COMMUNITY INVESTMENT

Claiming Capital for Our Communities

making WAVES

A Newsletter for CED Practitioners in Canada

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This issue of Making Waves is devoted to exploring community investment. Sometimes called "development finance," community investment involves finding, brokering, and investing capital in in places and organizations that most conventional financial institutions take pains to avoid. The lack of accessible capital to meet needs and develop opportunities in underdeveloped regions, distressed communities, and marginalized populations throws sand into the gears of local economic development.

Central to the notion of community investment is a local need or opportunity that requires dollars in order to be addressed. The ultimate user of community investment capital may be a community business, an individual proprietor, a workers co-op, a community development corporation, or a non-profit housing organization, to name just a few of the possibilities.

The sources of capital are also diverse. Government is an important source of capital for CED in rural and aboriginal Canada. Business Development Centres (BDCs) and Aboriginal Capital Corporations (ACCs) utilize public sector resources to invest in a wide range of ventures. Development finance intermediaries, ranging from community bond corporations to labour investment funds, use tax credits and government guarantees to obtain private capital for business investment. Some innovative credit unions, labour unions, and CED organizations are directly securing community capital and using it to help revitalize neighbourhoods.

This issue of *Making Waves* introduces readers to some of this diversity. Within the examples cited are the seeds of an alternative finance infrastructure based on values of solidarity, sustainability, and empowerment. We have a long way to go, but the good news is this—a start has been made.

Governments are Important

Particularly over the last eight years, Canada's governments have played an increasingly important role as sources of capital for community investment in aboriginal and rural Canada. This is in contrast to the dearth of public sector CED investment in the distressed neighbourhoods of our cities.

In rural and small town Canada, the Community Futures program (Department of Employment and Immigration) supports the operation and capitalization of what are known as Business Development Centres. There are 228 BDCs in Canada serving the 2200 medium-sized municipalities (under 60,000), small towns, and villages in which an estimated 6.5 million Canadians live.

Except in very special circumstances, the maximum capital available to any one BDC is $1.55 million. However, once transferred, the money remains in the hands of the community, and com-

What's Inside

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munity members (within program guidelines) make the decisions regarding loans. Collectively, these BDCs have the potential for receiving and exercising control over $333 million in loans.

The Canadian Aboriginal Economic Development Strategy is a joint initiative of three federal agencies. One of these agencies, the Aboriginal Business Development Program (part of Industry, Science and Technology Canada) is providing increasingly substantial resources to Aboriginal Capital Corporations (ACCs) as a means of increasing the access of aboriginal business development to credit. There are now 33 ACCs in Canada managing over $100 million in loans and loan guarantees to a wide range of aboriginal businesses. Another $70 million is committed to these ACCs under the current program. As indicated by the experience Dana Naye Ventures, a Yukon-wide ACC (see sidebar page 4), there are indications that this initiative may be laying the foundations for vibrant and responsive aboriginal development finance institutions.

An important innovation in the mobilization of community-based capital in Saskatchewan is being considered by several other provinces as a way to raise capital in an era of fiscal restraint. Under the Community Bond Program, the Saskatchewan government provides a guarantee that community investors will not lose their principal. Designed to combat the crisis in rural communities, 150 community groups have expressed interest in this instrument. Of these, 48 are currently applying it to raise capital from local citizens for investment in specific business opportunities. 24 of these have already raised at least their minimum target funds—a total of about $12.5 million from 5500 people. Stewart Perry's case study (see page 12) provides a fascinating analysis of this approach. Mark de Sousa-Shields looks at how an adaptation of this approach, currently under consideration by the Ontario cabinet, might work to strengthen community investment in his province (see page 9). Importantly, community bonds may provide a vehicle for urban CED to access capital. In New Brunswick it also appears that a similarly fashioned strategy is being developed for the coop sector.

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Colville Investment Corporation: Making Public Resources pay off for the Community

A BDC that has national prominence for its energetic and successful performance, Colville Investment Corporation (Nanaimo, B.C.), had a significant history as a loan/technical assistance project long before it was adopted into the CEIC program for BDCs. It actually remained independent from Community Futures even for some years thereafter and is only now undergoing a re-orientation to align itself with the local Community Futures Committee. Given it's history it represents an evolutionary process that can make any BDC or other lending/technical assistance group a more powerful instrument in CED.

Colville Investment Corporation was started by the Nanaimo Community Employment Advisory Society (NCEAS) in 1980. In 1975 NCEAS was itself established as one of four pilot projects when CEIC was beginning to explore the idea of CDCs as a new "developmental program." However, NCEAS's first efforts were related solely to employability training. Then they got some CEIC money for a fish hatchery and from there eventually received $500,000 for business development, setting up a subsidiary, Colville, to perform this function. Thereafter Colville was adopted into the LEAD (later LEDA) program, which more or less replicated the Colville model nationally. Then later it became a BDC as CEIC further evolved its programs. All through this period it operated as a subsidiary of NCEAS and in close relation to NCEAS social and employment training programs. Now NCEAS is being merged with the Community Futures Committee, under a carefully designed strategic plan for the development of the community, and Colville will be retained as a small business lending and technical assistance arm.

Thus, while, within the CEIC program context, Colville was simply a lending and technical assistance project, that was not the way it operated locally. That is, it was specifically seen as only a part of a broader program, as promoted by NCEAS. All along Colville's policies have emphasized the integration of social and economic objectives. That is, it has sought out the potential ventures of marginalized people who would not be served by conventional banks—e.g., because the applicant was illiterate. They also target investments to environmentally sensitive ventures, such as recycling. The service area is about 800 square miles, including four Indian Bands. This is the fastest growing urban area in B.C., and it has serious literacy problems and all the social conditions that go along with that.

The tension between social and economic objectives, as experienced by Colville, has been a continuing issue, according to the officer who has guided NCEAS and Colville from the beginning. He admits that from time to time Colville strays too far toward the pole of financial return and away from the pole of community service, but the organization has so far always returned to its original purpose, thus ensuring that services to marginalized continue.

Colville, from a capital base of about $1.5 million, has created approximately 1000 jobs (161 in 1990-91). It now has an asset base of $3 million, and this year, with about $850,000 available to lend throughout the year, feels that it will be unable to meet the demand for aid both in terms of capital and limited staff resources. A cost benefit analysis published in 1990 by the Economic Council of Canada has determined that the net benefits of the Colville dollars were clear and demonstrable. That same study also demonstrated that the CEIC objective of self-sufficiency for its BDCs is unrealistic, given the limited capital base that CEIC offered. (CEIC has since stepped back from that expectation, and increased to $3 million the total capital which a limited number of BDCs may draw from the program.)

Dana Naye Ventures: Using Capital as the Cornerstone of a Yukon Aboriginal Development System

One example of a CED group in the aboriginal community will suffice to illustrate the impressive reach that such a group can achieve. Dana Naye Ventures (DNV) in the Yukon has integrated the resources of the ACC program and the BDC option under Community Futures, and it is emerging as an illustration of how combining credit and technical assistance, appropriately resourced, may stretch into becoming a comprehensive development institution. An interesting feature of DNV is that they lend to non-native entrepreneurs (as long as the businesses are in the rural areas outside of Whitehorse) as well as to aboriginal businesses.

They presently have $7.3 million in capital, $600,000 of which derives from the Indian Economic Development Loan Fund, an earlier program that DNV bought out. This money has no strings attached to it and is the basis for DNV's equity investment fund. Plans are underway to increase still further their lending capital by another $1.5 million, and they are also currently applying to the Aboriginal Business Development Program for $1 million in equity capital. They have already become successfully involved in two equity investments, using their own funds.

In addition, DNV contracts with the federal government to deliver the Aboriginal Business Development program to individual entrepreneurs; it has developed the basis for an aftercare program for all loan clients (individuals and community development corporations); it is negotiating a joint venture with a CED technical services provider from B.C. to deliver training and technical assistance to Yukon communities; it is planning to establish a financial management company (audit, bookkeeping, and consulting services). And lastly, it has been engaged with the Yukon government in preliminary discussions to explore DNV's taking over the delivery and management of the territory's own business loan program. Why? Because the government can see that DNV is much more cost effective and has a much better track record than the loan fund administered by government!

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These kinds of initiative represent a new kind of partnership between communities and government. Although their actual implementation can be criticized from several perspectives, these programs do at least begin to recognize the importance of the community, both as a source of capital and as the appropriate level for decision-making and accountability. On the other hand, government programs come and government programs go. Most activists in the area of community investment, while recognizing the importance of government policies and programs, are developing a wider range of strategies and partnerships that are less dependent on government programming.

Mobilizing Alternative Investments: Bridging the Chasm between the Haves and the Have Nots

At a recent symposium on community economic development (CED), sponsored by the National Welfare Grant program, a definition of CED was drafted. It provides a context for thinking about the goals of community investment. Symposium participants defined CED as

> ". . . an effective and unique strategy for dealing with the problems of poor people, powerless people, and underdeveloped communities. As an intervention strategy in an underdeveloped community it does not seek to make the existing conditions in the community more bearable. Instead, community economic development seeks to change the structure of the community and build permanent institutions within the community. As a result, the community begins to play a more active role vis-à-vis the institutions outside the community, and the residents of the community become more active in the control of the community's resources."

Group after group at the symposium lent recognition to the fact the challenge of mobilizing and achieving more influence over capital is a crucial dimension of CED strategies.

To date, alternative investment mechanisms have met with mixed success in Canada. We provide a snapshot of several initiatives in the passages which follow: labour-based investment funds; credit unions focused on community-based investment; a church-based alternative investment fund; a non-profit corporation focused on CED and alternative investment; a women's loan fund; and a community loan fund in Montreal. These efforts are not all directly focused on the poor and the marginalized. However, they all seek to mobilize new capital and increase control over it, to forge new partnerships, and to invest in a manner that is accountable to community interests.

Bread and Roses Credit Union: Linking Credit to Social Goals

The **Bread and Roses Credit Union** is very unusual in the world of credit unions. It was organized specifically to support CED groups (and other groups involved in social change). Bread and Roses ($8.3 million in assets) provides a good example of how social and economic goals can be taken into account in formulating credit policies, and it certainly illustrates that the credit union format can be extended effectively far beyond the consumer service emphasis of most credit unions. It was founded in 1978 by a group of peace and anti-apartheid activists who did not approve of conventional bank investment policies. They decided to create an alternative, and to this day continue to recruit members based on their social commitments.

The mission of Bread and Roses is "to facilitate social change by offering banking and credit support to members." It specifically targets community-controlled businesses, especially co-ops, and it fosters networking among such ventures. Bread and Roses offers preferential rates for housing co-ops, as well as nonprofit groups. With 1,577 members, including 250 groups and 25 businesses, Bread and Roses sets a standard for Canadian credit unions in the financing of small community-based businesses and other ventures—a function not ordinarily performed by credit unions, except in the Quebec system.

(The Congress for Community Economic Change Credit Union seems to be the only other relatively small credit union in English Canada—it has assets of $10 million—that offers business financing for community and alternative business ventures. It is also participating with Calmeadow Foundation on a peer lending experiment. A summary of the work of Calmeadow is featured on pages 10-11 of this issue).

For information, contact Tony Farebrother, Bread and R-oses Credit Union, 348 Danforth Avenue, Toronto, Ontario M4K 1N8 Tel (416) 461-7882.

VanCity: Innovating within a Large Institution

Vancouver City Savings Credit Union, or “VanCity” for short, is perhaps the largest organizations in Canada attempting to learn ways of integrating social and economic goals. It has assets of $3 billion in assets and 190,000 members. VanCity was founded in 1946 to serve an area of the city that conventional banks had redlined, but it took a new direction into more activist policies about forty years later when new members of the board of directors decided to commit the credit union to the (prudent) pursuit of social goals.

The first major initiative was the creation of a venture capital fund for local small businesses that could not otherwise obtain credit for investment purposes. The fund did not perform well. This experience persuaded the board to establish and fund subsidiaries that could address social concerns but, separately incorporated, would not subject the credit union to direct risks. Since then, Vancity’s projects include:

- the Ethical Growth Fund (a mutual fund investing in socially responsible companies).
- a real estate development company dealing in affordable housing.
- the VanCity Community Foundation, which took it upon itself “to be a catalyst for growth and empowerment of disadvantaged groups and communities” in Vancouver and its environs.

The Ethical Growth Fund has been successful enough to be spun off to the credit union system. Now any credit union member in Canada may purchase shares. The real estate group has produced housing atop a new VanCity branch office, and a number of other major projects are at the planning stage. While the Foundation has since 1989 made a few investments and grants in a variety of small community projects, its role is still evolving. Given an endowment of some $2 million, its potential has yet to be realized, according to VanCity leaders.

In the efforts of its board and of its employees association, VanCity credit union is also directly involved in significant human resource development activities, most recently focusing on youth. Thus this credit union, through all of its operations, has taken a strikingly active role in the Greater Vancouver area. It combines a successful economic function ($23 million in after-tax profits in 1992) with a variety of social goals. As such, it has the potential to become a major innovator in community economic development in Canada.

For information, contact Coro Strandberg, Vancouver City Savings Credit Union, P.O. Box 24999, Stn. C, Vancouver, B.C. V5Z 4A8, Tel (604) 877-7647.

Women’s World Finance: A Small Beginning with Solid Results

Attention to marginalized groups—a hallmark of CED—has helped to generate specialized lending institutions. Women’s World Banking, an international system of technical support and financial assistance, was established to address the credit handicaps that women without the means to establish a credit rating commonly encounter. Its first Canadian branch is located in Sydney, Nova Scotia: Women’s World Finance, Cape Breton (WWF).

WWF first requires women entrepreneurs to undertake a training program, in order to qualify for WWF recommendation. It then accompanies the qualified entrepreneur to a local, participating bank to guarantee the loan which the bank is willing to offer. Loans are small (less than $10,000). The risk is distributed as follows: 25$ to the bank, 25% to WWF, and 50% to Women’s World Banking.

WWF raised local funds to capitalize its loan guarantee pool. The pool’s limited size (not made public, but probably less than $30,000) constrains WWF’s activity. However, the WWF model illustrates how much can be accomplished with very little money. The local loan guarantee procedure leverages at the ratio of three dollars for every local dollar. This technique needs to be considered and studied by other CED groups with very limited capital to invest.

Since WWF signed its agreement with the participating bank in the Spring of 1991, WWF has guaranteed 11 loans, amounting to $38,000, which have created 16 jobs. While this is a limited level of activity, the cost per job is extremely low. In addition, the qualification of untrained potential business-women for credit requires intensive effort. WWF’s confidence in the women whose loans it has guaranteed has been borne out, as in all cases the loans have been repaid or are current. The upshot of a successful loan application is that the entrepreneur’s credit rating can help her get additional funds for later expansion, without the assistance of WWF. She is no longer marginalized in the credit system. That is a solid achievement for a community economic development venture.

For more information, contact Adele MacDonald, Women’s World Finance, Cape Breton, Box 1142, Sydney, N.S. B1P 6J7 Tel. (902) 562-1772.

ACEM’s Community Loan Fund: Difficult Beginnings

In Montreal, **Association Communautaire d’Emprunt de Montréal** or ACEM is a small loan fund of less than $250,000. It was created by a dozen or so community groups with the assistance of the Massachusetts-based Institute for Community Economics. Modeled after of the U.S. community loan funds, it is capitalized by low-interest or no-interest loans from individuals, foundations, businesses, religious institutions, and other private sources. More than half the capital comes from outside Quebec.

ACEM specifically addresses the credit needs of employment-creating projects or businesses of marginalized groups. It generally takes projects recommended by a community development corporation in one district of the city. However, its small capital base and its unsuccessful efforts to interest major potential lenders—most particularly the Quebec Federation of Labour Solidarity Fund—has limited its impact. Moreover, administrative expenses have been met solely by grants from the City of Montreal and a small contribution from a Quebec religious conference. Due to declining support from the City, ACEM has been unable to maintain on salary its staff of two.

Very successful in the U.S., the community revolving loan model has concentrated on low-income housing and has a much more substantial foundation community from which to secure support for operating expenses. ACEM, with dependence on government funding for core operations and a focus on business development—inherently more risky and difficult than housing—is having difficulties at these early stages. Their experience bears further thinking through before attempts are made to replicate it elsewhere.

For more information, contact Milder Villegas, ACEM, 914, rue Rachel est, Montreal, Quebec H2J 2J1 Tel. (514) 525-6628.

New Immigrants and Refugees: The Mennonite Micro-Enterprise Program

Sponsored by the Mennonite Centre for Newcomers in Edmonton, the **Micro-Business Development Program** has been helping disadvantaged immigrants and refugees enter the mainstream economy through their own small businesses since June 1992. With credit from a local credit union and a loan guarantee from the Centre for Community Enterprise, the Mennonite Centre trains would-be micro-business owners and helps them secure credit. The Mennonite Centre uses the lending circle concept pioneered by the Grameen Bank. It contracts with University of Alberta instructors to deliver systematic business courses to its clients, including those not participating in a lending circle.

For more information, contact Tom Grauman, Micro-Business Development Program, 10125 107th Avenue, Edmonton, Alberta, T5H 0V5 Tel (403) 424-7709.

Canada's First Labour-Based Investment Fund: Quebec's Worker Solidarity Fund

The well-known **Quebec Workers' Solidarity Fund** (**Fonds de Solidarité des Travailleurs du Québec**), or FSTQ, is the trail-blazer for the union movement's interest in financing businesses that will hire its members. Begun in 1984, FSTQ invests only in Quebec businesses, and is owned primarily by Quebecers—individual union members in the main. The businesses need not be unionized, although unionized ventures are preferred targets.

With over $550 million in assets and 141,000 shareholders, FSTQ is able to make a visible impact on Quebec business. It has invested about $250 million since 1984 in about 100 Quebec firms, creating or maintaining 23,000 jobs. Its average annual return has been 7.13%, and its operating costs have been held at an annual rate of 4.25% of assets (or $23 million, most recently).

FSTQ has not restricted itself to conventional business financing. It has established a foundation to train workers to increase their influence on business decisions in the firms where they work. It has organized sectoral consultation groups for industries within which it has made investments. In addition, it has injected $337,000 into a $1.3-million small business development fund sponsored by three Montreal CED groups: the Montreal Employment Development Fund (mentioned in the October, 1992 issue of *Making Waves* in connection with our profile of RESO).

FSTQ's progress has been undergirded by federal and provincial tax credit legislation. The Quebec Labour Federation had successfully promoted a federal tax law that matched dollar for dollar any provincial tax credit up to 20% of the cost of shares purchased in a provincial labour fund like FSTQ. To top things off, shares are RRSP eligible. To date, only three other provinces (Manitoba, B.C., and Ontario) have followed FSTQ's lead, although labour groups in other provinces have been seriously exploring it.

For more information, contact Michel Blondin, Quebec Workers' Solidarity Fund, 1550 Metcalfe, Montreal, Quebec H3A 1X6 Tel. (514) 285-8700.

Enhancing Economic Democracy: Manitoba's Crocus Investment Fund

The **Crocus Investment Fund** is the newest labour-sponsored fund. Upon the passage of enabling legislation last year, it was launched by the Manitoba Federation of Labour with the collaboration of business, co-ops, and the provincial government. The legislation actually creates and offers an initial provincial investment of $2 million for Crocus, specifying that it be focused on retaining local capital, promoting employee ownership, and retaining or expanding Manitoba-based business and employment. Private capital is being sought to match the provincial monies. The original design and development costs of $500,000 were underwritten by CEIC.

Crocus has equity investment and lending capacity. It is different from the other labour-based investment funds in that it is specifically focused on enhancing economic democracy through worker ownership. Worker-owned firms are its prime investment target. This emphasis makes Crocus a more dedicated instrument of CED than the other labour funds, and recommends its consideration as a special form for replication elsewhere. Given its recent beginnings, Crocus does not have a track record as yet.

For more information, contact Sherman Kreiner, Crocus Investment Fund, 275 Broadway, Winnipeg, Manitoba R3C 4M6, Tel. (204) 925-2401.

Innovative Financing for Basic Housing: The Cape Breton Labourer's Development Company

The **Cape Breton Labourers' Development Company** (CBLDC) began operations in 1988 by a local of the International Labourers Union, in Sydney, N.S. Each working member has 25 cents per hour checked off his pay and allocated to a personal retirement account in a benevolent fund. It then lends money without interest to a housing fund, which in turn finances the construction and sale of modest three-bedroom homes for the most needy members of the local. An important aspect of this company's program is the creation of jobs for union members in the housing construction field. The prospect of a self-reliant housing venture has helped garner additional support for CBLDC to the tune of $1.1 million in grants and no-interest loans from provincial, federal, church, and union sources.

For more information, refer to the CBLDC case study on pages 12-16 of *Making Waves* (October 1992), or contact John MacDonald, Cape Breton Labourers' Development Company, P.O. Box 1103, Sydney, N.S. B1P 6J7, Tel. (902) 562-8849.

The Centre for Community Enterprise: Investing in Alternatives

The **Centre for Community Enterprise** (CCE), a privately endowed non-profit corporation, has successfully experimented in both equity investment and various types of loans. In one instance, it extended front-end risk capital to assemble land for affordable housing in Edmonton's inner city. Others project involved bridge financing for housing the homeless, a working capital loan to an affordable housing organization in Ontario aimed at establishing a 35 acre land trust and working capital for a Cape Breton workers co-op. (The CCE's assistance to the loan guarantee program of the Mennonite Centre is described above).

Its investments of about $600,000 have leveraged about $8 million in private and public sector investment which would not likely have flowed to the projects otherwise. Over the next two years, CCE plans to explore how to mobilize a broader base of private capital for other projects and ventures which conventional finance will not touch.

The work of the Centre is not limited to development finance. It owns the Westcoast Development Group as a subsidiary to provide training and technical assistance to CED organizations. It is also exploring the creation of other technical assistance and training resources for the field.

For more information, contact Mike Lewis, Centre for Community Enterprise, 163 West Hastings, Suite 337, Vancouver, B.C. V6B 1H5 Tel. (604) 685-5058.

Investing with a Conscience: The Canadian Alternative Investment Co-op

A consortium of religious organizations established the **Canadian Alternative Investment Co-operative** (CAIC) in the early 1980s. There are now about 45 groups involved with about $4.5 million in funds to invest. The aim was to place a portion of the religious community's endowment funds in socially valuable projects in order to generate some investment revenue. The interest or other charges are in many cases below market rates, and the projects selected are those for which traditional financing is often not available. Each organization may designate its funds for one of four purposes:

- a mortgage fund insured by CMHC.
- other real estate mortgages.
- other investments serving marginalized people or communities.
- other socially significant projects.

Since its beginnings, CAIC has made around 40 loans, and its average return, after operating costs, was 9.57% in 1991, when it had about 19 active loans for a total of $2.7 million. In 1992 an additional four loans were made. CAIC has operated with part-time staff. For this reason, undoubtedly, it has not been as active as its endowment resources would permit. Currently, it is making a special effort to attract additional new projects for non-mortgage funds.

For more information, contact Caroll Blair, CAIC, 146 Laird Drive, Toronto, Ontario M4G 3V7 Tel. (416) 467-7797.

What can we Learn and Where do We Go?

This brief review of some of Canada's community investment and development finance initiatives reveals a very wide range of resources and sources of innovation. They also reveal a rather stark contrast between what is available in the rural and aboriginal sector (from public sector programs) and what is available to urban CED. Just in the programs introduced in the beginning of this article, there is over $500 million in debt capital that has been made available for rural and aboriginal CED and business development. By contrast, there are no public sector policies or programs that are focused on bridging the huge capital gap that exists in poor urban neighbourhoods. In short, where poverty in Canada is most concentrated—the cities—the public sector has made virtually no effort to make debt capital accessible.

There are indeed some funds available outside of government. But these monies seem pretty inconsequential relative to the potential demand within Canada's disadvantaged urban settings. Moreover, by no means all the initiatives I have outlined expressly operate within a CED perspective or strategy. (The Quebec Solidarity Fund, for example, is primarily oriented to investment in Quebec businesses.) But they *have* generated a number of techniques and projects from which models can be derived and adapted. They demonstrate that real and significant impacts can be achieved, despite limitations in scope. They also show how those impacts can be obtained if the necessary resources are put to work.

Is Access to Capital the only Problem?

Were additional funds made available in the formats we have described here, however, the financing problems of CED would not be "solved."

Take, for example, the experience of the powerful VanCity Credit Union. Its attempt to offer venture capital to higher risk small businesses was making significant progress until organizational changes led to a withdrawal of the technical assistance component. The problems started to multiply rapidly. Clearly, practitioners and policy-makers would want to learn from Vancity's experience what works and what does not in that regard. Women's World Finance and other small institutions are still achieving success because of the intense commitment to providing the required support and assistance. It seems there are no short-cuts.

Further, the availability of development funds does not mean that they are actually obtained. The Canadian Alternative Investment Network illustrates that the availability of finance may not be sufficient in itself to generate demand. This seems strange in a context where many CED initiatives have a difficult time finding appropriate debt resources.

These rather puzzling questions can only begin to be addressed by recognizing that all CED strategies require four ingredients to succeed—and access to debt is just one of them. Equally fundamental are training and/or technical assistance, equity, and a capacity to carry on planning and research. It need not be the responsibility of a single organization to supply all four, but all four are indispensable. For CED to grow in its overall effectiveness, these components must be woven together and mobilized into a concerted, co-ordinated strategy. Thus it is reasonable to expect that development finance mechanisms, being only part of a CED system, will be more or less effective depending on the strength of the other components.

- Seen in this light, CAIC has a weakness in so far as it is not strategically linked to a network of CEDOs or technical assistance providers that could help to identify and qualify projects.
- VanCity, while having significant financial resources and capacity in banking and investment services, lacks a planning, advisory, or organizing strategy for outreach into poor neighbourhoods. Nor does it have staff oriented to these functions at the neighbourhood branch level.
- The Community Bonds program has by and large been project-specific, and quite successfully at that. But it has not had any strategy or devoted any resources to helping communities go beyond a single project (although some communities have begun to make the linkages themselves).
- The Cape Breton Labour Development Company, while the recipient of several housing awards, has had a very difficult time paying its basic core staff. Why? There has been no support for operating costs from any quarter!

Becoming More Innovative and More Effective

Happily, given the range of initiatives, opportunities exist to plan and support the leveraging of resources much more systematically.

First, some of these initiatives can begin to act in concert, at least to a limited extent. For example, where CAIC may lack access to a technical assistance network, the Centre for Community Enterprise could broker technical assistance. There is little doubt that, with the right connections, the $2 million not currently invested by CAIC could be out working in the community. The point here is to illustrate the need for those working in the sector to become more interconnected and innovative, so that available resources are readily channeled to points of need.

Second, there are opportunities for the public sector to support innovation, leverage resources, and foster creative and sustainable partnerships.

- Saskatchewan's Community Bond program, and Federal and provincial tax credits for labour-based investment funds show how to leverage private sector resources and to build partnership between the local and regional levels. Why can't this model be expanded and adapted more directly to the CED field?
- Credit unions represent a potentially important resource to the CED field as do other parts of the co-op sector. Why couldn't governments offer a mix of financial resources which would enable these sectors to play a more significant role in community revitalization? Well-designed support for strategic planning and implementation could lead to substantial innovation and learning in these sectors. With some encouragement, for example, it is not unrealistic to imagine VanCity or Bread and Roses Credit Union helping to establish neighbourhood CDCs for which they would be key partners. Alternatively, they could create subsidiaries that would be concerned with the revitalization of specific neighbourhoods.
- An organization like the CCE, with its present and future subsidiaries and cross-continental links to practitioners and CEDOs, could be encouraged to give its services national scope. Tax credits, or direct investment on a matching basis, could enable it to mobilize socially-conscious investment capital in support of CED initiatives across Canada.
- Cape Breton Labour Development Company could be assisted in the delivery of a cross-country educational program, so its example of self-help and partnership building could be replicated elsewhere.
- Halifax's Human Resource Development Association (see case study in *Making Waves*, January, 1993, pp. 10-16) has blended training and capital (rechanneled welfare transfer payments) to create substantial numbers of businesses and jobs. Why is this very successful initiative not being replicated in other Canadian cities?

Third, it is time to re-examine the responsibility of Canada's banks to provide financing in low-income communities. South of the border, hundreds of millions of dollars have become available for CED investments in poor neighbourhoods since the passage of the Community Reinvestment Act. This act requires a bank to reinvest dollars in the communities in which it has branches. Such reform of the banking legislation in Canada—while likely to be a major fight—is long overdue.

These ideas merely indicate the need for practitioners and policy-makers to become much more creative in the years ahead. Resources from every sector are scarce. Every actor, private and public, is concerned with leveraging the benefits of the resources invested. Together we must innovate, build partnerships, and forge an organizational infrastructure which can sustain the colossal efforts required to revitalize the distressed neighbourhoods of urban Canada.

Mike Lewis is the Executive Director of the Centre for Community Enterprise, and past managing director of Westcoast Development Group. The Urban CED research undertaken by Mike along with Dr. Stewart Perry and Dr. Jean-Marc Fontan is the foundation upon which this article is written. *The support of National Welfare Grants for the research support is appreciated.*

An Apology: Westcoast regrets that its review of Marcia Nozick's *No Place Like Home: Building Sustainable Communities* (January, 1993, p. 7) failed to mention that it is published by the Canadian Council on Social Development. We apologize for this oversight and congratulate the Council on its release of this very lively and well-written introduction to CED.