



CED Funding and Delivery in Canada

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A Proposal By:

Canadian CED Network



The Canadian **CED** Network

Le Réseau canadien de **DÉC**

Strengthening Canada's Communities

Des communautés plus fortes au Canada

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Executive Summary

This paper presents the Canadian CED Network's (CCEDNet) policy proposal for funding Community Economic Development (CED) organizations in Canada. The recommendations in this paper grew out of CCEDNet's national Policy Forum, held in 2001, where Community Economic Development (CED) practitioners from across Canada came together to build a national policy framework.

Since that time, CCEDNet has been building on the work of the Policy Forum and actively working to document the evidence base for the Policy Framework's recommendations regarding human, social and financial capital. This paper presents the results of CCEDNet's research regarding effective CED funding models.

Our conclusions in this document complement and support our other policy efforts regarding improving support for human capital development and creating initiatives for community investment by the private sector. Recommendations made in this document are to be taken in tandem with complementary and supporting recommendations in CCEDNet's other papers:

- *Human Capital Development in Canada: Closing the Gaps (2003)*
- *Development of Federal Tax Credits to Support Community Investment in Canada (2003).*

Despite impressive economic growth, Canada is still faced with problems of poverty, social exclusion and regional disparities. The solution lies not in more and bigger government but in new forms of social economy organisations that are community based. Through a variety of Community Economic Development (CED) organizations across Canada, social goals are being achieved using business and economic means. The results are significant.

Based on CED's track record, it can be affirmed that a strong and dynamic federal commitment to this agenda will produce significant results in revitalizing urban and rural communities in decline, fighting poverty, and integrating marginalized groups including immigrants, the disabled and First Nations. It will also have a direct impact on other priorities of the federal agenda, including early childhood and life-long learning.

CED has a tremendous potential to increase its contribution to economic growth and social development. It reduces the need for expensive, standardised federal programs. With adequate support, it allows communities to bring together stakeholders from all sectors of society who together find innovative solutions to economic and social challenges. By building community capacity, the federal government can multiply the impact of its social and economic investment while reducing the high cost of managing centralised programs.

CED also contributes to building active and committed citizenship in Canada. Be it the social economy, community economic development, social entrepreneurship, community business, the cooperative and non-profit or “third” sector, there is a common thread and a common purpose that unites these initiatives: the desire for ordinary citizens to become actively involved in the development of their communities and in meeting the challenges that globalization and new technologies have brought before us.

Recommendations

CCEDNet is recommending a series of federal initiatives to support the growth and long-term sustainability of CED organizations across the country.

1) Grant support for initial community mobilisation and planning:

Local communities would be eligible for start-up grants (80 -120,000\$) allowing them to bring together a variety of stakeholders to establish a community economic development strategy that embraces social and economic goals and to identify or create a local organisation or network that is democratically controlled and capable of coordinating development efforts.

In addition to supporting more general community planning, these grants should support organizations that wish to establish community development financial institutions and participate in the national tax credit initiatives recommended in *Development of Federal Tax Credits to Support Community Investment in Canada* (2003).

2) Operating grants for community economic development organisations

Community economic development organisations would receive long term funding (\$100,000 to 500,000 annually) to implement the economic and social renewal strategies. This would include support to existing CED organisations as well as new organisations that have successfully completed the initial community mobilisation and planning process.

Community economic development organisations would also negotiate partnerships on a regional or local basis with federal, provincial and municipal authorities in order to have access to funds for human capital development, equity investment and loans, project development and research and development.

In addition to supporting more general community planning, these grants should support the community development financial institutions participating in the national tax credit initiatives recommended in *Development of Federal Tax Credits to Support Community Investment in Canada* (2003).

We estimate that an investment of \$400 m over 5 years would provide the funding to both initiate new CED efforts in communities that are struggling and need assistance, and strengthen CED efforts in communities that are already engaged but lack resources. Up

to 800 communities (rural, aboriginal, northern, urban) could be supported over the five years.

Suggested delivery mechanisms

Delivery of the funds needs to be flexible and responsive to different regional realities. In Quebec, community economic development organisations work with the federal agency, Développement économique Canada. In other parts of Canada, regional development agencies don't exist (e.g. in Southern Ontario) or have limited engagement with community economic development and the social economy. In these regions, funding could be managed by a national secretariat and/or specific agreements for devolved programming with designated agencies that agree to a clear mandate to support CED.

Mechanisms should also be put in place to:

- maximize inter-governmental co-operation and horizontal collaboration across federal departments.
- engage with CED stakeholders and solicit ongoing advice on emerging priorities.
- support research, development and evaluation work that builds effective practices based on ongoing learning between communities.

Introduction

This paper presents the Canadian CED Network's (CCEDNet) policy proposal for better supporting Community Economic Development (CED) in Canada. The recommendations in this paper grew out of CCEDNet's national Policy Forum, held in 2001, where Community Economic Development (CED) practitioners from across Canada came together to build a national policy framework.

Since that time, CCEDNet has been building on the work of the Policy Forum and actively working to document the evidence base for the Policy Framework's recommendations regarding human, social and financial capital. This paper presents the results of CCEDNet's recommendations regarding funding and program delivery needs of CED organizations. Our conclusions here complement and support our other policy efforts regarding improving support for human capital development and creating incentives to encourage community investment in Canada.

About this document

This document is organized into the following sections''

- *Executive Summary*
- *Introduction*
- *The Case for CED in Canada:* A brief description of why CED is needed in this country and how the field has successfully addressed numerous social issues.
- *What is Holding CED Back:* An overview of the funding challenges facing CED organizations.
- *CED Funding and Delivery Recommendations:* CCEDNet's recommended funding model.

The Case for CED in Canada

Canada is regularly rated as one of the best places in world to live by organizations such as the OECD. It is a country with abundant natural resources, economic opportunity and prosperity. However, Canada is also a society where these benefits are often limited to certain sectors and geographic areas. In the last 15 years, inequality has grown in Canada, creating a widening gap that is ever-more difficult for marginalized groups to cross. Innovation and productivity have suffered and real incomes have declined. In many communities, vicious and destructive cycles of poverty are reinforcing themselves and holding communities back from reaching their potential.

At the same time, some communities are creating vibrant, healthy environments through a community economic development (CED) strategy — a multi-purpose social and economic strategy for systematic renewal, conceived and directed locally. By taking a CED approach to development, these communities are making Canada stronger as they transform themselves into attractive places to live and work that are full of opportunity.

Income Inequality

Across Canada, we are seeing some disturbing trends in persistently high unemployment numbers and growing wealth inequality.¹ A recent study by Statistics Canada clearly demonstrated wealth inequality significantly increased from 1984 through 1999 – the median wealth in the bottom three deciles of the wealth distribution fell, but rose by 27% or more in the top three deciles.²

The following table, based on the Canadian Centre for Policy Alternative’ analysis of Statistics Canada’s data, illustrates the breadth of this disparity.

Table 1— Rising wealth inequality in Canada

Rags and Riches: Wealth Inequality in Canada Canadian Centre for Policy Alternatives, 2002.³	
In 1999, wealth inequality was rising in Canada:	
Control of wealth	
Income category	Percentage of wealth
▪ Wealthiest 10% of families	▪ 53% of wealth
▪ Wealthiest 50% of families	▪ 94.4% of wealth
▪ Poorest 50% of families	▪ 5.6% of wealth

¹ Andrew Sharpe and Myles Zyblock. Macroeconomic Performance and Income Distribution in Canada. Working Paper, Human Resources Development Canada, Applied Research Branch. June 1997.

² Rene Morissette, Xuelin Zhang and Marie Drolet. The Evolution of Wealth Inequality in Canada, 1984-1999. Statistics Canada, Business and Labour Market Analysis. No. 187. February 22, 2002.

³ Steven Kerstetter. Rags and Riches: Wealth Inequality in Canada. Canadian Centre for Policy Alternatives. December 4, 2002.

Average wealth*	
Income category	Growth in average wealth, 1970-1999
▪ Wealthiest 10% of families	▪ 122% increase
▪ Poorest 10% of families	▪ -28% decrease
Average assets	
Income category	Average assets, 1999
▪ Wealthiest 20% of families	▪ \$262,186
▪ Poorest 20% of families	▪ \$1,974.00
Average income	
Income category	Average income, 1998
▪ Wealthiest 20% of families	▪ \$62,518.00
▪ Poorest 10% of families	▪ \$18,698.00

* adjusted for inflation

What does this wealth disparity mean? For poorer Canadians, if their current income disappeared, their financial assets would only keep the family going for five weeks. Poor people are least able to withstand any kind of financial crisis because they have so few assets.⁴

Community Inequality⁵

Growing inequality is echoed at the community level, where we see cycles of reinforced poverty and decline putting some communities farther and farther behind. These economically challenged communities (whether urban neighbourhoods, rural villages, regions or impoverished segments of local populations), instead of contributing what they might to the strength of the country, exacerbate national social and economic problems of unemployment, business failure, family stress, crime, deteriorated housing, and poor health, among other ills. Thus, even in times of prosperity, Canada experiences a dual economy of mainstream growth but with continuing, even expanding pockets of poverty.

The table below illustrates on provincial example of the contrast in socio-economic conditions between a selection of communities in BC, facing major economic challenges, and the average for their province.

Table 2 – Coastal BC – Inequality in Community Conditions

Health Area Indicator	Bella Coola Valley	North Island	BC
Percentage of 18 years old not graduating (2000)	73.6%	41.4%	25%
Percentage of 25-54 years old without	29.3%	30.4%	22.6%

⁴ Ibid.

⁵ Canadian CED Network. Investing in Canada's Communities: Proposal to Create a National Economic Development Financing Initiative. March 2002.

graduation (2000)			
Percentage of 25-54 years old without post secondary education (2000)	53.1%	53.6%	46%
Teen pregnancy per 1000 (1999)	75.1	64	26.6
Infant Mortality per 1000 (1999)	15.6	10.1	4.9
Suicide/Homicide per 1000 (1999)	9.1	9.9	5.3

Source: BC Stats, Local Health Area Profiles, 2001.

Communities like those on the coast of BC and Newfoundland are experiencing child mortality rates three times the average for their Province. Other communities in urban settings, like the Downtown Eastside of Vancouver and the North End of Winnipeg, have unemployment, addiction and mortality rates many times the national average and the story is even worse in aboriginal communities across the country – the differences between aboriginal communities (both reserve and non-reserve) and the rest of the population are also stark. For example, in 2001, 53% of Inuit in the Canadian arctic were living in crowded housing, compared with 7% of all Canadians. 34% of Inuit in northern Canada and an astonishing 73% of Inuit in northern Quebec have experienced contaminated water.⁶

A CED Approach to Declining Communities

There is increasing evidence around the world that community inequality and decline is a major factor in overall prosperity, well being and productivity – that a nation’s status is an aggregate of its communities; social and economic conditions, and their capacity to management and create change. A recent World Bank report on social development and community investment suggest that “the development community now recognizes that it needs greater understanding of community institutions, network, norms, and values to enable people to capture the benefits of development and build their capacity to help themselves.”

Communities and community investment are becoming central to our understanding of effective social and economic development in Canada, and around the world. Traditional public investment has not proven successful at decreasing community marginalization. Macroeconomic measures to enhance productivity and competitiveness have had little effect on the economics and status of lagging regions and disadvantaged populations.

At the same time, some communities have found a way to successfully combat decline and create vibrant, healthy communities. They have done so through a community economic development (CED) strategy — a multi-purpose social and economic strategy for systematic renewal, conceived and directed locally. By taking a CED approach to development, these communities are making Canada stronger as they transform themselves into attractive places to live and work that are full of opportunity.

⁶ Vivial O’Donnell and Heather Tait. Aboriginal Peoples survey 2001 – Initial Findings: Well-Being of the Non-reserve Aboriginal Population. Statistics Canada. September 2003.

Although no concise aggregate data on the impacts of all CED in Canada exists, numerous CED success stories are documented across the country, illustrating the how coordinated, integrated approaches that concurrently address human, social and financial capital development can succeed.⁷ A 2002 evaluation of the Community Futures Program in Western Canada that provides some support to CED showed that as a result of receiving services provided by Community Futures Development Corporations, the businesses receiving support generated \$1.4 billion in revenues from 1995 to 2001 and approximately 30,000 jobs. The return on investment to government is remarkable: from 1995 to 2001, CFDCs have received an average of \$16.8 million in operating funding from Western Economic Diversification. Using this as a base, the revenues generated by a client in the first five years, which they attribute to the services of the CFDC, is estimated to be between \$65 and \$81 for every dollar in operating funding provided by WD to the CFDCs.⁸

In the United States, a national census conducted by the National Congress for Community Economic Development estimated that the productivity of community development corporations has resulted in:

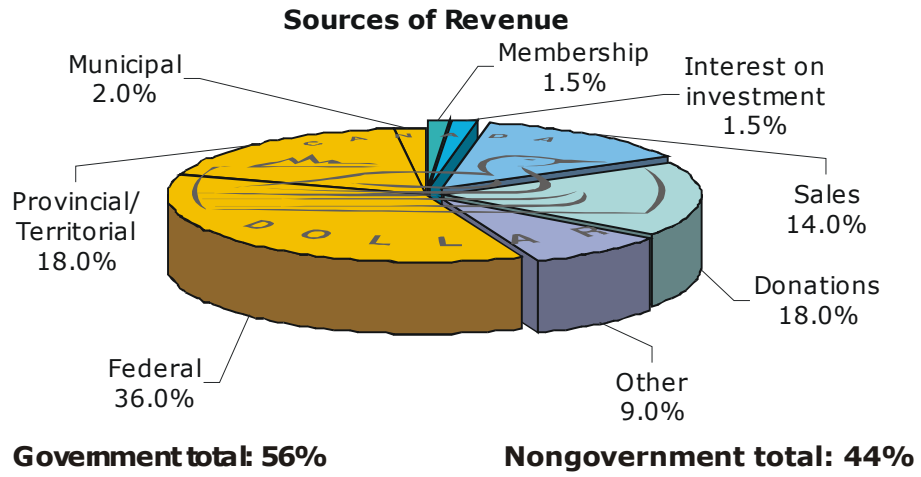
- 71 million square feet of commercial and industrial space developed
- \$1.9 billion in loans outstanding (at the end of 1997) to 59,000 small and micro-businesses
- 247,000 private sector jobs created; and
- 550,000 units of affordable rental and ownership housing build or renovated, nearly 40% of which has been completed in the last four years.”⁹

Further, a 2003 CCEDNet survey of over 300 CED organizations shows CED to be a highly entrepreneurial sector, raising nearly \$1 in investment for every \$1 of government support, as illustrated in the following figure:

⁷ Lilia Godfarb Initiatives. The Power of CED Throughout Canada: Thirteen Inspiring Stories. Canadian CED Network. March 2003.

⁸ Ference Weiker and Company. Impact of Community Futures in Western Canada. 2002. www.communityfutures.ca/provincial/index.html

⁹ National Congress for Community Economic Development. Coming of Age: Trends and Achievements of Community-Based Development Organizations. 1998. www.nccd.org



The case for CED is clear – what is needed now is consistent, sustained funding to better support CED in Canada.

What is Holding CED Back?

CED in Canada is currently limited by inconsistent and inadequate government support. In a 2002 CCEDNet survey, CED practitioners from across overwhelming chose “lack of government support” as their biggest hurdle to development, followed by local skill and capacity problems. Community enterprises are also struggling to find patient capital that will allow them to grow their ventures over the long term.

This section gives a brief overview of the three streams of support that are critical to the development of CED in Canada. The recommendations in this paper focus on the first stream, but as broad organizational funding is critical to human and financial capital development, these streams are also described. CCEDNet’s recommendations for these three funding streams should be taken as an integrated policy framework. For a complete presentation of CCEDNet’s recommendations regarding the human and financial capital funding streams, please see:

- *Human Capital Development in Canada: Closing the Gaps* (2003)
- *Development of Federal Tax Credits to Support Community Investment in Canada* (2003).

CED Organizational Funding

For a CED organization to be successful, it must be able to plan for the long-term. This clearly calls for multi-year, stable funding that encourages growth. Short-term, project-driven government funding that is split among disparate government departments with different and sometimes conflicting policies is inefficient and counter-productive. As a result, most CED organizations struggle to maintain their own capacity to implement long-term strategic planning, organizational development, and staff development, all of which are critical.

Delivery of CED funding must be flexible and responsive to different regional realities. Community capacity to create sustainable futures is currently impeded by the many silos and fragmented mandates of federal government departments and the lack of coordination between federal and provincial governments. An integrated approach across governments and departments is needed in order to better support the multi-faceted nature of CED and close the many gaps in existing programs and federal/provincial arrangements.

Human Capital Development

*(For CCEDNet’s recommendations regarding Human Capital Development, please see our paper *Human Capital Development in Canada: Closing the Gaps*)*

Healthy communities cannot develop and thrive without healthy individuals who have access to employment. At a time when looming labour shortages in a wide range of professions and trades threaten our future economic and social well being, it is a critical social and economic

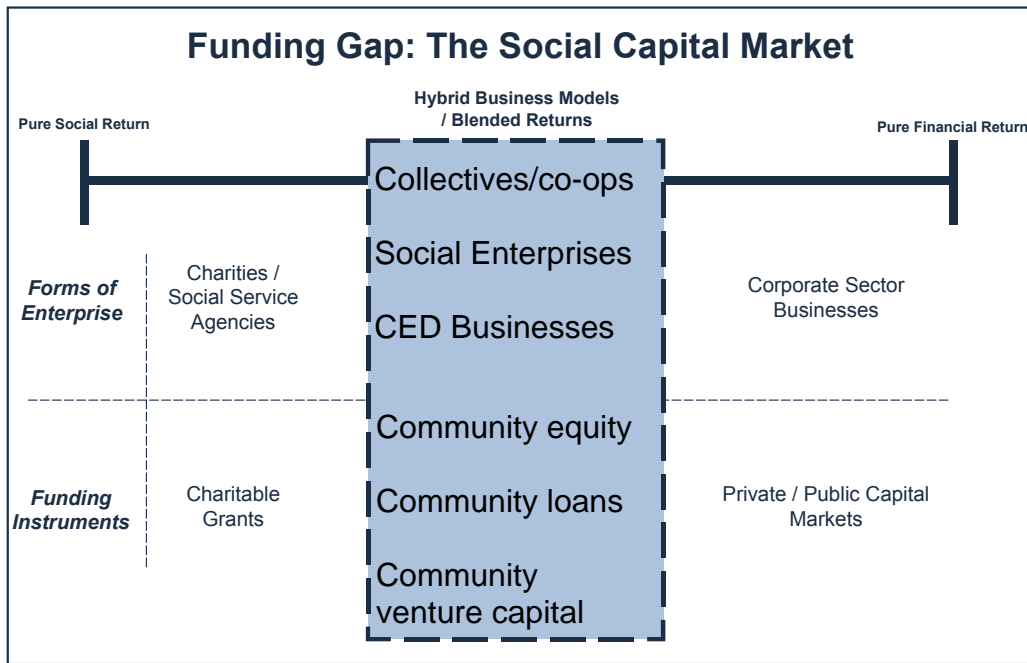
priority to invest in the knowledge, skills and competencies of all Canadians, particularly those that are currently underemployed or chronically unemployed. Unfortunately, many Canadians cannot access the services and training supports they require to become firmly and productively attached to the labour force. Among those who face difficulties qualifying for Employment Insurance (EI) and accessing its active employment measures are: individuals entering the labour market (e.g., youth, recent immigrants), re-entry workers (e.g., women returning to the labour force after pursuing household responsibilities), part-time workers (who struggle to obtain the increased hours of work required for eligibility under EI) and the long-term unemployed (including persons with disabilities, visible minorities and others who face difficult, sometimes multiple, barriers to employment). The self-employed, one of the fastest growing segments of the labour force, also are ineligible for Employment Insurance (as they were for Unemployment Insurance) [Caledon Institute of Social Policy 2000].

CED organizations have proven adept at weaving together the diverse elements of an effective human capital system. Given greater resources, they could take great steps to integrate the numerous activities that contribute to helping individuals improve their socio-economic situations. CED-based human capital development is currently hindered by inadequate and fragmented funding, and a lack of integration between the numerous federal departments responsible for labour market development and employment.

Access to Financial Capital

*(For CCEDNet's recommendations regarding community investment, please see our paper *Development of Federal Tax Credits to Support Community Investment in Canada*).*

Community enterprises in Canada are currently struggling to finance their activities. Equity financing is often difficult if not impossible to obtain due to the hybrid nature of these ventures, which provide both financial and social returns. Typical private sector financing focuses primarily on financial returns, while non-profit financing focuses on social returns. This leaves a gap in financing for many community-based enterprises, as illustrated in the following figure:



Source: Social Capital Partners, 2003.

The financial products that are currently available (except for direct grants and member shares in cooperatives) are confined to loans that must be paid back within 3 to 10 years. This means that community economic development enterprises have almost no financial product that allows for the investment of permanent capital in the organization.

CED Funding and Delivery Recommendations

CCEDNet's 2003 survey of CED organizations identified over 1,000 local community agencies involved in CED activities in every region of the country. The 300 that participated in the detailed survey managed community investments of just under \$200 m annually. All of these organizations reported serious difficulty in raising investment and engaging in long term community renewal because of the short term, "project" focused funding arrangements available to them. It is clear from this and other evidence that a sustained long term commitment is needed to support community economic development. Even amongst organizations that have secured ongoing funding support, community futures development corporations in some rural areas of Canada and community economic development corporations in urban communities in Quebec, there is a substantial gap in their funding for community economic development activities to produce sustainable results.

1. A long term, stable program of funding is needed for both rural and urban community economic development organizations, with accountability for measurable results. Program principles should include:
2. Funding should be awarded to non-profit community organizations on the basis of clear plans with specific and relevant objectives and timelines, renewed on the basis of adequate performance in reaching those objectives.
3. Both qualitative and quantitative measures should be consensually developed by grantee and grantor to document achievement and/or progress in those objectives.
4. Funding should be awarded to facilitate the evolution and/or strengthening of community groups to make and carry out a long-term multi-functional (comprehensive) strategy for community revitalization.
5. Such comprehensive local programming should involve activities that seek and provide new and/or stronger resources for:
 - (a) local business, cooperative and social enterprise development;
 - (b) access to capital for community enterprises;
 - (c) local human resource development and community learning (i.e., job preparation, training, skills development, community based lifelong learning, as well as leadership development);
 - (d) effective working alliances with other local groups to promote any of these activities in the instances when the community group does not directly engage in them;

- (e) the development of social and income-generating assets that build community economic and social self sufficiency;
- (f) efficient financial administration, as well as the planning, research, and advocacy necessary for local revitalization; and especially importantly
- (g) a meaningful mechanism for broad community accountability and participation in the pursuit of these activities.

Funding Streams

Some communities have existing CED capacity to manage investment and achieve rapid results, others have little capacity and need help starting. The following funding streams are proposed to address the different CED capacities that exist in communities.

Organizing and planning funding

A federal capacity-building effort requires support for the initial self-mobilization of the community for a CED strategy. These funds would defray expenses for the essential community self-examination and dialogue that lead to completing a visioning process and enlisting all sectors in a collaborative effort as well as planning for further steps. Among the further steps would be establishing a Community Economic Development Organization--a new local organization or a local collaborative network of established organizations to carry out a CED strategy, that is democratically accountable to local people. Alternatively, there may be an existing organization that seeks to expand from single-function operations [say, employment programs] into a comprehensive CED strategy. From experience with funding programs in some provinces (e.g. Community Enterprise in BC, Neighbourhoods Alive in Manitoba) a commitment of between \$80 - \$120 K over two years per community would be necessary to support organizing and planning initiatives.

Operational funding

Communities that successfully complete planning and organizing activities then need support for implementing their CED plans. As well, many CED groups working throughout the country lack support for their existing plans and initiatives. These too would be eligible for “operational” funding to expand and enhance their activities. Funding of between \$100-500K annually over five years would be required, varying with the size of community and the scope of its CED activities. Funding agreements would need to include agreed performance measures that would be reviewed annually under an outcomes based accountability system, that was adequately resourced to both inform community implementation, and generate evidence of what is and isn't working and why, with what results.

Community economic development organisations would also negotiate partnerships on a regional or local basis with federal, provincial and municipal authorities in order to have

access to funds for human capital development, equity investment and loans, project development and research and development.

We estimate that an investment of \$400 m over 5 years would provide the funding to both initiate new CED efforts in communities that are struggling and need assistance, and strengthen CED efforts in communities that are already engaged but lack resources. Up to 800 communities (rural, aboriginal, northern, urban) could be supported over the five years. This includes communities defined in smaller geographical areas than municipalities, urban neighbourhoods for example.

Program Delivery

Delivery of the funds needs to be flexible and responsive to different regional realities. In Quebec, community economic development organisations receive funding from the federal agency, Développement économique Canada. In other parts of Canada, regional development agencies don't exist or have limited engagement with community economic development and the social economy. Western Economic Diversification, FEDNOR and ACOA all have some involvement in supporting CED in rural areas (through support for Community Futures for example), although they direct the bulk of their investment into industrial, regional and macro-economic development. Recent research on provincial territorial government support to CED show that 13 out of 14 jurisdictions have some involvement in CED. Manitoba, Quebec and Nova Scotia in particular have developed policy and program initiatives. A survey of federal government involvement in CED revealed that there is no clear mandate for supporting community economic development and the social economy, there are limited definitions and understanding of what CED is, and there are fragmented roles amongst departments and within departments for supporting CED. The survey of CED organizations in 2003 revealed continuing problems of government "silos" and fragmentation, together with concerns over "cookie-cut" programs by government that impose one central model to fit all circumstances.

To address these issues it will be important for a new CED funding program to be able to operate in four ways.

First, the program should be designed to maximize inter-governmental co-operation and horizontal collaboration across federal departments. Mechanisms should be put into place that enable ongoing inter-governmental collaboration (through a Federal Provincial Ministers and/or Deputy Ministers group for example). In addition, mechanisms should be put into place to facilitate horizontal collaboration within the federal government to support community economic development on a more integrated basis. A national secretariat could be charged with facilitating these mechanisms reporting to a Cabinet Minister that can take a senior level lead on CED and the social economy at the political level.

Second, the program should involve engagement with CED stakeholders and ongoing advice on emerging priorities. An Advisory Committee should be established made up of existing CED networks, post secondary expertise, foundation and philanthropic

representatives, financial investors in CED, and people from local CED organizations that are representative of northern, rural, urban and aboriginal communities.

Third, the program should support research, development and evaluation work that builds effective practices based on ongoing learning between communities. Investment should be directed at peer learning and development activities on a pan Canadian and regional level. In addition, support should be provided to comparative, long-term evaluation that informs practice and generates evidence of the social and economic return on investment in CED and the social economy.

Fourth, delivery of the program should involve two streams. Funding should be available directly to communities from the program at a national level, supported by a secretariat, where no regional funding arrangements have been put in place. Funding should be available through designated regional arrangements where these can be put in place with a clear commitment to supporting community economic development. These devolved funding arrangements could effectively use existing regional agencies where they are able to demonstrate a capacity to support CED and have the support of CED stakeholders. In some regions this may involve provincial delivery mechanisms, for example in Manitoba or Nova Scotia, where policy and program arrangements have already been developed for CED. In other regions, for example in Quebec, using the existing capacity of the federal regional agency, Développement économique Canada, would be preferable.