.

Forty years ago, New Brunswick Acadians were an economically backward people. They were hardly present in the two senior levels of government and were severely under-represented in the workforce. Few Acadians owned businesses, and when they did, the majority were geared to the local market, which included convenience stores and small one-, two-, or three-person firms, mostly in the construction sector. Men and women worked in primary-resource extraction or processing industries. They fished and farmed to supplement their income or to provide food for the household. In brief, they relied on traditional means to find work and on government transfer payments, whenever they were available, for economic sufficiency. Entrepreneurship, as we have seen, was not part of the Acadian culture, and Acadians had very few role models in the business world to emulate. The business community, to the extent that it existed at all, was regarded with suspicion because it was viewed as inimical to religion. As well, the educational standards of Acadians were low. School boards in Acadian regions simply did not have the resources or the expertise to maintain first-rate teaching programs or even, in many cases, to hire qualified teachers. At the risk of overgeneralizing, the few who went on to university studied medicine, law, or theology. Acadian political and administrative institutions were extremely weak, so weak in fact that in the late 1950s and early 1960s, a few local county councils in Acadian areas actually went bankrupt.

Louis J. Robichaud, a Kent County resident, became premier of New Brunswick in 1960 and set in motion a series of events and measures that would transform New Brunswick society. Robichaud's Programme of Equal Opportunity, which in time would redesign New Brunswick's socio-economic infrastructure, the introduction of the province's Official Languages Act, and the establishment of the Université de Moncton have had a profound effect on New Brunswick Acadians. The measures took some time before their full impact was felt, but they all dealt directly with the people factor. Today, Acadians are found in senior positions in both the provincial and federal governments, and they have become important busi-



ness leaders in several economic sectors, exporting their products all over the world.

All of this is to make the point that the Kent region was a direct participant in the Acadian renaissance, which had its beginnings in New Brunswick in the late 1970s. Indeed, the burgeoning of new businesses and the entrepreneurial spirit and culture that have taken root in the Kent region can be attributed, at least in part, to the Robichaud reforms.

But there are other reasons for the region's success, though perhaps not as significant. Government measures especially designed to promote economic development in Atlantic Canada and the Kent region have also had an impact. And then there is the fact that the region is located close to Moncton, a relatively large urban centre, at least by New Brunswick standards. Moncton has witnessed an economic renaissance of its own since the Canadian National Railways closed its maintenance and repair shops in the late 1980s.

It will be recalled that in the early 1980s, the federal government introduced the LEDA program through DREE and the Canadian Employment and Immigration Commission (CEIC). This initiative sought to involve local interests, particularly businesses, in managing the program, and to promote new business activities in small rural regions.<sup>82</sup>

Federal government officials report that Kent-LEDA has had a solid performance record ever since it was established in 1981, and as such it has been one of the most successful agencies created in Canada. In the early 1980s the then federal government agency CEIC provided \$350,000 a year to some thirty-five communities or small regions to establish LEDA initiatives. The Kent-LEDA, however, was one of only a handful that were successful. The result is that the agency is now on the road to economic self-sufficiency, which is to say that several years down the road, it may well be able to function without any government funding.

Kent-LEDA applied the \$350,000 annual funding to several activities: providing counselling and technical assistance to local entrepreneurs, organizing special workshops and business-week activities, and making debt and equity investments. It is these investments that have put Kent-LEDA on the road to economic self-sufficiency. The organization is directed by a group of local

---

82. See, among others, Savoie, *Regional Economic Development*, 260.

Kent-area business people. The authority to make decisions about proposed projects has been removed from government departments and turned over to an independent board of directors. Frequently, businesspeople sitting on the board will approve a project not because of the applicant's sound financial statement but because he or she is well-known in the community and has established a reputation as a solid citizen.<sup>83</sup>

There is no denying Kent-LEDA's impressive track record. The agency reports that since its creation in 1981, it has created 1,229 new full-time jobs, 246 part-time jobs, and 620 seasonal jobs. In addition, some 90 percent of the firms it has assisted over the years are still in business.<sup>84</sup>

The perception among business people is that the Kent Economic Commission has a mandate somewhat similar to Kent-LEDA, but with one important difference — it does not invest in projects. As one observer noted, "The Commission is like LEDA except that it does not have any money." This is not quite accurate since both agencies do have fairly distinct and separate mandates. But perceptions, even wrong ones, can shape reality. In any event, the commission is part of a network of thirteen economic commissions in New Brunswick. The role of the province's economic commissions, broadly stated, is to promote the economic interests of their regions. Very often, they are also the first agency contacted by entrepreneurs and aspiring entrepreneurs wishing to start or expand a business.

The Kent Economic Commission centres its activities around three themes: access to capital, competitiveness and growth, and industrial parks.<sup>85</sup> The commission does not offer any financial assistance to private firms or entrepreneurs in the region. Rather, it acts as a go-between or an advisor to firms looking for capital. Commission staff will ensure that a firm knows where financial resources can be secured and that the proper background work has been done or will be done when applying for government funding. The commission is in constant contact with the relevant federal and provincial government officials who manage economic development programs and their administrative requirements.

---

83. *Ibid.*, 162.

84. Omer Chouinard et al., "Gouvernance locale et corporations locales de développement économique (CLDE) en régions rurales au Nouveau-Brunswick," paper presented at the CIRIEC conference, 11 May 1999, mimeo, 17.

85. See, *Rapport annuel 1997–1998* (Commission économique de Kent, 1998), 10.

In the course of a twelve-month period, the commission will assist anywhere between four hundred and five hundred individuals or firms. In turn, it will help about one in four of them to submit a proposal to various government agencies or departments. The number of individuals or firms the commission assists has gone up every year over the past several years; it has now nearly doubled the number it assisted in 1990.

The commission also undertakes a variety of activities to strengthen the region's competitiveness and growth. It will assemble data banks, earmark and then assist firms having an export potential, sponsor trade or business development missions, and provide technical assistance to firms. The commission also plays an important catalyst role in developing and promoting economic development strategies for the Kent region. It participates in numerous activities designed to promote the region's economic interests and to develop networking and partnering initiatives. Finally, the commission owns and operates two industrial parks, one in Bouctouche and the other in Richibucto-Rexton. It also buys and sells land for industrial development and promotes infrastructure developments (e.g., the construction of access roads).

The commission does all of the above with modest funding and a limited staff. It has only three full-time and one part-time staff, which includes support staff, and its operating budget is less than \$500,000 a year. The result is that the commission depends heavily on volunteers to fulfil its mandate and support its activities. The commission itself is managed by a board of directors consisting of about sixteen members, all of them volunteers.<sup>86</sup> Seven members represent towns and villages and the Big Cove First Nation, and the other nine are drawn from the business community. The commission's operating budget amounts to \$275,000 a year, of which \$30,000 is set aside to support specific economic development activities.

The Kent Economic Commission and Kent-LEDA are not the only economic development bodies in the Kent region that depend heavily on volunteers. The Kent Region Tourist Association, which is active in promoting the region as a tourist destination, also depends on volunteers to do much of its work. It participates in various tourist promotional events, prepares brochures, and plans special packages to attract tourists to the region. Though the association refuses to take all the credit for the substantial growth in the region's tourism

---

86. *Ibid.*, 40.

sector in the 1990s, it is proud of the fact that the sector grew by 157 percent from 1993 to 1996.<sup>87</sup>

There have been major developments in the region's tourism infrastructure in recent years. Both levels of government funded the construction of the Pays de la Sagouine, a theme park inspired by the internationally acclaimed novel *La Sagouine*, by Bouctouche native Antonine Maillet. Today, the park is managed by an independent board of directors, whose goal is to make it self-sufficient. In 1999 the park attracted approximately ninety thousand visitors from all over Canada and parts of the United States. In addition, the Irving family contributed most of the required funding for the construction of the Dune de Bouctouche, an eco-tourism facility that attracts a large number of tourists every summer (about 154,000 visitors in 1999). In 1998 the success of the Dune de Bouctouche was such that a limit had to be set on the number of daily visitors to ensure that the facility could be properly managed. The local business community has also responded to new opportunities resulting from the two projects. There are a number of new restaurants, new bed and breakfasts, and special boutiques catering to tourists that have opened in and around Bouctouche in recent years.

The tourist association operates on a modest budget of about \$10,000 a year, though in some years, because it receives special funding for specific projects, it spends anywhere between \$50,000 and \$85,000 a year.<sup>88</sup> The result is that members not only give freely of their time to attend board and committee meetings but also take on administrative chores.

The use of volunteer workers is an issue that came up frequently in our consultations in the Kent region. Many of the respondents complained that there are too few volunteers or community-minded entrepreneurs working on behalf of the economic interests of the region. Some volunteers even reported that they were suffering from burn-out. This whole problem suggests that the Kent region is entering a new phase in its economic development and that the time has come to make a number of adjustments to its current approach.

The Kent region, as we have seen, has witnessed an important economic transformation in recent years. It has made great strides since the days when it was described as the second-poorest region in

---

87. See, for example, *Rapport annuel 1996* (Richibouctou: Association touristique de la région de Kent, 1996), 2.

88. *Ibid.*, section 3, 2.

Canada, and its progress can be measured by any number of economic indicators.

But economic indicators only tell part of the story. There is now a “can do” mentality in the region, which is in sharp contrast to the economically dependent reputation it has long had. Entrepreneurs have created a remarkable number of new businesses in recent years. But they and other community leaders have done more than that — they have assumed responsibility for important projects such as the Pays de la Sagouine and Kent-LEDA, and they have been highly successful. The credit for this success is due largely to the people factor and to the region’s capacity, energy, and self-confidence in carrying out important initiatives. The fact that they have successfully launched and implemented these new projects and a host of new businesses means that they can do it again, and there is every indication that they will.

Still, the region’s entrepreneurial culture remains relatively young. Indeed, for the most part, its business community is first-generation. First-generation entrepreneurs typically have their hands in all facets of a business and have difficulty delegating authority. They put in long hours, and as one of them observed, “In my business, I am head of operations, head of planning, head of sales and head of production.”<sup>89</sup> It also means that the region’s business culture does not have deep historical roots.

In spite of business and family commitments, some local entrepreneurs and community leaders spend a lot of time in volunteer work to promote the economic interests of their regions. They sit on boards of directors (e.g., LEDA, Economic Development Commission, the Pays de la Sagouine, the Kent Tourist Association, etc.) and on special ad hoc and advisory committees of one kind or another. They also make themselves available to meet federal and provincial government officials to discuss proposed projects and pursue development opportunities with government departments and agencies, all of which makes heavy demands on their time, energy, and patience. They have a hard time understanding why the government decision-making process is so slow and methodical in its review of proposed initiatives. Lastly, we are told that there is a tendency to keep on turning to the same entrepreneurs, the same volunteers to take on community projects and responsibilities.

---

89. See also, *L'entrepreneurship acadien: ses sources, son essor, son avenir*, a study prepared by Guy Levesque and Donald A. Rumbell for Le Conseil économique du Nouveau-Brunswick (Moncton, June 1996), 111–26.

For the purpose of this case study, we met with twenty-three business and community leaders from the Kent region. The purpose was twofold: to discover some of the lessons that have been learned from the economic recovery and to look ahead to the challenges the region will face in the future. We discovered a remarkable degree of unanimity in the views expressed during the consultations. The majority of respondents spoke of the new sense of pride and confidence that lies behind the region's economic success, and many of them also acknowledged the important role that governments have played in promoting the area's economic development.

There are important new challenges ahead for the region. Many of the respondents believe that local entrepreneurs have been stretched to the limit. They say that local community-minded entrepreneurs lack the time, resources, and expertise to take the region to the next step in its economic development or even to continue in the same role they have been playing in recent years. They also say that if the region is to continue to prosper, it will need new access to capital, more expertise, different approaches to identify new markets, and new knowledge and skills to marshal existing resources and to promote greater cooperation between various groups.

The popular view, abetted by the media, is that local entrepreneurs have easy access to new capital when they want to launch new activities or expand existing ones. This is false. I was told that investing to establish or even expand a facility in Kent County is not at all like doing the same thing in an urban area, where the risks are never as great. In an urban area, you can always sell a facility or a building if a business venture fails, but it is not like that in a rural area, where most buildings only serve the purpose for which they were built. Consequently, the commercial real estate market in rural areas is very weak or, in many instances, nonexistent. Banks know this better than anyone.

A number of local entrepreneurs became exasperated when discussing the role of government in economic development. While they admit that the Kent region would not be where it is today had there not been strong government involvement in the local economy in the past, they complain now of frustration when working with government agencies to plan and implement new activities. They say that governments, in particular the provincial government, talk about cooperation and community empowerment, but in practice their decisions are made with little or no consultation. Empowerment, several respondents said, exists in speeches and press releases

but rarely in fact. One respondent told of how the board of directors of a Kent region institution of which he was a member met one evening to consider a proposed measure when a “senior official from Fredericton came in to tell us that the government had made a decision on the matter and that was that. I looked at a colleague across the table and we both wondered what we were doing there.” Remember, he added, “We were volunteers. So, the question is why pretend, why waste time if that is the way things are going to work?” The consensus is that governments are unwilling to let go, to let local community leaders and entrepreneurs assume full responsibility for shaping and implementing new economic activities. The problem, they said, goes well beyond the issue of the transfer of funds.

Virtually every respondent also spoke of the number of government and parapublic agencies in the region with a mandate to promote economic development. It is true; there are many. They include the provincial Department of Economic Development and Tourism, the federal Department of Industry, the Atlantic Canada Opportunities Agency, the federal Business Development Bank, Kent-LEDA, the Kent Economic Commission, and various federal and provincial sectoral departments. For the most part, government departments simply offer programs (now mostly loan programs) and then sit in judgement on proposals presented by entrepreneurs. In short, the process is entrepreneurs propose, government departments or agencies dispose, and it leaves entrepreneurs on their own to find the necessary resources and expertise to respond to requests for information. Meanwhile, government departments ponder their decision.

Two agencies — Kent-LEDA and the Kent Economic Commission — have a local presence. In the case of the commission, its staff spends more time referring entrepreneurs to relevant government programs than judging the merits of their proposals. Still, both agencies have modest organizations (from eight to ten employees, including support staff), and, therefore, there is a limit as to how much they can do to help entrepreneurs or aspiring entrepreneurs prepare business plans and then expedite those plans through government departments and agencies. For their part, entrepreneurs say that the two agencies acting separately simply do not have the resources to assist them in developing new proposals, gathering market information, and identifying new markets.

The two agencies have another problem. Many people told us that in day-to-day operations, there is a serious lack of coherence

and cooperation between the various economic development agencies. And since the purpose of the commission and Kent-LEDA is to promote local economic development, their apparent inability to work together leaves entrepreneurs and community leaders baffled.

Indeed, nearly all of the respondents spoke about this problem and how both agencies seem helpless to solve it. Only two (both of them who have served on the boards of both LEDA and the commission) tried to explain the situation. They pointed out that one was created by the federal government (LEDA), the other by the provincial government, and when narrowly defined, their mandates and goals are different: LEDA, for example, is seeking to become completely self-sufficient. In the view of most respondents, both agencies should cooperate more fully. Many even suggested that the two should be merged, or failing that, they should adopt a "single-window" approach to dealing with local entrepreneurs.

As far as local entrepreneurs and community leaders are concerned, they have done as much as they can to promote greater cooperation between the two economic development agencies and to create a capacity in the region to assist entrepreneurs and aspiring entrepreneurs to conceive and pursue new economic activities and to understand the operations of government. The need here is not just to access business assistance programs but also to deal with government regulations, tax issues, and such things as environmental protection. This, in turn, explains why they stress the need to do as much as possible to establish closer cooperation between government-sponsored economic development agencies.

Consultants have been hired to identify ways for both local agencies to merge or to cooperate better. Think tanks have considered the matter, letters have been written, and special joint LEDA and commission board meetings have been held to consider the issue — and the list goes on.<sup>90</sup> Efforts have also been made to promote strategic alliances, establish a one-stop shop centre, and define a single-service delivery model. To date, however, these efforts have all failed, and by all accounts there is no reason to be optimistic about the future.

---

90. See, among others, Rachelle Richard-Collette, "Kent Region Economic Development Strategy. Results in 1996 and Perspectives for 1997: Soaring from a Solid Foundation" (University of Waterloo, June 1997) and "Rapport de l'étape de consultation des outils collectifs privés," Think Tank, 1 and 2, November 1997, Kent Tourist Association.



The public administration literature indicates that once a government organization has been established and regardless of its success in pursuing a narrowly defined mandate, it can sometimes take on a life of its own. Its own immediate interests and survival become paramount and can often overshadow other concerns, including a region's broader economic interests.<sup>91</sup> The experience of the Kent region seems to bear this out.

For local entrepreneurs and community leaders, the solution is straightforward — unite the economic forces in the region and decentralize some of the expertise currently located in Fredericton or Ottawa to regions like Kent where it is needed. Government agencies, they argue, ought to be more proactive, especially in regions with a business community consisting of first-generation entrepreneurs. The region's requirements, they argue, are vastly different from those in more-established communities that have a rich and productive business culture.

Local entrepreneurs also say that government agencies and their officials should not simply sit in judgement on their proposals. In addition, they argue that capacity-building, which is essential in regions like Kent, can no longer rely so heavily on volunteers. The economy is becoming increasingly sophisticated and complex, which means that information, knowledge, and an ability to network are essential to economic success. They are convinced that government officials possess at least part of that knowledge, but of what use is it when so much of it is largely inaccessible. How, they ask, can we get officials in Ottawa or in regional offices in Halifax or Fredericton to focus on the Kent region let alone on the local entrepreneur? Large multinational or national firms like General Motors, Bombardier, McCain, and the Irvings have their own in-house capacity, so they have less need of what is available in government departments. Yet, the perception is that government departments have geared their resources to help these firms compete better in the global economy. The solution, therefore, is to decentralize some of this knowledge to the local level and then force the local development agencies to merge or at least work together.

Though the solution seems obvious to them, local entrepreneurs feel completely powerless to make it happen. They report that they have spent countless hours working on its implementation, but

---

91. See, among many others, Donald J. Savoie, *Thatcher, Reagan, Mulroney: In Search of a New Bureaucracy* (Pittsburgh: University of Pittsburgh Press, 1994).

without success. They are deeply puzzled by this and find it hard to understand how or why government agencies would ignore the wishes of virtually the whole of the region's business community. This debate goes to the heart of how communities can organize themselves to promote economic development and how the two senior levels of government can support the economic development of such areas as the Kent region. It also raises the accountability issue, which may well be the most overlooked or misunderstood issue in community economic development. We return to it later in this study.

Suffice it to say here that things are never as simple as they appear to be at the local level. There are reasons, some rooted in the workings of our political and administrative institutions, that explain why officials in traditional government departments function the way they do. When asked about it, senior federal and provincial government officials deny they are to blame for the fact that the two local agencies have failed to merge or adopt a single-service delivery model. Indeed, they insist that they would support and have supported such developments, and if the boards of directors of both agencies would agree to merge or to adopt a single-service delivery model and would bring their staffs on side, it would happen. The problem, they say, is with the boards and staffs of the two agencies, who have been unable to work out a plan that is acceptable to both sides.

The fact that the agencies are sponsored separately by the two senior levels of government has certainly not helped matters. That and the fact that one of the agencies is on the road to self-sufficiency and the other is not have been enough to convince many people to oppose the merger or to drag their feet in the move towards closer cooperation. Still, it would be relatively easy for the federal and provincial governments to issue a joint statement saying they support the merger of the two agencies. And it would also be fairly straightforward for everyone concerned to agree that the equity that Kent-LEDA has built up over the years should be set aside as an investment fund for the Kent region to be managed by a merger of the two organizations. Failing that, the fund could operate as a stand-alone fund to be managed by a board of local entrepreneurs, and everything else could be administered by the new agency created by the merger.

## ■ Summerside

Summerside, Prince Edward Island's second-largest city, has had a history of economic ups and downs. Its economic development began as a prosperous shipbuilding centre, but the collapse of the shipbuilding sector in the Maritimes at the end of the nineteenth century was a disaster for Summerside. However, the community recovered and prospered again, this time as a fur-trading centre — in 1920 Summerside became the headquarters of the Canadian National Silver Fox Breeders' Association. Then in the 1940s, this industry also failed as the result of a combination of overproduction and changing women's fashions. But the community's fortunes would rise once more with the construction of an air force base, only to fall again some forty-five years later when the base was closed, a sacrifice to Ottawa's balanced budget.

The *Globe and Mail's Report on Business Magazine* ran a story in August 1998 describing the plight of a Summerside entrepreneur, Jo-Anne Schurman.<sup>92</sup> In the summer of 1989, Schurman had everything in place to construct a ninety-room country inn in Summerside, when the federal government shut down the local air force base and effectively eliminated twelve hundred stable and well-paying jobs in the community. So she did what any prudent business person would do under the circumstances — she put her plans on hold and waited for the dust to settle. Predictably, the closure was a disaster for the community. Summerside's mayor explained: "It was not like a factory closing where people tend to stay afterwards. In our situation, it involved the transfer of people out of Summerside. It had a really negative effect on the community."<sup>93</sup>

Within a few months, however, Schurman decided to proceed with a scaled-back version of the inn, and in 1991 she opened her 51-room Loyalist Country Inn. In hindsight she made the right decision. Indeed, in 1998 she expanded the inn's capacity to 103 rooms. In 1999 a new 80-room Holiday Inn Express Hotel opened in Summerside.

One can easily appreciate why, initially at least, Schurman decided to put her plans on hold following the closure of the base. In fact, the community and the provincial government both described

---

92. "Having Overcome Adversity Summerside Makes a Comeback," *Report on Business Magazine*, *Globe and Mail* (Toronto), August 1998, 66.

93. Quoted in *ibid*.

the situation as a “disaster” for Summerside. The response from the community and the province was swift and to the point — the base must be kept open. A few days after the announcement was made, a special committee was organized to apply pressure on Ottawa to reverse the decision, another committee was created a few weeks later to coordinate federal government initiatives, a special task group was established by the premier to review the “proposed” base closure, and the premier wrote the prime minister to protest the closure and to ask him to reconsider his decision. At one point Premier Ghiz went so far as to threaten to sue Ottawa over the closure of CFB Summerside.<sup>94</sup> A few months after the task group was established, the premier met with the then Prime Minister Brian Mulroney to report its findings, which were also to the point — CFB Summerside should be kept open because the base only “accounts for approximately one half of one percent of total National Defence expenditures,” and Prince Edward Island is entitled to its share of defence spending.<sup>95</sup> Much of the group’s report stressed the negative socio-economic impact of the closure on both the community and the Island. It argued: “Closure would remove 33 percent of income from the Summerside area — \$1 in \$3.”<sup>96</sup> It went on to say: “Closure of CFB Summerside would devastate the economy of Summerside and surrounding communities.”<sup>97</sup> Specifically, it reported:

- ▶ Four to 5 percent of total provincial population would be affected.
- ▶ Thirty-three percent of the population of the Summerside area would be affected.
- ▶ Five percent of total provincial income would be affected.
- ▶ Thirty-three percent of the income of the Summerside area would disappear.<sup>98</sup>

Some three months after the announced closure, three government officials went to Summerside to review the situation. One of them added fuel to the flames when he reported: “The real estate

94. See, for example, “GST Centre to Be Built in Summerside,” *Globe and Mail* (Toronto), 4 May 1990, A9.

95. Report of the task group on the proposed closure of CFB Summerside, submitted to premier Joe Ghiz, 16 May 1989, 7.

96. *Ibid.*, 18.

97. *Ibid.*, 19.

98. *Ibid.*, 20–21.

market has collapsed, prices are down 40 percent. Investment has dried up. The largest contractor in town has laid off his last employee.”<sup>99</sup>

Community leaders, with the assistance of the provincial government, pressed Ottawa to identify new economic activities for Summerside or, failing that, to keep the base open. The community spoke with one voice and left little doubt that it expected the two senior levels of government to respond to what it described as an “economic crisis” resulting from a decision by the federal government.

The community left no stone unturned in its efforts to find a solution. It commissioned or supported the preparation of numerous consultants’ reports covering a wide variety of issues, including “community profiles” and defining an “adjustment strategy.”<sup>100</sup> And it threw its support behind the move to involve a former resident, Donald McDougall, in the search for solutions. McDougall was a high-profile senior business executive with a major Canadian corporation located in Ontario.

The prime minister responded by establishing a cabinet committee to be chaired by the minister of Employment and Immigration. The committee’s mandate was to coordinate the efforts of the various groups looking into the matter. ACOA was also asked to play a lead role, and a series of federal government or federal-provincial committees was set up to identify new private sector initiatives and alternate public sector activities and to dispose of the physical assets of the base.

Within weeks, there were several important developments. McDougall went to the minister of Employment and Immigration with a proposal to privatize the base facilities, and a few months after receiving the proposal, the federal government turned over the base and its assets in trust — and \$15 million (\$10 million of federal money and \$5 million of provincial money) to develop the facilities. McDougall’s firm provided interim management. The assets and the fund were subsequently turned over to a new entity, Slemon Park Development Corporation, which made a commitment to create five hundred new jobs within ten years (see map 2).

99. See “PEI May Sue Over Closing of Summerside Base,” *Globe and Mail* (Toronto), 1 August 1989, A1.

100. See, for example, John Cameron, *Community Adjustment Strategy: An Atlantic Canada Perspective* (Moncton: ACOA, 1991).

There was no agreement on the value of the assets turned over to Slemon Park Development Corporation. Public Works Canada considered the base to be more of a liability than an asset, and the provincial finance department estimated the asset value for provincial tax purposes at \$45 million.<sup>101</sup> Others, however, notably CFB Summerside and the provincial government, estimated the replacement value at over \$200 million.

Slemon Park, ACOA, and provincial government officials met with a number of private firms from Canada and abroad in an effort to attract them to Summerside. When Atlantic Turbines Inc. was persuaded to install its engine repair facilities in the park, it received \$4 million from ACOA and another \$1.75 million from the PEI Development Agency. Slemon Park also agreed to give Atlantic Turbines 40 percent ownership of the facilities if it created 310 jobs over the following four years. As well, Bendix-Avelex, a subsidiary of Allied Signal Inc. of New York, received a \$1.55 million ACOA grant to establish an avionics and repair facility. ACOA also agreed to provide \$7 million to develop the Summerside Aerospace Centre using the base facilities.<sup>102</sup> The provincial government contributed another \$3 million to this project and gave \$562,000 to a Nova Scotia firm to purchase and operate a window-making plant that was planning to shut down. In addition, ACOA provided \$12 million in assistance to McCain Foods and \$17.5 million to Cavendish Farms to establish food-processing facilities in the area.<sup>103</sup> In both cases, there was government assistance for the construction of water treatment plants. McCain pledged to create 140 jobs and Cavendish 160 jobs, and both agreed to locate their plants near Summerside — 20 kilometres and 10 kilometres away for McCain and Cavendish respectively. In 1992 the provincial government announced that it was moving the Institute of Justice (Holland College's Atlantic Police Academy) from Charlottetown to Slemon Park, a move that carried with it "12 jobs, a \$2 million budget and \$6 million in economic spinoffs."<sup>104</sup>

At the same time as efforts were under way to attract private firms to Summerside, federal, provincial, and municipal officials were also pursuing public sector solutions. The federal government agreed to

---

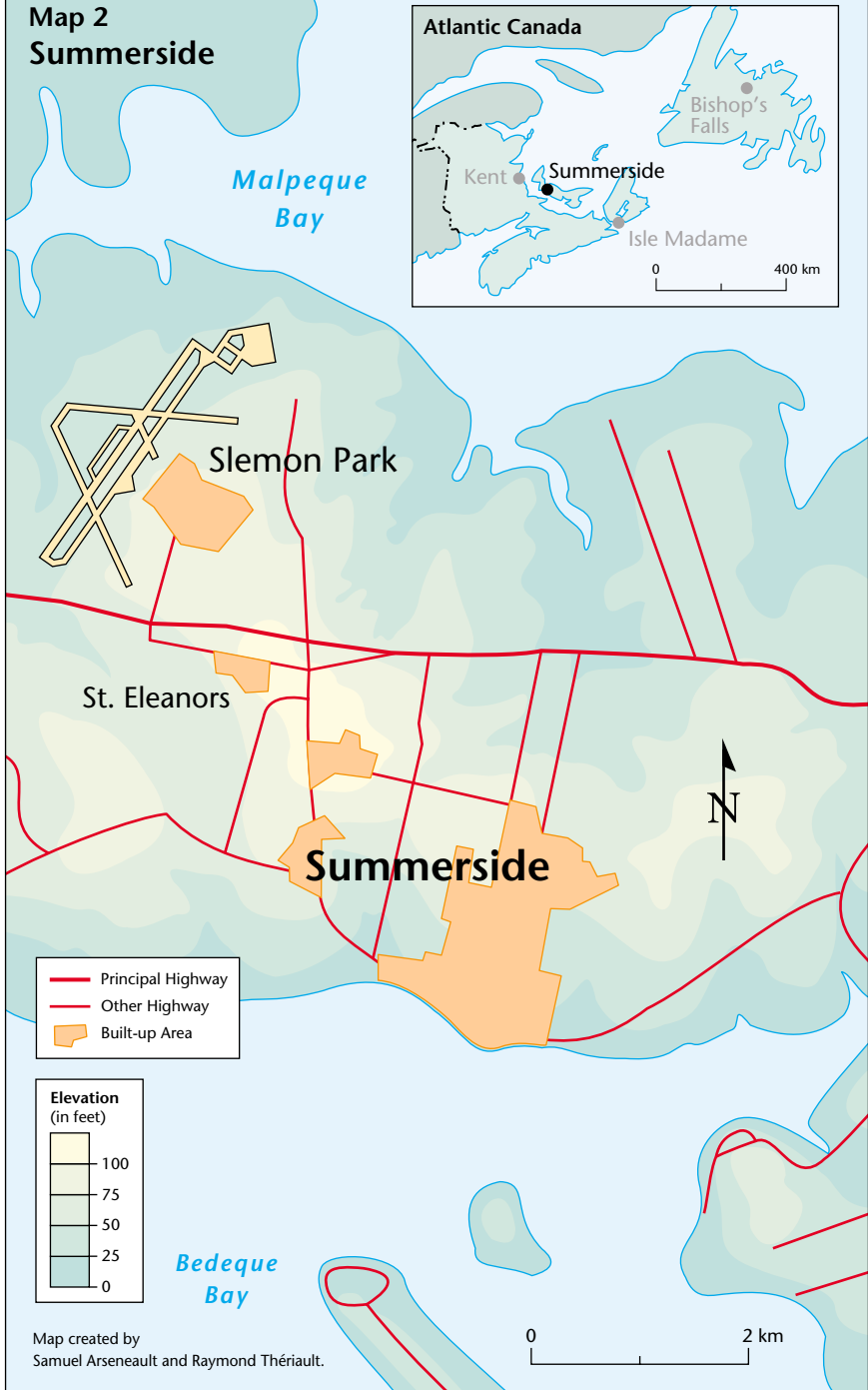
101. See, among others, "Summerside Countdown Begins," *Globe and Mail* (Toronto), 30 March 1992, A5.

102. Ibid.

103. Based on information made available by ACOA.

104. "Justice School Moving to Summerside," *Globe and Mail* (Toronto), 5 February 1992, A7.

## Map 2 Summerside



designate Summerside as eligible for the Community Futures Program and for annual funding of up to \$800,000 for five years.<sup>105</sup>

The big prize, however, was the new facility, yet to be established, to process the new goods and services tax (GST). ACOA commissioned a consultants' report to study the feasibility of locating the centre in Summerside. An intensive lobbying effort followed involving ACOA, the premier of Prince Edward Island, several members of his cabinet, and the mayor of Summerside (who made twenty trips to Ottawa). The lobbying effort was successful; the decision to locate the GST-processing centre in Summerside was announced on 3 May 1990. The centre was expected to create 400 full- and part-time jobs, but by late fall 1993 it had already created about 550 new jobs, 493 local employees had been hired, and it had an annual payroll of \$16 million.

This laid the groundwork for still more development and growth. Businesses in Slemon Park have expanded and today employ more than 600 people. The aerospace centre has about 6.5 acres of hangar space and is home to four companies: Atlantic Turbines Inc., a turboprop engine renovator that employs 150 people and is expanding; Allied Signal Aerospace Canada, a specialist in aircraft accessories and control-systems refits, employing 60 people; Testori Americas Corporation, manufacturer of fabric seat covers and moulded body panels for aircraft and subway systems, employing 75 people; and Wiebel Aerospace (1995) Inc. (a subsidiary of Testori), a manufacturer of components for, and overhauler of, aircraft-landing systems, employing 20 people. Slemon Park and the province are also prospecting for a company that would do complete airframe inspection and renewal on aircraft needing C- or D-level work.<sup>106</sup> Watts Communication, a Toronto-based telecommunications company, opened a call centre in Summerside several years ago, and today it employs over 200 people. The GST-HST centre now employs about 800 people at peak season. Local businesses have expanded, and local entrepreneurs have also launched new activities.

Companies were attracted to Slemon Park by the infrastructure it provided and by the training it gave employees. However, the most attractive offer it made to prospective companies was a suspension of provincial sales, property, and corporate income taxes until the

---

105. Ibid.

106. *The State of the Regions: The Economic Region of Prince Edward Island*, The Maritime Series (Moncton: CIRRD, 1998), 100.



year 2012. The most significant of these is the provincial income tax, since virtually all production is exported. Aerospace developers, for example, reported \$110 million in income last year and talk of doubling that within five years. Slemon Park, as already noted, is also a centre for Holland College training programs, and the college has ambitious plans for their development. The principal program for the moment is its Justice Institute, with a staff of seventeen. Another is its Aircraft Maintenance Institute, which employs five people but may well grow to serve the aerospace industry in Nova Scotia as well as in Prince Edward Island. Other major employers include Emily Productions (eighty-five people) and Small Fry (seventy-five people).<sup>107</sup> In August 1997 a total of 627 people worked at various enterprises at Slemon Park.

What has been the economic impact on Summerside? The best that could be said about Summerside's economic environment before the announcement of the base closure was that it was stable. In fact, Summerside, like Prince Edward Island itself, has had a stagnant economy for some time. Indeed, the Island's population and that of Summerside in the late 1890s was about the same as it is today. This explains, at least in part, Summerside's strong reaction to the announcement that the base would close. The Island's economy and its urban structure were already weak and scarcely in a position to absorb surplus labour. CFB Summerside provided not only stable jobs but also a stable economic environment for the community and its surrounding areas.

In 1986 Summerside had a total population of 8,020. The total labour force was 3,825, the participation rate stood at 62.9 percent, and the unemployment rate was 15.7 percent. Employment consisted of 210 people in primary industries, 380 in manufacturing, 215 in construction, 305 in transportation, 545 in trade industries, 110 in finance, 700 in government services, and 1,360 in other service industries. There were 2,790 occupied private dwellings. Average income for working males fifteen years of age and over was \$17,626; for working females fifteen years of age and over it was \$10,617. Of the total income composition for the area, 70.2 percent came from employment, 19.2 percent from government transfer payments, and 10.6 percent from other sources.<sup>108</sup> The total assessed market value in 1980 of commercial real estate and noncommercial,

---

107. *Ibid.*, 101.

108. Statistics Canada, *Profiles*, Prince Edward Island: Part 2, 1986 Census, 81–87.

or residential, real estate was \$49,1 million and \$151,8 million respectively, which adds up to a total market value of \$200,9 million.

The number of building permits rose by 40 percent between 1996 and 1997. The total labour force in 1996 stood at 5,360, and the participation rate was 74.6 percent. Average income for working males fifteen and over was \$25,914; for working females fifteen and over it was \$16,650.<sup>109</sup> It is not possible to compare Summerside's populations between 1986 and 1996, because Statistics Canada redefined the community for statistical purposes during this period. Still, we can compare census data for 1991 and 1996: during this period Summerside saw its population grow from 13,636 to 14,525, a growth of 6.5 percent.

What all of this suggests is that Summerside never went through the kind of painful economic adjustment that people envisaged the day after the announcement that the base would close down. The numbers tell the story, and one only needs to look at the total labour force in 1986, which was 3,825 compared to 5,360 in 1996. The numbers, however, only tell part of the story. It is clear that the initial predictions of disaster were unwarranted. An important lesson that was learned here is that in future, community leaders should not base their predictions solely on the assumption that no recovery program will be initiated — they should also consider the possibility that it will, especially if they have been able to secure commitments from the two senior levels of government. Another important lesson is that redevelopment does not just happen — it must come from a deliberate effort to organize the affected community. Launching a recovery program requires energy, resources, and commitment.

Three years after the 1989 budget speech announcing the closure of CFB Summerside, the mayor of Summerside declared that the community will “have a stronger economy in the long run; despite the loss [of the base] or perhaps because of it, we'll end up with more jobs. Our economy will become more diversified and more stable. The future looks bright.”<sup>110</sup> A senior government official in Prince Edward Island said that the base closure is now viewed by many as a “blessing in disguise.” He explained: “The possibility of the base

---

109. Statistics Canada, *Profiles*, 1996 Census.

110. Mayor Basil Stewart quoted in “No Last Post for Summerside,” *Globe and Mail* (Toronto), 28 March 1992, A6.

closing always hung over the community's head. The rumour of its closure came around on schedule every three years or so. Now the community can get on with what it has to do — and it has.”<sup>111</sup> The head of a local real estate firm reports that Summerside “is one of the few areas of Prince Edward Island with a zero vacancy rate. Summerside should be booming for the next three to four years.”<sup>112</sup>

The Summerside case contains several other valuable lessons. To begin with, bottom-up approaches to community economic development, as defined in the literature, hardly constitute a full explanation for the community's economic success. It is true the community banded together effectively to apply political pressure on the two senior levels of government to either keep the base open or come up with an alternative. The local mayor was aware of that support when he lobbied Ottawa, and there is no doubt that it made a difference. But in many ways that was the easy part. It is not very difficult for a local mayor to rally a community to oppose a base closure. Indeed, “save our base” committees sprang up everywhere in the late 1980s and again in the mid-1990s whenever the federal government announced its plans to shut down a military base.

The more difficult part of an economic rescue program like this is for the two senior levels of government to generate the necessary political will to introduce specific measures either to locate new economic activities in a community or to attract them. In this case, we can see that the federal government did have the political will to assist Summerside. There is evidence of it in the decision to establish a special cabinet committee to oversee the efforts, ACOA's leadership role in identifying new activities, the decision to turn over the base's infrastructure together with a special development fund to promote a new industrial park, the decision to locate the new GST centre in Summerside in order to generate stable employment, and so on. Similarly, the government of Prince Edward Island demonstrated its political commitment to the community by transferring Holland College's Police Academy to Summerside. The decision by both governments to waive property, income, and provincial sales taxes is ample evidence in itself that they were strongly committed to Summerside's economic future.

What this shows, however, is that it was largely a top-down rather than a bottom-up approach that was adopted for Summerside. The

---

111. *Ibid.*

112. Ron Barrett, manager of Summerside's Century 21 real estate agency, quoted in *ibid.*

challenge for the community, therefore, was how to organize itself to bring political pressure to bear on both Ottawa and Charlottetown. And that is where the community concentrated its efforts. How to structure and organize a local development agency was not the main issue.

Local entrepreneurs did generate new activities but only after it became evident that governments would intervene to provide a solid and sustainable economic base for Summerside. Issues of governance for promoting local economic development mattered very little in the end. Indeed, little has changed in this respect in recent years. The Summerside Regional Development Corporation (SRDC) was formed in 1971 to encourage economic development in the Summerside area. The SRDC is now self-sustaining. The province owns 75 percent of the corporation, the city of Summerside 15 percent, and the Chamber of Commerce 10 percent. It operates with a nine-person board: six directors are appointed by the province, two by the city, and one by the Chamber of Commerce. The SRDC has acted as a catalyst for both the private and the public sectors for a number of years. In 1974 it built, and continues to operate, Waterfront Place Mall. The corporation owns two office buildings, the Summerside Golf Club (purchased in 1973), and Spinnakers' Landing (built in 1991). The most recent project, completed in June 1996, is the Wyatt Centre. Located on the Summerside waterfront, the centre houses the 527-seat Harbourfront Jubilee Theatre (operated by SRDC), Eptek Centre (operated by the PEI Museum and Heritage Foundation), and the PEI Sports Hall of Fame.

The point here is that entrepreneurs take a rational approach to business. They will invest and create new economic activities and expand existing ones only in a favourable economic environment. Entrepreneurs will take risks, but they are invariably calculated risks. They will not invest — no matter how a local development agency is structured — if their communities offer little or very limited economic hope.

The Summerside case shows that a top-down approach to community economic development can be very effective. When there is a strong political will to support it, the approach is quick and effective, and it can lead to lasting development and generate not only new economic activity but also a high level of optimism throughout the community. More to the point, it can, as the Summerside case makes clear, generate new and relatively stable public and private sector jobs. Nor does a top-down approach preclude a bottom-up

approach from subsequently taking root in the community. In fact, it can create the right conditions for a bottom-up approach to take root. Local entrepreneurs will not hesitate to launch new activities or expand existing ones if their community's economic future looks bright.

### ■ Isle Madame

The lead story in the spring 1999 issue of the *Nova Scotia Quarterly* magazine contains the following: "At the southeastern tip of Cape Breton Island, an economic metamorphosis has been transforming the tiny Acadian community of Isle Madame. It's a story of imagination and fortitude in the face of bracing odds. It's a story of careful strategy and gigantic leaps of faith." The article adds that it is a story of "victory," a victory earned by a "group of revolutionaries who've been reinventing their economy."<sup>113</sup> In fact, the group was recognized for its work when it was presented with the Contribution to Economic Growth Development Award, an award given by its peers at the first-ever Community Economic Development Awards and Showcase.<sup>114</sup> Several case studies have already been based on the Isle Madame success story: the most complete and insightful one was prepared by Monica C. Diochon in 1997 as part of her doctoral thesis.<sup>115</sup> (See map 3).

The story began in the early 1990s with the collapse of the groundfishery. In contrast to the Summerside case, the Isle Madame story illustrates the bottom-up approach to economic development. No special cabinet committee was set up in Ottawa or Halifax to coordinate efforts to promote economic development on Isle Madame, the provincial premier did not lead a charge to save the economy of the island, there was no federal government unit relocated to the region, and there were no ambitious tax incentive schemes to bring new economic activities to the community. Still, new jobs have been created recently, and a sense of accomplishment now pervades the island. For the most part, the success can be directly attributed to local leadership and an ability on the part of this leadership to network with other economic players.

---

113. "The Transformation of Isle Madame," *Nova Scotia Quarterly* (Spring 1999): 1.

114. *Ibid.*, 3.

115. Monica C. Diochon, "Entrepreneurship and Community Economic Development: Exploring the Link" (Ph.D. thesis, England, University of Durham, 1997).

Isle Madame, like many fishing communities in Cape Breton and Newfoundland, was hit hard by the collapse of the groundfishery. The Richmond Fisheries plant was shut down in 1990, throwing five hundred people out of work. The loss of five hundred jobs in a community of forty-three hundred is nothing short of a catastrophe. To make matters worse, the job loss occurred in the fishery, the community's key economic sector if not its *raison d'être*. As an Isle Madame community publication explains: "It was fish that brought Acadians and Irish Settlers to the Island. Fishing since the 1700's has been the mainstay of the Island's economy."<sup>116</sup> One can only imagine the psychological impact on a community of the loss of its economic mainstay. To illustrate, imagine the economic trauma Ottawa would suffer if it suddenly lost all of its federal public service jobs.

The community quickly came to terms with the fact that it would have to take matters into its own hands. It could not expect the kind of visibility and media attention that Summerside enjoyed as a result of the closure of its military base. Isle Madame was and remains a small community compared with Summerside. Moreover, it was only one of many communities in Newfoundland and Nova Scotia that had been devastated by the collapse of the groundfishery. Consequently, it was unrealistic to expect the two senior levels of government to focus the same economic development efforts on, say, fifty small fishing communities dispersed throughout Atlantic Canada than they did in the case of Summerside.

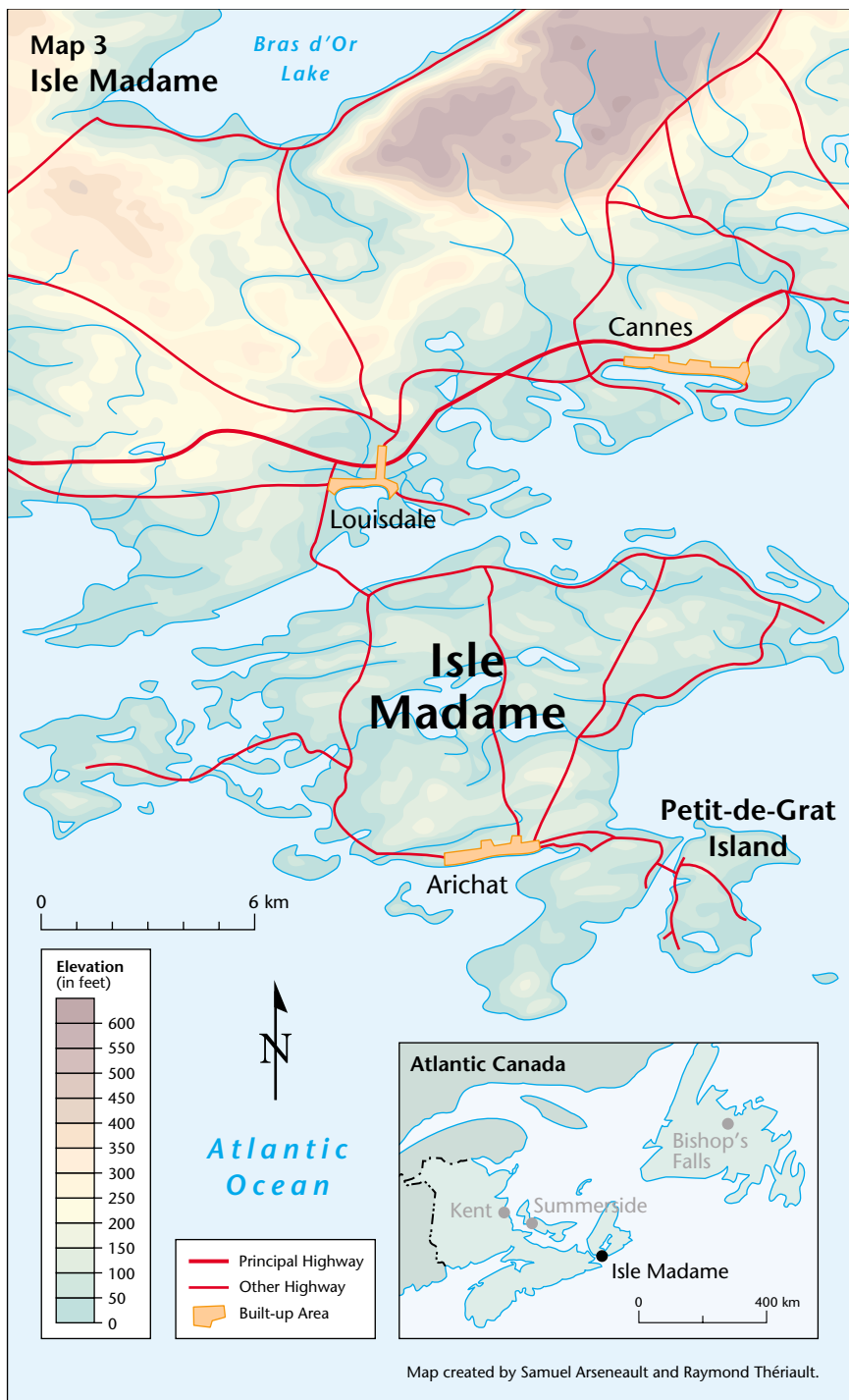
It would be misleading, however, to suggest that Isle Madame tackled its economic difficulties entirely on its own and without government support. It is true that the energy, commitment, and tenacity came from the community, but it was forced to turn to a number of sources for support, in particular financial resources and several government departments.

Even before the collapse of the fishery, community leaders had come together to consider their region's economic future. Fearing a serious downturn in the fishery, community leaders turned to Human Resources Development (HRD) for help in establishing an Industrial Adjustment Service Committee (IAS). They secured a grant and the committee was born, bringing together trade unionists, educators, fish plant workers, entrepreneurs, youth, seniors, and

---

116. *Development Isle Madame: Our Story—Past, Present and Future* (Arichat: Development Isle Madame Ltd., 1999), 1.

**Map 3**  
**Isle Madame**



Map created by Samuel Arseneault and Raymond Thériault.

others.<sup>117</sup> One of the first initiatives of the committee was to retain the services of a consultant, GTA Consultants, to review the emerging crisis in the fishery and to propose solutions.

The GTA report "Isle Madame: Charting a New Course" painted a very bleak picture. Wages and salaries had fallen over a six-year period, the local fishery was in a state of crisis, and even the island's social fiber was coming under increasing stress. Moreover, it pointed out, there were few options available to the community to promote economic development, and things were unlikely to improve in the near future. The GTA report sums up the situation this way: "Many fishermen and plant workers did not qualify for unemployment insurance in 1993 and much larger numbers will have no regular source of income when their current UI claims run out." It said the stress suffered by individuals and families was increasing dramatically, and people reported "increased tension and conflicts at home, and growing anxieties about being able to provide adequately for children.... [The] crisis is devastating.... It is unavoidable that the community will suffer some loss."<sup>118</sup>

According to the GTA report, the four sectors with a potential for economic growth were also linked to the maritime traditions and skills found in the community. But the consultants warned they were not "magic solutions," and they would not create "hundreds of well-paid industrial jobs in the short term."<sup>119</sup> All in all, the options were limited, and what they offered was only a modest growth potential. For this reason, GTA strongly urged the people of Isle Madame to "adopt a community economic development strategy. This would require new leadership structures and an in-depth planning and consultation process to develop plans for social adjustment and economic renewal that are widely supported by the community."<sup>120</sup>

It was a simple matter to call for a planning and consultation process; however, making it stick would be much more difficult given that the process would have to come to terms with extremely bleak economic circumstances. A few key economic indicators told the story:

---

117. Ibid., 2.

118. GTA Consultants, "Isle Madame: Charting a New Course," (Shediac, 1993), 33.

119. Ibid., iv.

120. Ibid.



- ▶ The population of Isle Madame, modest to start with, dropped by 12 percent between 1976 and 1991 or from 4,904 to 4,333. By contrast, the population of Nova Scotia grew by 9 percent during the same period.
- ▶ Isle Madame's participation rate in the labour force stood at 52 percent in 1986 as compared with 61 percent for Nova Scotia and 66.5 percent for Canada.
- ▶ The region's unemployment rate in 1986 stood at 26 percent as compared with 13.5 percent for Nova Scotia and 10.3 percent for Canada. In addition, Isle Madame's unemployment rate for individuals between fifteen and twenty-four years of age was 45 percent.
- ▶ In 1986 the manufacturing sector was the largest employer in the region (465 jobs), accounting for about 20 percent of total employment. However, virtually every job in the sector was in fish-processing. In addition, the bulk of the jobs in the primary sector were in the fishery (175 jobs). All in all, the fishery accounted for 33 percent of total direct employment.<sup>121</sup> But the fishery sector, as already noted, was in a state of crisis, and there was no end in sight. Indeed, GTA consultants told the community point blank, "The outlook for the groundfish industry ... is dismal."<sup>122</sup>

GTA consultants knew that the federal and provincial governments were not about to come to the rescue of Isle Madame with a generous and comprehensive package of measures. Nor would the big multinationals or nationals be likely to locate a large manufacturing plant in a small remote community far from large markets. Worse still, while carrying out focus group meetings and surveys, they discovered that there was "a broadly shared perception among Isle Madame fisheries people" that some of the government programs for rural communities "did not work well for them."<sup>123</sup> The consultants concluded: "There is little likelihood that long term solutions to the crisis in Isle Madame will come from outside. Governments generally have less money to spend, and there are too many communities like Isle Madame that are in crisis. Many private

---

121. This information is drawn from *ibid.*, 1–10.

122. *Ibid.*, 33.

123. *Ibid.*, 85.

corporations are down-sizing and shedding jobs, and there is little evidence of major new industrial projects being planned for the immediate area."<sup>124</sup>

What to do? GTA offered two options for Isle Madame: stand by and watch its economy wither away, or come together as a community and create a new local economy through a community economic development (CED) process. The consultants described the CED process this way: It begins with the mobilization of the community. Once a leadership structure is in place, the community sets out to define needs, options, and opportunities. Plans are then prepared to address social needs and to rebuild the local economy. Finally, the process moves into the implementation phase, and government programs are accessed and organized to fit the demands of the plan (see figure 1).<sup>125</sup>

The community decided to embrace the GTA report. As recommended, a Social Renewal Committee to provide counselling to link displaced fisheries workers with available government programs and an Economic Renewal Committee to generate a community economic development strategy were established. Later, the federal government Human Resource Development Department agreed to support the hiring of a full-time officer for each committee under its Community Futures program.<sup>126</sup>

The economic renewal officer initiated a bottom-up economic development planning exercise. The officer interviewed "community active residents" and business people to identify as many ideas as possible for new economic opportunities. Hundreds of suggestions were made, and they were all circulated to the public at large. Residents were then asked to rank each idea in terms of its economic potential for the community. These suggestions later became the basis for Isle Madame's economic development strategy. A lot of effort went into building a new institutional infrastructure in the community. Indeed, five new island-based organizations were eventually set up to promote development in Isle Madame.

The economic renewal task force came forward with suggestions for new activities in aquaculture, fishing and seafood production, agriculture, crafts and small-scale manufacturing, information

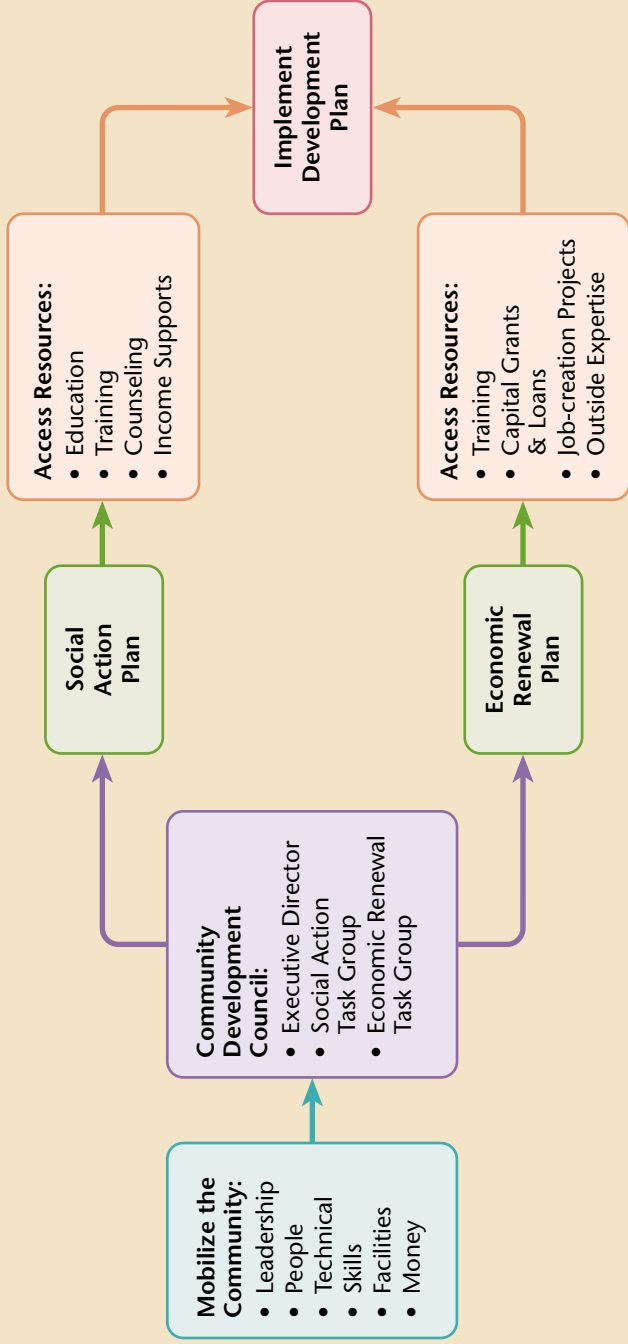
---

124. *Ibid.*, 104.

125. *Ibid.*, 113–14.

126. *Development Isle Madame*, 3.

**Figure 1**  
**The Community Economic Development Process**



boutiques, tourism, and education. It also urged the IAS committee to establish a development company to assist business, to develop its own projects, and, more generally, to strengthen the island's business environment. It was also recommended that the company focus its efforts on job-training, skills-upgrading, job search and communication skills, and literacy and entrepreneurship. Governments, however, were in no mood to fund a development company for Isle Madame.

Nevertheless, the community decided to carry on, in part because it had already been successful in launching several projects.<sup>127</sup> It supported the establishment of a new association, Development Isle Madame (DIMA), and gave it the mandate to pursue the priorities first identified in the IAS process. In a few short months after it was established, DIMA became a community-owned, non-profit company. It is administered by a board of directors representative of the community, and board meetings are always open to the public.

DIMA has formed strong working relations with various government agencies and has been successful in securing funding to initiate activities such as planning and development programs. The size of its staff varies depending on the number of initiatives it is planning and implementing. And it is pragmatic in its outlook and practices, rejecting a comprehensive economic development strategy to which all proposed economic activities must conform in favour of defining its goals and objectives according to the demands of process and procedure and in keeping with a profound desire to see all forces in the community involved in promoting economic development. The association's goals and objectives include:

- ▶ Assisting in the realization and implementation of the island's strategic plan through the integration of development opportunities and educational programs
- ▶ Providing a forum whereby island residents can contribute to, and assume ownership of, the CED process
- ▶ Identifying, supporting, and providing a venue for local community leaders to contribute to the economic development process
- ▶ Helping to develop the infrastructure needed to support economic development

---

127. Karen Malcolm, "The Survival of a Small Community," in MacIntyre, ed., *Perspectives on Communities*, 121.

- ▶ Identifying and developing small manufacturing opportunities that will maximize the potential of the area and its people
- ▶ Promoting Isle Madame as a tourism destination, thereby creating an environment in which to stimulate the growth of the service sector
- ▶ Helping to build and maintain a community that will attract youth, former residents, and newcomers and encourage them to contribute their education and experience to continuing Isle Madame's tradition of being the best place in the world to live

DIMA's central purpose, however, is to become self-sufficient. By its own admission, the association has survived through its ability to weave together a "piecemeal of program funding, some government assistance and fund-raising initiatives."<sup>128</sup> Its impressive workload has been borne by only a "few staff members" and "many volunteers." And yet developing, promoting, and implementing projects tell only part of the story. Staff and volunteers have been busy establishing ongoing relations with local businesses, community organizations, and a vast array of government agencies from both the federal and provincial governments, including many sectoral departments, ACOA, Heritage Canada, Human Resources Development, Enterprise Cape Breton, and so on. Those efforts have clearly paid off, because there is now an impressive list of projects and activities in the community, all of them linked in one way or another to DIMA.

The Tradewinds call centre is different from the ones found in various Maritime communities and elsewhere. Unlike other communities soliciting businesses to locate call centres in their towns or cities, Isle Madame started its own "outsourcing" company, which operates as a call centre for different businesses. The community's bilingual workforce is well-positioned to capture call centre businesses from across Canada. Local people have been trained to work in call centres, and Tradewinds has already secured several contracts.<sup>129</sup>

Isle Madame has also launched several aquaculture projects. At the moment, for example, there are nine shellfish sites at various stages of production. There is also plenty of evidence to show that Isle Madame can grow good-quality mussels, oysters, scallops, and

---

128. *Development Isle Madame*, 9.

129. *Ibid.*, appendix D.

fin fish. Signs of a burgeoning aquaculture industry are now everywhere on the island.

DIMA has also been very active in the tourism sector. It has sponsored seminars to promote unity among the community's tourism operations, sponsored studies to identify ways to strengthen the tourism sector, and developed brochures to publicize the community's tourism potential. DIMA also secured funding to carry out research and planning activities in eco-tourism and is promoting the development of specific projects, including a waterfront development initiative and the Cape Breton Trail.

DIMA also played a key role in helping aspiring entrepreneurs and local businesses to develop new business ventures. It assisted one local entrepreneur to establish a fin fish operation and another to manufacture oil tanks. It was also instrumental in devising a novel method to secure a shrimp licence for the community. The plan was to coordinate the licence applications of seventeen fishermen on the understanding that any licence drawn would be held by a community-based cooperative. The initiative was successful, and the Richmond Community Fishermen Management Co-Op was born. One fisherman was awarded a hundred-thousand-pound quota in the shrimp draw. DIMA claims that this cooperative is different in that "never before has a community co-management organization in North America included all stakeholders in the community."<sup>130</sup>

There is no single huge success in the story of Isle Madame's economic development, only a series of small projects and initiatives that add up to a huge success. Taken together, they demonstrate how a small community can come together to solve a major economic crisis. What Isle Madame did was establish a community infrastructure that enabled it to come to grips with the economic challenges, unite the community, and promote new activities. The process has undoubtedly been time-consuming, and community leaders readily admit to moments of frustration.

Some, for example, point to government programs that were continually being changed. Proposed initiatives and activities were constantly being adjusted to satisfy new government priorities. Others speak of tensions between a number of communities on the island. Indeed, this was confirmed in an interview with an official from DIMA. However, those problems have been resolved, he said:

---

130. *Ibid.*, appendix G.

"We were able to work them out so that there is now a strong community spirit found everywhere on Isle Madame." Then there are those who claim that DIMA itself has witnessed volunteers suffering burn-out "and has had to develop strategies to cope with it."<sup>131</sup>

Monica Diochon reports that some residents had to abandon what they considered to be "viable projects" because they were ineligible for government funding. She said that such dealings with government red tape often left entrepreneurs and aspiring entrepreneurs feeling frustrated. However, she applauds the idea that community development organizations should become financially self-sufficient. She writes, "Evidence indicates that this attribute not only fosters considerable entrepreneurship, but it has had a very positive impact on individual self esteem."<sup>132</sup> She points to the importance of securing access to financial resources but argues, "There is no evidence that this factor alone is effective in stimulating entrepreneurship."<sup>133</sup>

Diochon concludes that community-based responsibility and accountability in Isle Madame "coupled with a significant increase in community authority has had a very positive influence on entrepreneurship.... The majority of groups have exercised considerable creativity in initiating projects to achieve greater financial self-sufficiency."<sup>134</sup> The island's strong community spirit has promoted a high level of trust. Residents are not afraid to propose new ideas for generating development, and many have.

Moreover, there is a strong sense of community accountability. DIMA board meetings, for example, are open to anyone who wants to attend. Indeed, at one point, any resident could have become a board member simply by attending two or more meetings. DIMA's staff as well as residents see themselves as "accountable, first and foremost to the community."<sup>135</sup> Staff members are also full participants at board meetings.

There is no denying that the story of Isle Madame has been marked by success. Just how successful it has been can be better appreciated when the island's economic recovery following the collapse of the groundfish stocks in the early 1990s is compared with the response of other small fishing communities to the same crisis. As early as

---

131. Malcolm, "The Survival of a Small Community," 127.

132. Diochon, "Entrepreneurship and Community Economic Development," 268.

133. *Ibid.*, 382.

134. *Ibid.*, 342.

135. *Ibid.*, 276.

March 1996, 76 percent of TAGS clients were either employed, self-employed, in training, or working on projects. By May 1999, the economic renewal process had created 460 jobs, and the unemployment rate had decreased from 26 percent to 12.5 percent. Today, the unemployment rate on Isle Madame is substantially lower than it was in the early 1990s and only slightly higher than the provincial average.

The success of Isle Madame is the story of a small community that was able to pull itself up by its bootstraps when faced with a severe economic crisis. Many other small fishing communities found themselves in the same situation as Isle Madame, and yet none of them were nearly as successful in dealing with it. So what sets the island apart from these other communities? What lessons can be learned from its success? Some of the answers can be found in the local leadership, the deep sense of community pride, patience, an ability to tap into a variety of government programs and to work with many government departments and agencies, the handful of key individuals serving both as staff and as volunteers, the bilingual workforce, and the fact that the community is close to Port Hawkesbury and Antigonish, two good-sized towns.

Isle Madame has enjoyed a high profile in the media and in government in recent years. It has been visited by prominent members of the federal cabinet, who have applauded its unique approach and remarkable success. One can easily appreciate why federal cabinet ministers would applaud the Isle Madame model: the initiatives originated with the community and not with Ottawa or even Halifax; the model lets the two senior levels of government off the hook when it comes to making difficult decisions about allocating new financial resources or relocating government units; if the experiment had failed, it would have been the fault of the community, not the government; and the government was not involved in supporting a private sector project, which would have entailed the possibility of failure and embarrassment.

The truth of the expression "Success breeds success" is borne out in the case of Isle Madame, which is seen as a great success by the media and governments. As a result, it now finds it much easier to secure government funding for new projects, which will presumably enhance its image further and lead it on to even greater achievements in the future.



## Bishop's Falls

Bishop's Falls, which is located in Newfoundland's scenic Exploits Valley, was founded in 1901 (see map 4). In its early years, the community's economic growth centred around two main employers: a pulp mill and generating station at the "Falls" and the Newfoundland Railway. The pulp mill was sold in 1923, and Grand Falls later became the centre of pulp production in the region.

The Newfoundland Railway continued to run much of its western operations from Bishop's Falls. At its peak, the railway had its headquarters in the community, it employed hundreds of its residents, and the community was the site of its western division. It later opened a dispatch office in the town. However, the cancellation of passenger service in 1969 and the gradual erosion of services throughout the 1970s and 1980s resulted in job cuts. By the time the Newfoundland Railway closed its operations in 1988, it employed only seventy-five people.

Still, the closure sent shock waves through Bishop's Falls. It is no exaggeration to say that because the community had grown up with the railway, its residents could hardly imagine a future without it. Losing seventy-five stable, well-paying jobs in a town of forty-one hundred was bad enough, but just as bad perhaps was the psychological damage it did to a community that saw the railway as its *raison d'être* (a similar situation to the one in Isle Madame following the collapse of the groundfishery). Indeed, the railway gave rise to a highly skilled workforce in Bishop's Falls and was the reason companies were attracted to it, companies such as manufacturing firms interested in servicing the central region of Newfoundland from a convenient location.

In addition, the economy of the communities surrounding Bishop's Falls was hardly prosperous in the late 1980s. The fishery sector was already experiencing difficulties, and cuts or reductions in federal transfers to the province were starting to be felt. Therefore, residents did not have the luxury of moving to a nearby community to find work. The choice was clear — stay and help rebuild the local economy or leave the province to find work in Calgary or Mississauga. Moreover, much like Isle Madame, the economic difficulties confronting Bishop's Falls did not command the kind of attention that would induce either the national or provincial governments to move in with ambitious economic development schemes or initiatives.

Still, the federal and provincial governments realized that the closing of the railway would result in a period of adjustment for Bishop's Falls and indeed for the province as a whole, so they agreed to introduce measures to assist the affected communities. Accordingly, on 20 June 1988 the governments of Canada and Newfoundland and Labrador signed a memorandum of understanding that provided \$800 million to deal with the closure of the Newfoundland Railway and as a "compensation to Newfoundland to be provided to Newfoundland in lieu thereof." The agreement was for a fifteen-year period, from 1988 to 2003,<sup>136</sup> and represents an acknowledgement of the terms of Newfoundland's entry into Confederation. It also compensates for the loss of the railway by providing a major long-term transportation initiative and by upgrading the province's transportation system.

The agreement also made some provisions for community adjustment and labour assistance resulting from the closure of railway operations. It set aside \$15 million of the \$800 million to promote community adjustments and allocated \$7 million of that amount to Bishop's Falls, another \$7 million to Port-aux-Basques, and reserved the remaining million as a contingency fund.

The \$7 million allocated to Bishop's Falls was in the form of a diversification fund to help offset job losses associated with the railway shutdown. The Bishop's Falls Development Corporation (BFDC) was subsequently formed in 1989 with a mandate to act as the fund's local review and delivery agency.<sup>137</sup>

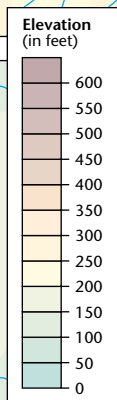
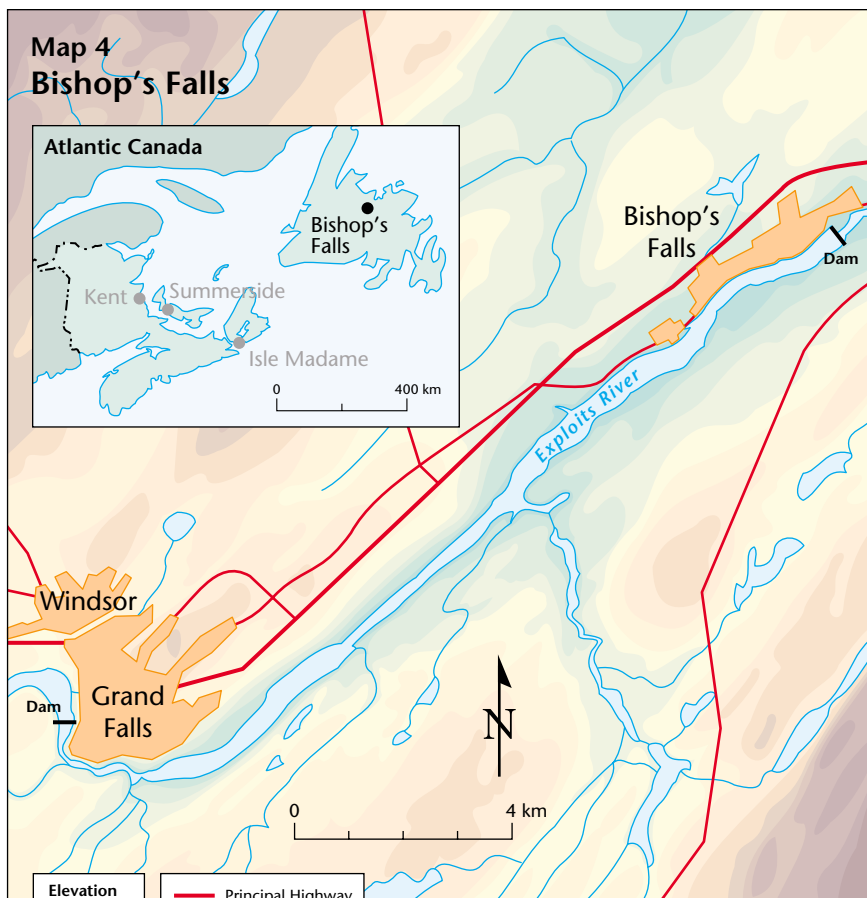
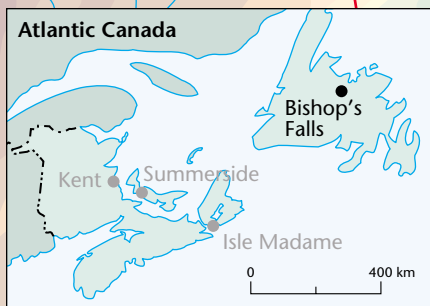
Between 1989 and the end of March 1992, the investment fund was kept under the watchful eye of Employment and Immigration Canada. There was also a Community Adjustment Steering Committee made up of federal and provincial government officials to oversee the fund's implementation. This committee made recommendations concerning proposed projects to the regional director of Employment and Immigration Canada, who had full authority to approve expenditures under the diversification fund. The role of the BFDC, meanwhile, was simply to review proposals and to make recommendations to the local committee; neither the corporation nor the committee had decision-making authority.

---

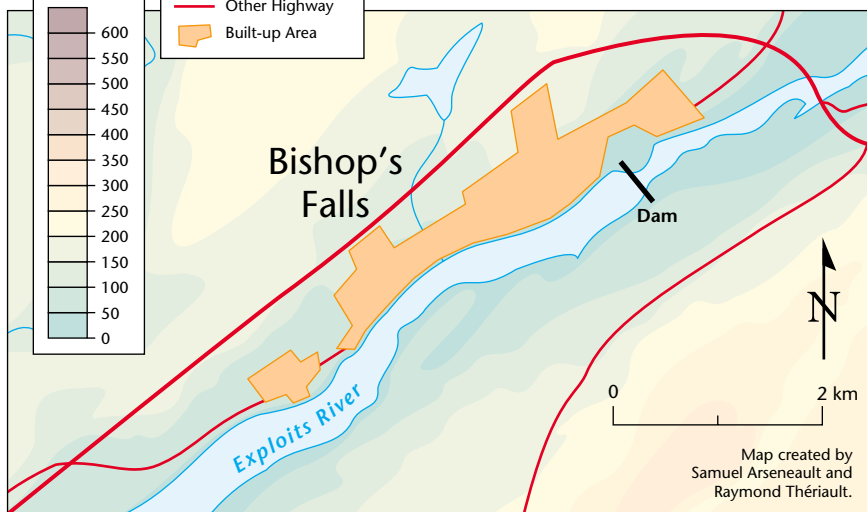
136. Based on information provided by an official with the Treasury Board Secretariat, Ottawa, September 1999.

137. See Bishop's Falls Development Corporation (BFDC), *Annual Report 1993-94*, Bishop's Falls, October 1994, 1.

# Map 4 Bishop's Falls



- Principal Highway
- Other Highway
- Built-up Area



Map created by  
Samuel Arseneault and  
Raymond Thériault.

One can imagine the problems associated with this process. It was cumbersome, slow, and hardly a model of consistency. The local community leadership also felt a step removed from the process, and there was only a limited sense of community ownership in the fund. Moreover, with the agreement due to expire on 31 March 1992, Employment and Immigration informed the community that it would suspend operation of BFDC on that date and eliminate all remaining funding. In the end Employment and Immigration extended the agreement by eighteen months to 30 September 1993.

More importantly, however, the responsibility for what remained of Bishop's Falls fund was transferred to ACOA. ACOA went to the Treasury Board in April 1993 and asked that that portion of the \$7 million (\$4.6 million) be restored to Bishop's Falls. It made the case that the community should not be penalized for failing to spend all of the money it was allocated.<sup>138</sup> To deny it the remaining funds, it argued, would be to send the wrong message to communities facing economic problems that have been given public funds to help with their adjustment. What message? — spend the money as quickly as you can regardless of a project's merits, or lose it.

ACOA urged that enough time be given to the community for it to develop and promote sound projects that would have a long-term economic impact. It also recommended that the \$4.6 million plus any residual from the \$1 million contingency be turned over to BFDC in the form of a nonrepayable contribution.

The agency made it clear that it would adopt a very different strategy from the one used by Employment and Immigration — it would seek to empower the community, more specifically BFDC. But before doing this, ACOA clearly laid down what it termed as eligible costs allowed under the fund. It stated that the funds could be used by the corporation for “loans, equity investments, interest buy down and non-repayable financial assistance to individuals, partnerships, incorporated companies and co-operatives for the purpose of enhancing existing businesses and establishing new businesses, including the operating costs necessary for the delivery of this project.”<sup>139</sup> It also made it clear that the responsibility for “assessing and approving applications” would rest with the corporation and its board of directors and not with a complicated process

---

138. Decision of the Treasury Board, Meeting of April 1993, Ottawa, 3.

139. Consultations with ACOA officials, various dates in 1999.

involving federal-provincial committees of officials.<sup>140</sup> ACOA also declared that revenues received through loan repayments and interest could be reemployed by the corporation to promote its program objectives. It added, however, that the corporation could only assist in the form of equity participation to “incorporated private businesses” and that it must be subject to a formal agreement to buy back shares.

The community and the corporation were quick to applaud the new approach. In its 1993–94 annual report, BFDC declared, “The development of a new operating agreement with the federal government, through ACOA, has resulted in a new-found spirit of enthusiasm and professionalism within the [corporation].”<sup>141</sup> With the authority to set policy and make meaningful decisions now in its own hands, the corporation set out to establish new kinds of partnerships. In addition, the corporation’s board of directors, made up of volunteers and some government officials, began to make key decisions regarding eligible sectors and criteria for project selection and to announce them to the community.

The corporation takes great pride in the fact that the decisions are made by its board and are “not imposed from above.”<sup>142</sup> Through the board, the corporation decreed that it would not “fund projects in the retail sector ... vehicles such as trucks... relocation projects unless there is a significant expansion or other economic benefit associated with it.... [It also would] not duplicate other existing programs, if a project is eligible for them.”<sup>143</sup> The corporation explained the reason for this policy statement simply by stating, “With added autonomy comes added responsibility.”<sup>144</sup>

The corporation says that decisions on projects are now made much more quickly than they were before. The corporation reported a high level of activity in its first year operating under the new mandate. In fact, between 1 September 1993 and October 1994, the corporation approved ten business development projects with a total value of \$1,337,700. The corporation’s share of these investments amounted to \$556,175 in the form of nonrepayable contributions (\$39,400), loans or repayable contributions (\$140,292),

---

140. Ibid.

141. BFDC, *Annual Report 1993–94*, 3.

142. Ibid.

143. Ibid.

144. Ibid., 4.

and preferred equity purchases (\$220,000). It was envisaged that the investments would create or maintain thirty-eight jobs.

But that is not all. The corporation resorted to a variety of activities to promote the region within the province and abroad as an ideal place to invest. It also played a key role in promoting training and counselling for area business people and in encouraging closer cooperation or networking between business people. In partnership with ACOA, it established a Mini-Telecentre, where any resident of Bishop's Falls and the surrounding area could go to develop a business plan, research an idea, or learn computer applications.<sup>145</sup>

The corporation also took the bold step of erecting a new building in the local industrial park. It felt that if it were able to rent office and industrial space to potential investors, it would strengthen its ability to attract new businesses and encourage existing ones to expand. The corporation rejected the option of refurbishing an existing building not only on the basis of access and economics but also because it felt that a new building would be interpreted as a sign of confidence in the industrial park. A new twelve-thousand-square-foot building was erected in 1994, with Fomarark Manufacturing as its main tenant.<sup>146</sup>

As well, the corporation focused its efforts on manufacturing and new technology. In doing so, it kept its sights on its overall objective, which is to assist in diversifying the local economy and generating meaningful long-term employment opportunities. That is, the corporation decided to pursue activities in the manufacturing sector, particularly in the light-scale manufacturing sector, without necessarily rejecting possible investments in other sectors.<sup>147</sup>

Leaping ahead to the end of the 1990s, it is clear that the corporation has been a success. Even a cursory look at the evidence tells a positive story. For example, in 1990 there were six firms in the small-manufacturing sector; by the end of 1997 there were twenty. In 1990 there were sixty-five people employed in the sector; by the end of 1997 there were over two hundred. One should bear in mind, however, that the number of jobs lost to the railway closure amounted to only seventy-five.<sup>148</sup> When reporting on this success, the

---

145. *Ibid.*, 12.

146. *Ibid.*, 8.

147. See, for example, "Proposal to sponsor Newfoundland Manufacturers Association: Manufactured Right Here '95 Exhibition," BFDC, 1995.

148. See, for example, *Moving Ahead*, report of the BFDC, 23 October 1997, 4.

corporation makes the point that it is the result of “a partnership” with other public sector agencies and the private sector.<sup>149</sup>

The corporation readily provides information not only on its activities but also on the businesses it has encouraged to locate in the community and on the ones it has assisted. It arranges its activities under three headings:

*Business Support:* Through its flagship program, the corporation has invested approximately \$5 million in over thirty private businesses to support start-up, expansion, and modernization activities.

*Infrastructure Program:* Through this program and partnership agreements, the corporation has supported the development of the local industrial park and renovated a number of vacant industrial buildings.

*Noncommercial Support:* In the hope of encouraging cooperation and new forms of partnerships, the corporation has supported various activities with non-profit organizations. For example, it has assisted the local tourism association to promote the area as a tourist destination. It has also been an active participant in trade shows, exhibitions, and marketing activities.

The corporation is remarkably open and transparent in the reporting of its activities. It regularly publishes detailed accounts of how it has assisted firms and promoted new programs. The corporation is also forthcoming in its reporting on “lessons learned” as well as on ventures with disappointing results and on high-risk projects.<sup>150</sup>

BFDC reports that “self-employment” projects, where the owner’s primary goal is to create a job for himself or herself, have had a low success rate. These aspiring entrepreneurs tend to turn to the service centre for a helping hand. The corporation makes the point that the risks are always high when supporting new firms or firms launching new products and new activities.

According to the corporation, the more successful projects usually involve the modernization and expansion of well-established firms. For example, Smitty’s Road Service provides tractor-trailer servicing and repair. The corporation supported the firm, which continues

---

149. Ibid.

150. See, among others, *ibid.*, 13–29.

to operate successfully in the community. Hi Point Industries was established in 1991 as a locally owned spin-off of Nova Corp. Hi Point produces a variety of oil absorbent products, horticultural peat moss, and nursery sods, and it exports its products to over thirty countries. The firm secured \$28,258 in funding from BFDC, of which \$14,129 was in the form of a repayable loan. It continues to be successful and to pursue new markets. One could go on retailing particular cases, but the point is this: though all of the firms in Bishop's Falls that have received support have not been successful and some that continue to operate could still fail, their overall success rate is higher than it is for firms in communities of comparable size that have also received special funding to promote economic development.

BFDC reports that total current employment in client firms is approximately 200 (peak employment reaches 225), and the estimated annual payroll is \$3.6 million. Annual exports by these firms is valued at about \$10 million.

BFDC's board of directors is very active, meets often (by July 1994 it had met fifty-four times; by the end of 1998 it had met ninety-three times), and by all accounts has a hands-on approach to the work of the corporation. Reading board minutes, one is struck not only by how closely the board monitors specific files but also by the level of information made available to board members.<sup>151</sup> The board also makes a number of relatively minor administrative decisions (e.g., it approves a monthly rental invoice for the payment of a cellular telephone). One could question the wisdom of the board concerning itself with minor administrative matters. Indeed in many cases it would not be advisable. But in Bishop's Falls it seems to be working, since BFDC has earned a high level of trust within the community.

The board has had a senior ACOA official as a member for the past several years. Apparently, there have been no problems with this arrangement — the official is not seen as a kind of “big brother” looking over the shoulder of BFDC. In fact, community leaders regard the official as a valuable resource they can turn to for information about the viability of certain projects and available government programs, information that is otherwise not available in the community. One person explained that the ACOA official “has certainly been a great help, by assisting us to see what not to do and

---

151. See, for example, BFDC, meeting number 54, 11 July 1994.



by helping us identify what we could do. He became a full member of the board pulling in the same direction as the rest of us.”

The corporation has also made every effort to be a bottom-up organization and to involve the community in its planning process. It recently completed a strategic economic plan for the period 1999–2002 and rooted the planning process deep in the community itself. It launched the process by interviewing community leaders, by consulting key economic development agencies operating in the area, and by sending out a survey questionnaire to every household in the community.<sup>152</sup> The corporation also looked at how other jurisdictions produced their economic development plans, including the provincial government economic development plans in selected sectors. It drafted several vision statements using notes of community meetings and survey results as inspiration.

The corporation also sponsored a series of workshops in the community's most important economic sectors: tourism, manufacturing, information technology, retail, and youth. Participants directly involved in these sectors were invited to attend the workshops — for example, tour operators were invited to the tourism workshop, manufacturers were invited to the workshop on manufacturing, and so on. Sector strategies or plans were circulated to workshop participants with an invitation to voice their opinions and to consider if there were other possible initiatives that might have gone unnoticed. A final draft of the strategy was then prepared and submitted to a number of interested parties for their thoughts and reactions.

Taking a very practical business-like approach to the problem, the strategy identifies a host of possible initiatives, large and small, in the selected sectors and establishes a target date for their completion. The initiatives range from updating a brochure to improving exit-and-entry points at the local municipal park. The strategy also makes every effort to identify potential partners in pursuing the proposed initiatives. In the case of one initiative, it identifies ten potential partners (from the town council to the local Snowmobile Association) to further develop existing trails in Bishop's Falls that are dedicated to walking, all-terrain vehicles, and snowmobiles.<sup>153</sup>

One is also struck by how far the corporation is willing to go to involve partners and to promote networking initiatives to pursue its

---

152. BFDC, *Strategic Economic Plan 1999–2002*, Bishop's Falls, 25 March 1999, 3.

153. *Ibid.*, 18.

objectives. Indeed, in all the literature produced by BFDC, the idea of partnership figures prominently. Yet at the same time, the corporation attaches great importance to a bottom-up approach.

The emphasis on partnerships is not just in the corporation's literature; it is also evident in practice. For example, a list of ACOA-supported projects in Bishop's Falls between 1989 and 1998 reveals a striking similarity to projects promoted by BFDC.<sup>154</sup> As we have seen, the fact that a senior provincial ACOA official sits on the board is viewed very much as a good thing. The official has an intimate knowledge of government economic development programs and how government operates and has been willing to share his knowledge with community leaders.

In general, the corporation's willingness not only to turn to outside partners but also to actively seek them out has clearly served its interests well. The same can be said about its determination to be a bottom-up organization. It has enabled the corporation to mobilize the community's economic players and to change course when necessary and to do so with the community's support.

It will be recalled that in 1995 the federal and provincial governments tabled a major task force report on community economic development — "Community Matters: The New Regional Economic Development." The report called for a new approach to the question by establishing economic development boards to correspond with the province's strategic economic zones. When both senior levels of government decided to implement the task force recommendations, the implications for the corporation were clear, since the community was too small to constitute a strategic economic zone.

In light of the recommendations, BFDC decided on its own to broaden the focus of its efforts: it extended its mandate to cover all of Exploits Valley, including the community of Grand Falls. It could have rejected the task force recommendations and continued to function as it had, but it chose instead the path of accommodation and accepted them. In the early months there were some adjustments to be made and a level of trust to be established with everyone involved. However, by the end of the exercise, not only did BFDC still enjoy the full support of Bishop's Falls, but it now had the other communities firmly behind it as well. The success with which the corporation adapted to the new conditions can be attributed to two

---

154. See ACOA, "Projects Information Report," Moncton, August 1999.

factors: the credibility it had built up in its original constituency of Bishop's Falls and the emphasis it had always placed on partnerships and cooperative arrangements,<sup>155</sup> which enabled it to extend its influence to the communities outside Bishop's Falls.

BFDC has demonstrated its ability to work cooperatively, but what about its achievements in other areas? There is no need to review again the number of jobs it created or the level of investments it generated through its program, so let us examine the community itself. How well did it do under the corporations's regime? Data from Statistics Canada reveal that the community unemployment rate in 1986 before the railway ceased operations stood at 25 percent, while in 1996 it was 21.8 percent. There were 1,295 males aged fifteen and older with income in 1986, and the number increased to 1,360 by 1996. The average income during the same period went from \$17,861 to \$25,381. Again between 1986 and 1996, the number of females aged fifteen and older with income went from 875 to 1,335, and their average income went from \$8,990 to \$13,170. Finally, there were 1,660 residents of Bishop's Falls participating in the labour force in 1986, and that number increased to 1,750 in 1996.<sup>156</sup> To conclude, the closure of the railway was not the disaster for Bishop's Falls that many people had feared. In fact, these statistics indicate that BFDC was able to manage the local economy to a level in 1996 that was higher than when the railway was still in operation.

There are a number of important lessons that can be learned from this case. First, a bottom-up approach to economic development is not incompatible with forming new partnerships not just with local groups but also with outside groups, including federal and provincial government departments and agencies. In addition, empowering a local corporation and community, as ACOA did in this case, infuses them with a new-found enthusiasm that can reap untold benefits, such as the creation of new activities. The contrast between the work of the corporation when it was under the watchful eye and control of the former Department of Employment and Immigration and its work when it became part of the new arrangement with ACOA is both striking and instructive. For example, it was under the administration of ACOA that it made the most prudent economic

155. Discussion Paper on Future Activities of BFDC, March 1998, 7.

156. Data received from Statistics Canada, Ottawa, July 1999, and from ACOA and BFDC officials. The numbers do not add up, in part because income from all-sources category is employed rather than earned income and also because of the various dates under which the data were collected.

decisions, not when it had to deal with a multitude of control mechanisms. More specifically, it was as part of the ACOA model that it began lending money to entrepreneurs rather than simply providing cash grants.

It was also when it came under ACOA that the corporation began thinking about the longer term rather than concentrating solely on immediate economic development projects. BFDC representatives claim that the corporation's success can be traced to two decisions: to support a variety of smaller projects rather than funnelling all their resources into one high-profile project and to involve all elements of the community rather than just a few community leaders. Lastly, they stress that it is essential to have a cross section of community leaders involved in the economic development process. They take great pride in the fact that school teachers, entrepreneurs, aspiring entrepreneurs, and community leaders all become directly involved in the search for solutions, "not just school teachers, or entrepreneurs." They are also pleased to note that they treated the senior ACOA official and board member as a valuable resource rather than as a figure of suspicion who might be trying to influence their decisions. The point here is that there should be no prejudices against the use of information and expertise from outside the community. To summarize, the key factor in the economic recovery of Bishop's Falls was the maturity and capacity of the board of directors to set a course and then to establish a plan and make it stick.

### III

## *False Hope or Panacea?*

We have learned a number of things so far about community economic development that should be of interest not only to students of economic development but also to professionals working in the field. The four case studies produced for this monograph have borne some interesting fruit, and the review of the literature has provided some valuable information. From the literature we learned that the community economic development field is still in its infancy, that many aspects of it lack coherence, and that it has probably been too easily adapted to suit the economic development issues of the day wherever and whenever they have surfaced. We also learned that it is in need of a solid theoretical foundation and that the literature is rather thin in the area of specific policy prescriptions. It has also failed to deal adequately with one of the most important issues confronting its development — how to structure community organizations with access to public funds from different levels of government while at the same time making them accountable for their spending. In light of all this, we could provide an easy answer to the question posed in the titles of both the monograph and this chapter: community economic development can be a panacea, but it can also give rise to false hopes — it depends.

But such an answer does little to satisfy students or the professionals in the field, and it adds even less to the literature or to our store of knowledge on the subject. Therefore, let us see if we can add to that knowledge by exploring some of the key issues and by answering the questions raised in the introduction.

It was in Ottawa in the spring of 1998 when I became particularly interested in community economic development. Its potential for Atlantic Canada was being described in glowing terms by a number of senior federal government officials who worked in central agencies and in economic development departments in Ottawa. They raised the issue without any prompting from me — over lunch, at informal meetings, and even in more formal settings. A few of

them made specific reference to Isle Madame as the new economic development model for Atlantic Canada. Ironically, it was at these meetings in Ottawa that I first heard of the economic success of Isle Madame, not at home in Moncton or anywhere else in Atlantic Canada. Without putting too fine a point on it, the view being expressed was that past federal regional development efforts in Atlantic Canada have failed, and future federal efforts in the region should be in the form of measures promoting community economic development. And for ideas on how to promote community economic development, one could do worse than to look at the Isle Madame experience. To highlight this last point, John Manley, the federal Industry minister, visited Isle Madame to get a first-hand look, and when he returned, he too spoke in glowing terms about its success. The implications for federal regional development policy, I thought, were both obvious and important. However, the real situation may be as it was summed up recently by a keen observer of community economic development: "In many cases, community economic development is a panacea and an excuse for governments that are unwilling to take measures that will cause flack.... The government likes to escape its responsibility by empowering the local people in matters where the locals do not have the competence or instruments. Bottom-up approaches as the answer can be cruel [because] the regional forces are so strongly centralist and the smaller places can never pull themselves up by their own CED bootstraps."<sup>157</sup>

I began my research by consulting the community economic development literature. What immediately struck me was how a new fashion in public policy can take flight in Ottawa on the basis of a concept as ill-defined as community economic development. Even though none of us knows exactly what community economic development means, it seems that some of us are convinced that it is the answer not just for communities confronting economic difficulties but also for future regional development efforts in Atlantic Canada. In fact, there is at present no comprehensive government policy on community economic development, and there is unlikely to be one until a number of fundamental questions are answered.

This gives rise to a number of puzzling questions. The first is, on what basis have senior federal government officials come to the view that centrally driven, or top-down, regional development measures

---

157. Comments made by Greg MacLeod in a letter to the author, 12 November 1999. It is for this reason that he places a great deal of emphasis on local-institution building.

and efforts have failed? The second is, what are the reasons for their conclusion that community economic development is now the approach we should take to new economic development efforts in Atlantic Canada? It is true that the Isle Madame case is fascinating and that it offers hope to some small communities that they too can successfully promote a bottom-up approach to economic development. But Isle Madame is a small community with a set of fairly distinctive characteristics, and its accomplishments, though impressive given its size, may not be easily duplicated elsewhere, particularly in larger regions.

It is possible that some federal and provincial government policy-makers have based their conclusions about the failure of past regional development efforts on what they read in sources like the popular press. Whatever the reasons for such views, it is clear that senior federal government officials have decided that something new has to be tried. Officials with the Economic Council of Canada, who may be more at liberty to speak openly on policy issues than, say, senior Finance, Treasury Board Secretariat, or Privy Council officials, made it clear where they stood when they wrote: "Top-down, bureaucracy-driven plans for regional development have fallen into disrepute and policymakers know they need to consider new approaches."<sup>158</sup> Their reasons for such a sweeping statement were never given, nor did they ever explain why regional development policy had fallen into disrepute. They simply stated the matter as a given, expecting the reader to accept it without supporting evidence. Sadly, those expectations seem to have been borne out, judging by the number of supporters that community economic development has attracted in recent years. We have often noted, both here and elsewhere, that the neoconservative agenda that swept Anglo-American democracies twenty years ago is still with us today.<sup>159</sup> Since Canada is no exception to the trend, we should not be surprised to find in this country that regional development efforts, because of their interventionist nature, are a prime target of neoconservative economists.

Two other forces, possibly more important than the above, may also have been at play here. First, it was in the mid-1990s that a difficult fiscal situation forced the federal government to undertake an ambitious program review. When it was completed, hardly a single

---

158. Canada, *From the Bottom-Up*, 3.

159. See, for example, Savoie, *Thatcher, Reagan, Mulroney*.

program was left untouched, and regional development programs in particular came under close scrutiny.

Second, regional politics, that bane of Canadian federalism, has weakened regional development policy. Federal efforts in this area have been pushed and pulled to cover virtually every region and community in the country and in the process have lost much of their meaning and sense of purpose. Readers may be surprised to learn that it is no longer Atlantic Canada that benefits most from the federal government's efforts in regional economic development. Indeed, one of ACOA's major concerns in the early 1990s was that its principal program could no longer compete with the federal government assistance offered in other regions of Canada.<sup>160</sup> If nothing else, this has given federal regional development policy a bad reputation.

Then there is the national media's penchant for bad-news stories. It is innately more interesting, and easier, to report on failed government-sponsored economic development projects than on successful ones. And all too often, those failed projects are lumped together under the heading "regional development." The *National Post*, for example, ran a series of articles on projects in the prime minister's riding that were sponsored by the Canada Jobs Fund, and it conveniently labelled them "regional development projects."<sup>161</sup> It hardly mattered that the fund was never designed as a regional development program and that its purpose was to enable the prime minister and his cabinet to sell unemployment insurance reform to a lukewarm government caucus and particularly to members of Parliament from high unemployment areas. It also explains why members of Parliament were given a voice on which projects to pursue and which ones to reject.

Such negative publicity could easily leave the impression that all past federal regional development programs have failed, but this, of course, is not the case. It would be like arguing that the billions of dollars spent on cancer research have been wasted because there is still no cure for the disease. If the expectations were that those programs would solve Canada's regional disparities or make the Atlantic economy as strong as Southern Ontario's, then clearly they

---

160. See Donald J. Savoie, *ACOA: Transition to Maturity* (Moncton: CIRRD, 1990), 47.

161. See, for example, "The Canada Jobs Fund: A Renewed Partnership Program That Will Invest \$110 Million a Year to Create Jobs in Canada," *News Release*, Human Resources Development Canada, Ottawa, 14 December 1998.



have been a failure. However, they were never designed with that in mind. Their goals were much more modest. It may well be that Canada should never pursue such ambitious policy objectives. Still, there have been occasions, including the time that DREE and ACOA were established, when federal politicians were optimistic enough to suggest that regional disparities really could be eliminated through government intervention.

Regional economic development by any other name is still the same thing, and yet calling it something else can make a difference. Consider, for example, Southern and Eastern Ontario, two of the world's economic hot spots. Though the federal government invests heavily in these regions — in the high-tech sector (in part through government purchases, particularly in the start-up phase), the automotive sector (indirectly through various government programs), and in research and development — these large public expenditures are not labelled regional development (even though they are in all but name), and so they escape the media attention that is paid to regional development measures and projects in Atlantic Canada. Neoconservative economists and observers are also less likely to show any interest in them.

Private sector groups have produced a number of studies reporting on past ACOA efforts, and though the verdicts have often been positive, they are rarely, if ever, reported in the national media.<sup>162</sup>

However, for evidence of the success of regional development programs, one need look no further than the case study on Summerside presented in this monograph. Of the four cases we examined, Summerside, even relatively speaking, has been the most successful. The highest number of jobs, both public and private, were created in Summerside, and the local economy continues to do well to this day, a fact confirmed by all of the economic indicators. The firms that were lured to Summerside by offers of tax incentives and cash grants have not only stayed; they have expanded their activities. The GST-HST centre still operates in the community, and a case can be made that it is more efficient than if it had been located in Ottawa.<sup>163</sup> The provincial government also did its part by relocating a government unit to the community. One can only imagine what

---

162. See Savoie, *ACOA: Transition to Maturity*.

163. See, for example, Donald J. Savoie, "Le programme fédéral de décentralisation: Un réexamen," *Canadian Public Policy* 13, no. 3 (September 1986): 413–23, which examines the operating efficiency of decentralized federal government administrative units.

would have happened if the federal and provincial governments had not introduced a special economic development package for Summerside: a process of disinvestment might have begun, a community's infrastructure would have been lost, many residents would have moved away, and an important region of Prince Edward Island would have stagnated. In any event, one can easily imagine which of the following two options Cape Bretoners would choose to deal with their current economic crisis: a top-down, centrally directed regional development package like the one implemented in Summerside or a bottom-up model like the one adopted by Isle Madame.

It is clear from the evidence that market forces alone or even combined with the Isle Madame model do not have anything like the same impact as the traditional top-down regional development measures, including cash grants to private firms, that were employed in the Summerside case. And it is equally clear that market forces alone or combined with a local community economic development model would not have had the same impact on Kent County as the Robichaud Programme of Equal Opportunity had. Several years ago in the *Financial Post*, Jill Vardy wrote that New Brunswick's Acadians have become a powerhouse of business growth. Others have written about a growing tendency among Acadians to become self-sufficient by creating their own businesses. The reason for their success, according to all of the observers who have looked at this development, from Benjamin Higgins to the *Atlantic Progress* and several others, is l'Université de Moncton.<sup>164</sup> Its creation was a government decision, and it was a long time before its full benefits could be appreciated. All of this points inevitably to the conclusion that we have been too quick to condemn government intervention in the economy to promote regional development as invariably unwise.

When I consulted officials in the field about which community economic development cases to review, Summerside was mentioned as were Isle Madame and Bishop's Falls. These cases, as we now know, are very different from one another, and it takes a breathtaking leap of logic to group them together in the same category. This raises more important questions, still unanswered, about community economic development: what does it actually mean? how and when does it apply?

---

164. See, for example, Jill Vardy, "The French Connection: New Brunswick Business Community has come into its own in just two generations," Dartmouth, N.S., *Atlantic Progress*, (November-December 1995), 35-36.

Again, the literature is not very helpful. The concept can mean virtually anything and everything and apply anywhere. I have read community economic development cases ranging all the way from Montreal's inner city core, Vancouver's downtown eastside, and Doukhobor, Hutterite, and co-op farms in Western Canada to Moncton's economic renaissance and specific cases in rural Newfoundland, and it can mean any number of things: local cooperatives with no government involvement whatsoever; local government-funded agencies covering a small community, several communities, or a region; local agencies exclusively concerned with the private sector or others that are not; and so on. It is not at all clear, therefore, when senior federal government officials sing the praises of community economic development whether they are referring to all of the above or only to the Isle Madame variety.

Deciding what we really mean by community economic development is not only important for academics; it is also vitally important for those who work in the field. Clarifying the issue would help decision-makers decide what initiatives to support and in what community. It would confer credibility on the subject and rescue it from the charge that it is just empty rhetoric. It would also determine what type of organizational models should be supported, and, finally, it would form the basis for determining the success or failure of future efforts in community economic development. Unless we give the measures sufficient time for their full impact to be felt and have some built-in criteria for determining their success, we may in five or ten years from now see senior government officials deciding that the approach is ineffective and launching a new search for the next fashion or fad in economic development.

What then is community economic development from a public policy perspective? As I noted in the preface, my goal here is to launch the debate, not to provide an ironclad definition of community economic development that would satisfy all observers, communities, and government officials. In any event, such a goal would be unrealistic given that the community economic development field is still in its infancy. I should add a caveat — my concern here is with public policy, which gives this study a distinctly practical bent. To elaborate then, my goal in this work is to promote a debate among students and the professionals working in this field about community economic development and to approach the subject from a strictly public policy perspective.

I argue that community economic development is a process, not an end in itself. It provides a forum in which interested parties can join together in a partnership arrangement to create new jobs and promote economic activity in a well-defined economic area. The process can involve the formation of new institutions to be rooted in the area, the development of new businesses or the expansion of existing ones, strengthening the capacity of local businesses to produce better products, the identification of new markets for local firms, and the transfer of knowledge and other related activities that promote the development of new firms or the expansion of existing ones. The firms can be private, collective, or community-oriented. In a word, the goal is to promote “endogenous development.”<sup>165</sup> By endogenous development we mean communities becoming *development makers* rather than *development takers*.<sup>166</sup> It also means, as David Douglas suggests, the introduction of a “new capacity for positive change” into the community and its economy.<sup>167</sup>

What does all of this mean for those working in this field? Taking endogenous development to its logical conclusion, one might well conclude that only local economic development cooperatives constitute legitimate community economic development. Put differently, it is saying that all initiatives should have their origin in the community itself, and the community should be responsible for providing and controlling all resource inputs and, ultimately, for deciding who benefits from the efforts.

New Dawn Enterprises in Cape Breton fits this description, but there are very few, or certainly not enough, cases like it. From a public policy perspective, the New Dawn experience has definite promise, but it will never be the complete answer, as New Dawn representatives willingly admit. The other question is whether there are many communities that have the capacity to launch, without government assistance, New Dawn-type initiatives — not many in Atlantic Canada, we suspect. It is important to bear in mind that New Dawn was born in a relatively large urban setting (Sydney, Nova Scotia) that boasts a university (University College of Cape Breton) from which it was able to draw important resources.

---

165. See, among many others, Blakely, *Planning Local Economic Development*, chapters 1 and 3.

166. There are now numerous studies on endogenous economic development. For an excellent study on the issue, see Diochon, “Entrepreneurship and Community Economic Development.”

167. Douglas, ed., *Community Economic Development in Canada*, vol. 1.

This suggests that senior levels of government will have to intervene to promote community economic development, much as they did for Isle Madame and Bishop's Falls. But this begs a number of questions, including, when should they intervene, where, and under what terms? One thing is clear — the origins of community economic development are not to be found in well-performing economies. They are, in fact, to be found in the cooperative movement and later, in the mid-1960s, in the United States as part of the government's war on poverty. Edward Blakely writes: "The early years of the CDC movement included a number of forays into ghetto development. Some basic principles that still guide community-based economic development were formulated then — community control, a comprehensive approach, a focus on business and economic development." He adds that CDC has "gradually made the sometimes subtle transition from antipoverty agencies to economic development institutions."<sup>168</sup>

It is unlikely that Calgary, Ottawa, Mississauga, or Victoria will ask the federal government to assist them with community economic development, but a small community hard hit by a plant closure or the collapse of a key economic sector certainly will. As this and other similar studies reveal, communities will turn to community economic development measures to assist them in dealing with an economic crisis. More to the point, they have little choice. In most cases, therefore, community economic development measures will be designed for and by communities confronting difficult economic circumstances. Well-performing local economies do not, as a rule, need to create new economic development organizations with any sense of urgency. As Teresa MacNeil and Rick Williams point out, community economic development is "about building a *new* economy in a disadvantaged community which lacks planning and decision-making capabilities, access to capital and infrastructural services, and positive linkages with the new economic environment. First and foremost, it may be about building, or rebuilding, the sense of community based on a new awareness that the local economy is failing and that new approaches are needed."<sup>169</sup> But this, in turn, raises another set of issues regarding appropriate community size, whether the two senior levels of government are in a position to choose the

---

168. Blakely, *Planning Local Economic Development*, 228.

169. Teresa MacNeil and Rick Williams, "Evaluation Framework for Community Economic Development," a report prepared for National Welfare Grants, Ottawa, 1994, 6.

communities with the best chance of success, and the scope and nature of the initiative.

What about community size? The easy answer is that it depends — it depends on the area, on how homogeneous it is, on how many similar-size communities are in the area, and on the community's history and culture. If the area has a long history of intercommunity rivalries, then a community economic development initiative is unlikely to change things, at least in the short and medium term. One can hardly overemphasize the point that short-term economic development measures are vitally important when a community is in the throes of an economic crisis.

The four case studies in this review also provide a few lessons on this point. The situation in Summerside is different in that the measures were planned for a single, relatively large community, and there was no need to address the issue of community size. On the other hand, Isle Madame is home to several small communities, including two relatively larger ones. It was troubled by some intercommunity rivalries, but DIMA was able to overcome the problem through patience (i.e., holding countless meetings) and a transparent decision-making process. However, perhaps because of its cultural and linguistic composition and its physical setting, Isle Madame has always had a strong sense of community, so the lessons learned there may not be easily applied elsewhere.

The Kent region case provides some important insights into this issue. It too has witnessed its share of intercommunity rivalries, and neither the local economic commission nor Kent-LEDA has been able to resolve them. The rivalry between Bouctouche and Richibucto, two of the region's largest communities, is particularly intense and explains in part the failure of the two organizations to merge or even to provide a "single-window" service. In addition, the Aboriginal communities have been poorly represented on both organizations, and for whatever reason they have been largely excluded from the process. It is true they could have tried harder to become involved, but by the same token the local economic development groups could have been more active in offering them the hand of friendship. The ideal solution may be for the Aboriginal communities in Kent County to come together as an association and launch their own bottom-up community economic development initiative rather than rely on the broader region.

Bishop's Falls has had few problems in this area, in large part because the initiative was designed for Bishop's Falls and no other

community. The calm was threatened, however, when the corporation was asked, and subsequently agreed, to do “prospecting” for a wider region than Bishop’s Falls. Initially, at least, there was some concern because of the history of intercommunity rivalry between Bishop’s Falls and Grand Falls, but BFDC’s even-handed policy allayed suspicions, and the situation seems to have been resolved. Even before it assumed its wider responsibilities, the corporation laid the groundwork for trust and community involvement with its open and transparent approach to decision-making and its policy of broad consultations rooted in the bottom-up approach.

What this suggests is that the smaller and more homogeneous the geographical area, the more successful it will likely be in handling an economic crisis. History tells us that measures to promote community economic development are often introduced in areas of economic distress. At such times, there is an urgent need to focus energy and resources on designing and building local organizations and institutions and on finding ways to generate new economic activities. The effect of intercommunity rivalries is to consume energy precisely at the wrong time, in the wrong place, and on the wrong issues.

What about the capacity of the two senior levels of government to pick winning communities? We know through numerous case studies that communities with certain attributes stand a much better chance of successfully launching economic development measures than communities without them. For example, we know that if a community’s economic base is tied directly to a depletable resource, or to a renewable one (e.g., the fishery) whose yields are not sustainable, the prospects will be much poorer than for a community with a diverse economic base. Another important factor is location: the future will likely be bleaker for small, remote communities than for communities, even small ones, relatively close to large urban areas. There is no denying that one reason why the Kent region has witnessed economic success in recent years is its close proximity to Moncton. We also saw that communities dominated by a very large plant or a single dominant employer will find it more difficult to adjust than communities with several small plants or employers.

Communities with one dominant culture also have a greater capacity to come together and plan a community solution to a crisis than communities with several cultural groups or mixed backgrounds. The one exception, of course, is Moncton, where in the 1980s anglophones and Acadians joined together to rebuild their

community. This may be explained by the fact that the community had its back to the wall after the CN shops were closed, and because in the 1970s both language groups had been able to resolve some of their important differences. In addition, anglophones came to realize that the community's bilingual capacity constituted an important economic and comparative advantage. Moreover, communities with a history of cooperatives have shown a greater capacity to unite and to plan new economic activities than those with no such history. As noted in chapter 1, the literature suggests that there are techniques available to social "animators" to generate a sense of community, although we also noted that there are important limits to what these techniques can achieve.

We have seen that to have any chance of success at promoting economic development, a community needs comparative advantages (e.g., the Kent region), entrepreneurs, and an administrative capacity to provide the focus that is needed to conceive and pursue new economic activities. It is possible, of course, to introduce and finance a new administrative capacity, but it is a great deal easier to build on one that already exists.

What we have seen suggests that we now have the capacity to predict with *some* assurance of success which communities stand a good chance of generating economic development. However, it is one thing to identify, from an economic viewpoint, the factors that will assist in a community's successful adjustment following an economic crisis and quite another for governments to declare publicly that one community has the attributes to generate new economic activities but another does not — and further that on this basis they will support community X but not Y. One can easily appreciate how difficult it would be for a politician to tell a community struggling to cope with an economic crisis that it lacks the necessary attributes to generate new economic activities and is therefore ineligible for support. There are some observers, though clearly not in the majority, who say that no one can predict with any degree of certainty how a community will react to economic difficulties or whether it can generate a new entrepreneurial spirit. They may have a point, since on first reading, the GTA report on Isle Madame was rather pessimistic about that community's economic prospects.

Assuming that the two senior levels of government will want to lend a helping hand to a community facing a serious economic problem, what should they do? One thing they will not want to do is to



make it dependent on continuing financial support. And yet, it is equally clear that small communities facing an economic crisis will be in need of some financial assistance, at least to get started. This study has shown that a process must be established to empower communities and to encourage them to take charge of their economic future. Financial resources will likely be needed to develop new community institutions, to generate new ideas and promote change, and to launch new economic activities. At the same time, governments will have to deal head on with the issue of accountability.

How can this be done? — how can the federal and provincial governments provide financial assistance without making communities economically dependent on them, and how can they ensure accountability in public spending? One possible way is to have the two senior levels of government enter into agreements with designated communities to provide financial resources on a sliding scale over ten years. Communities would be designated on the basis of economic need and after demonstrating evidence of leadership and potential economic activity. The financial support would decrease by 10 percent a year, and after ten years the community and its economic development institutions would have to be completely self-sufficient. To summarize, the two senior governments would intervene to assist a community early in an economic crisis or at its most difficult moment and continue that assistance for a period of ten years. If at the end of that time the community was still dependent on government support, it would be clearly understood, through an agreement between all parties, that it would have to fend for itself. Thus, the two senior governments would not have to play god by deciding which communities have the potential to recover from an economic crisis and which do not. In brief, the federal and provincial governments would help a struggling community back on its feet, but after that the community would have no choice but to rely on its own resources.

Why, one may ask, should the two senior levels of government get involved in community economic development in the first place? The reason is that the federal government is responsible for addressing disparities between regions, a responsibility made clear in the Canadian Constitution. And as long as we have politicians representing communities facing economic crises, there will always be a strong demand for the federal and provincial governments to intervene. In the absence of a better model of economic development at the local level, a bottom-up approach, like the one practised in Isle Madame

and Bishop's Falls, offers the best hope not just for economic development but also for the prudent spending of public funds.

Provincial governments also have a responsibility to promote economic development within their boundaries and a constitutional responsibility for municipal affairs. In any event, a provincial government could not stand by and watch one of its communities in the throes of an economic crisis without lending it a helping hand.

Municipal governments are the public institutions on the front lines of an economic crisis and a direct participant in identifying solutions. They will likely be the first to lead the charge in applying pressure on the other levels of government to support new measures (see "Summerside" in chapter 2, for example). In addition, they have the most to lose if at the end of the ten years the problems remain unresolved, because they will be left to deal with the consequences.

What should a ten-year multigovernment agreement seek to accomplish? As this study and other similar studies make clear, there is no single model of community economic development that fits all circumstances. Assuming that a community is too small to attract the kind of political attention that produces Summerside-type initiatives, then at the risk of sounding repetitive, the bottom-up approach offers the most promise, a view supported by two cases in this monograph. As we have seen, a bottom-up approach provides a community with the necessary flexibility to react quickly to any emerging opportunity, and it places the onus squarely on the shoulders of the community and its residents to ensure that the development initiatives succeed. It also encourages community ownership of new initiatives. Lastly, it can give rise to a new entrepreneurial spirit in the community, as it did in the case of Isle Madame. Indeed, there was little evidence of an entrepreneurial culture in that community before it confronted an economic crisis.

There are any number of community economic development models from which to pick and choose: community businesses, cooperatives (e.g., New Dawn), community economic planning associations, community economic development corporations, and more. Which one is right for a particular community is ultimately a decision for the community itself and its leaders to make. Given our present level of knowledge, it would be impossible to recommend one model over another as being especially suited to a given set of circumstances. In any event, if the bottom-up approach means anything, it is the community that should decide.

Similarly, it is not possible or even advisable to define the policies and programs that ought to be pursued. Every community has a different potential and different constraints. All we can do is offer general advice on program substance. Communities like Bishop's Falls should lean towards a diversified array of possible projects rather than choose the "quick fix" or the megaproject from outside with its promise of hundreds of new jobs. However, a community can hardly go wrong by investing in human resources and skills development.

Many communities facing an economic crisis are able to convince themselves that they have the potential to become the home of a new high-tech firm or even a high-tech community. More on the strength of hope than economic reality, they think that if they are unable to attract a firm, they should be able to create one.<sup>170</sup> Things are rarely that simple and, unfortunately, few communities have the potential for a strong high-tech future. Isle Madame and Bishop's Falls were able to promote new economic activities, and only a few of them relate to the high-tech sector. Rather, as we have seen, both communities decided to focus on their comparative advantages and strengths. That is an important lesson for small communities in Atlantic Canada to take note of as they contemplate their economic future.

Whatever model is ultimately adopted and which economic activities are pursued, governments will still need to deal with the accountability issue. The best way to do that is to outline clearly who is responsible for decisions. Conversely, the one sure way to confuse the issue is to give everyone signing authority and to have several committees review all program decisions. When everyone is making decisions, no one can be truly accountable. Trying to decide after the fact who is responsible for what is much like clutching at air. In any event, too many cooks not only spoil the broth; they can also give rise to bad decisions and to a lack of commitment from those that stand to gain or lose the most. The early efforts at economic development in Bishop's Falls, the pre-ACOA years, are surely not the model to follow, as this study makes clear.

It is the community, which has the most to gain or lose from the exercise in economic development, that should be clearly accountable for the policies, programs, initiatives, administration, and, ultimately, all financial decisions. Accordingly, in their funding agreements, the federal and provincial governments should clearly

---

170. See, among others, Blakely, *Planning Local Economic Development*, 311.

state that they will not interfere with or second-guess, in any way, the decisions made at the local level. In brief, the role of the three levels of government in community development should be *supportive*, not *directive*. Moreover, officials from the three levels of government should sit on boards of directors or committees only if they are invited to do so. Current government programs and decision-making processes in the economic development field, even at the local level, are already complex and not always accessible to entrepreneurs, something this study makes clear. Having several government agencies and departments all with a say in how local economic development measures should take shape and be implemented is not only difficult for local community leaders to deal with; it also clouds the issue of accountability. The same process should not be duplicated at the community level.

There is an important lesson to be learned on this subject from the Kent region case. Local leaders have wasted a lot of time and energy trying to merge two community economic development agencies or, failing that, to persuade them to work together. The issue remains unresolved mainly because it is not at all clear to community leaders who has the decision-making authority in this area. Everyone loses in such a situation, including the two senior levels of government.

The role of governments should be to provide the necessary funding to initiate the development process and to launch new activities, particularly in the early years. In return, governments should only ask that the books be audited by qualified accountants and that the decision-making process be transparent. Right from the beginning, governments should make it clear to Parliament, legislative assemblies, city or town councils, the auditor general, and the media that those are the rules under which community economic development measures will be implemented. They should also remind everyone that funding will be provided on a sliding scale but that in time the local agency will be expected to take full responsibility for financing its activities. It is best for the agency that early on in the process it be made fully accountable for its decisions not only because it provides for clearer accountability but also because in the end it will have to live with the consequences of those decisions.

What about the role of the local member of Parliament or member of the Legislative Assembly in economic development? They, of course, are community leaders by virtue of their positions, and there

are precedents for consulting the local member of Parliament before approving a specific project in his or her riding. Ottawa's transitional jobs fund is a case in point, although it can hardly be described as a success given allegations that a billion dollars has been spent without the proper documentation being done, which suggests an almost complete breakdown in the accountability process.<sup>171</sup>

The duties of members of Parliament or members of the Legislative Assembly were never intended to include those of a government project officer, nor should they be expected to make administrative decisions, whether in matters relating to community economic development or any other field. Their proper role is to hold government accountable for its actions by asking probing questions about relevant issues, which include government-sponsored projects in their own ridings. In addition to the accountability issue mentioned above, we should also keep in mind that parliamentary democracy operates in an atmosphere of partisan politics. The biased nature of policy debates and election campaigns colours the world of politicians, who quite naturally want to promote projects sponsored by their supporters and oppose anything presented by their opponents. Politicians are also a cautious breed, by nature and by necessity, and they regard with suspicion all radical new ideas from such quarters as community development activists.

Still, there are precedents for governments funding projects over which they have no direct control. One example is the billions of dollars in equalization payments that Ottawa transfers every year, with no strings attached, to "have-less" provinces. The provincial governments are free to invest this money as they see fit — to build roads, cut taxes, increase spending in health, and so on — and though there are inevitable cases of waste and mismanagement, one never hears the auditor general or, for that matter, the media and opposition parties condemning the federal government for a misallocation of funds under the equalization program. However, unless governments make it very clear at the outset that they intend to stay well-removed from the community economic development process, they run the risk of being dragged into an endless round of decisions by a failed project, critical media reports, and awkward questions during parliamentary question period.

---

171. See, among many others, "Cappe Knew of HRDC Woes in July," *National Post* (Toronto), 3 February 2000, A1.

In order to help the community economic development process, governments must respond to all requests for information, expertise, and advice. Because of the global dimension of the new economy and its emphasis on knowledge, we know that entrepreneurship and innovation are taking on greater importance in the economic development process.<sup>172</sup> They may well appear spontaneously within a community confronting an economic crisis, but there is no guarantee of that. The likelihood is that the community will have to look elsewhere for expertise to stimulate change, encourage innovation, and promote entrepreneurship. Indeed, one characteristic common to the Bishop's Falls and Isle Madame experiences was the strong desire and the capacity to network with governments and to strike new partnerships. In fact, the residents of Isle Madame actually started the process of community economic development by hiring consultants from outside the community to help them take stock of their economic potential and to plan new initiatives.

It is hardly possible to overstate the challenge faced by a small community about to lose a plant that once dominated its economy. And if that community is less-developed and is located in a "have-less" province with high unemployment, a small population engaged mainly in primary sector activities, low standards of education, and a net emigration that slightly exceeds its natural population growth, it can hardly be expected to possess the entrepreneurial, managerial, technical, scientific, and professional skills required to assemble and implement an effective development plan. The community may well give rise to innovation and initiative, but it is extremely unlikely they will be on a scale that will transform its character and solve all its economic and social problems. It will not be enough to hire an experienced, energetic, and able manager from within or even outside the community. A precise determination of the potential and the limitations of development requires access to a level of expertise sufficient to cover all facets of a community's past, present, and future development in a thoroughly professional manner. There is a capacity in some federal and provincial government departments to assist in this process, and it should be made more readily available to the areas that need it. Universities can also help in this regard as can economic development consultants.

---

172. See, among many others, Andrew Van de Ven, "The Development of an Infrastructure for Entrepreneurship," *Journal of Business Venturing* 8 (1993): 211–30.

As a result of the effects of the information revolution and globalization, the nature of entrepreneurship, like everything else, is changing. Veblen's characterization of entrepreneurs as "watchful toads" and Schumpeter's description of the individual entrepreneur who "sees and seizes the opportunity to do something new" fit very few of the people who are engaged in that activity today. In today's economic and sociological environment entrepreneurship is more often a matter of teamwork involving the participation of a variety of people with different sorts of training. This is the area in which a small community in a less-developed region will require access to expertise, information, economic support, and partners. Unless a realistic analysis of the dynamics that shape a community's strengths and weaknesses is undertaken, there is a serious risk of creating false expectations and wasting resources.

This study shows that communities tend to rely on a small number of volunteers and a limited number of staff to plan and implement strategies for local economic development. Research on communities confronting a plant shutdown or an economic crisis of one kind or another has found that those who are younger and more highly qualified leave the area fairly quickly and soon make new lives for themselves in other communities. On the other hand, the older and less-skilled employees tend to stay, and it is very difficult for them to re-establish their economic self-sufficiency in the community.<sup>173</sup> This situation puts a lot of pressure on local leaders and on the more ambitious and talented people who have decided to stay. Indeed, we heard stories of volunteer burn-out, and we saw staff working long hours during weekdays and, from time to time, on weekends. We have no immediate solutions to this problem. However, given that community economic development is in fashion and that new measures are constantly being proposed in Atlantic Canada, we recommend that the region develop a capacity to support the people working in this field. This would require the development and support of conventional and innovative training initiatives. To that end, there should be a place in Atlantic Canada, perhaps in Cape Breton — say, at the University College of Cape Breton — that houses a document centre where lessons that have been learned could be shared and, more importantly, where a permanent training facility could be set up to offer extended training programs and short sessions for both

---

173. See, among others, MacNeil and Williams, "Evaluation Framework for Community Economic Development," 16.

volunteers and hired staff in the community economic development field.

To conclude this study, an important caveat should be made. In spite of the promise that community economic development may represent in certain circumstances and for certain communities, it will never be the complete answer for Atlantic Canada. Put differently, it can complement broader regional development efforts, but it can never replace them. There are some economic problems in Atlantic Canada that are best handled at the provincial level, or at the regional level in the case of the three Maritime provinces. Indeed, in Atlantic Canada in particular, the tendency is too strong to treat provinces as individual economies when in fact they are both aggregations of small economies and parts of larger economies. Issues like research and development, higher education, tourism promotion, and the like are best handled at the Maritime level if not the Atlantic level. Community economic development measures simply cannot deal adequately with them. And finally, as the Summerside case makes clear, there is still a place for the top-down approach to economic development.



---

## *List of Figures*

Figure 1:	The Community Economic Development Process .....	91
-----------	---	----

---

## *List of Maps*

Map 1:	Kent Region .....	61
Map 2:	Summerside .....	79
Map 3:	Isle Madame .....	87
Map 4:	Bishop's Falls .....	99



