

*Research for* **communities**

## COMMUNITY ECONOMIC DEVELOPMENT AND PROVINCIAL GOVERNMENT POLICY

A look at provincial government efforts to stimulate  
grassroots economic development

**H**istorically, there have been two major government responses to needs of economically marginalized communities. The first is to simply ignore them in the expectation that residents will either move to areas where greater employment opportunities exist or that market pressures will eventually create needed employment and housing options for these communities. At the other extreme

constructed, and social welfare agencies open up shop.

But there is a third possibility, one in which the communities themselves play a far more central role in directing and controlling their growth. This is known as community economic development (CED). Over the past two decades a growing number of Winnipeg inner-city community activists have adopted CED approaches.

The most complete set of CED principles are those underlying the Neechi model of CED. Neechi Foods Co-op Ltd. is an Aboriginal worker-owned cooperative retail store in inner-city Winnipeg. The idea of this approach is to build a strong, inward looking, self-reliant economy which is based on goods and services consumed by people who live or work in the community.

In theoretical terms it is a “convergence” strategy of economic development. It favours cooperative

have been top-down experiments in urban or rural redevelopment, communities are bulldozed, public-housing complexes



Many important community economic development principles were developed by the staff of Neechi Foods, an Aboriginal worker-owned cooperative retail store in inner-city Winnipeg

ownership, small-scale production and popular control over economic decision-making. It is a holistic approach, in which the safety, health and self-respect of residents are of paramount importance.

### **CED AND GOVERNMENT SUPPORT**

CED initiatives are typically developed by small, grass-roots organizations. Yet they are frequently dependent on government investment in order to be viable. This is in large measure because CED ventures have to compete with other, often monopoly producers, many of whom enjoy much larger scales of production and pay wages close to or below subsistence levels. On the other hand, with CED projects the scale of production is usually very small, overhead costs are relatively high, wages paid have to be at socially acceptable levels, staff are often inexperienced and need training and they often face social problems not necessarily experienced by the general labour force. For all these reasons, CED projects find it difficult to prosper without some measure of government support.

There are two very good reasons why governments should support these projects. The first operates on the principle that society loses when people are not working and therefore not making a contribution to the economy. Given all the benefits that come from having people employed, it makes sense for government to provide the sort of subsidy that creates CED employment. Secondly, increases in employment reduce government costs in such areas as employment insurance and social assistance, while increasing the number of people paying taxes. When the

full social costs and benefits are considered, it often makes perfect sense for government to “pay more” to purchase from a CED supplier, or subsidize a CED initiative.

The relationship between government and community economic development was a major focus of much of the research carried out in recent years by the Manitoba Research Alliance on Community Economic Development in the New Economy (MRA). The Manitoba Research Alliance is a research consortium directed by the

Canadian Centre for Policy Alternatives --Manitoba. It carried out 42 research projects throughout Manitoba, many of which have been published by

either the MRA or the CCPA. In addition, it is producing 10 toolkits that summarize the research findings by topic. One of the toolkits produced by the MRA examines the relationship between CED policy and government policy in Manitoba. The rest of this document summarized the tool kit's discussion of recent provincial government CED policy.

### **MANITOBA AND CED**

Since the 1950s successive Manitoba governments have experimented with various elements of community economic development. More recently, the provincial

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government has supported CED initiatives such as housing and physical improvements, employment and training, education and recreation, safety and crime prevention, affordable housing, and CED organizations such as SEED Winnipeg, The Jubilee Fund, Community Ownership Solutions, and North End Community Renewal Corporation. It has also established a Community Enterprise Development Tax Credit that may become a significant tool for North End business development.

The newly created Community and Economic Development Secretariat worked to develop a policy framework that would support and encourage the application of CED principles throughout the government. This framework, known as the CED lens, is intended to ensure that CED principles are applied to new policy developments through the public sector.

The CED lens is a policy tool intended to provide a set of indicators that departments could utilize to evaluate policy initiatives to see if they are consistent with CED principles. The lens would also allow departments to identify policy areas where CED opportunities could be developed.

The notion of a CED lens as a policy tool is a good one, however, it has not been easy to put it into practise. In particular, the integration of more participatory and locally driven approaches to economic development into existing policy frameworks has been frustrated by the realities of bureaucratic organization.

At the time when the MRA was carrying out its research, only two departments, Aboriginal and Northern Affairs and

Labour and Immigration, had conducted CED inventories of their programs. These are both departments with well-developed policy communities and there has been a history of consultation and involvement of members of that community in the policy process.

## ACCOMPLISHMENTS AND AREAS FOR IMPROVEMENT

Interviews with active participants in



CED principles can be readily adapted to the Manitoba government's social housing policy.

Manitoba's CED community identified the following positive changes as a result of provincial government policy initiatives:

- CED organizations like SEED Winnipeg, Community Ownership Solutions, are being funded by government (and Neighbourhoods Alive! in particular supports many community-based initiatives), and yet government has made a clear policy decision to let community-based enterprises design and run the programs.
- The new CED equity tax credit can help the startup of social enterprises.
- Pre-employment training in job skills, life skills, and addictions treatment have all been provided by government funding, channeled through community organizations.

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- The government's adoption of the 10 principles in the CED Lens has been significant, if only because doing so has legitimized and popularized the principles.

The interviewees also listed several ongoing concerns:

- The province has tended to emphasize projects, without establishing a sufficiently comprehensive policy framework. Respondents noted that there has been improvement in this regard.
- Financing for CED initiatives tends to be too project-based, and as a result, there is not enough made available for core funding.
- The CED equity tax credit requires a considerable amount of legal work, which may be considered too costly for a startup business when compared against the relatively small amounts of investments often needed.
- In general, there is a lot of paperwork and regulation required, even from very small organizations requesting small amounts of money.

Among the recommendations regarding government programs and policies on Community Economic Development in the New Economy in the research commissioned and supervised by the MRA were calls on the provincial government to:

- incorporate CED principles into general business development policy
- provide CED organizations with stable, predictable core funding

- make greater use of the CED lens
- continue to establish community development corporations in targeted communities
- hand over the ability to issue grow bonds to CED organizations, who could then raise the capital
- make social housing a priority area for the adoption of CED



 Social Sciences and Humanities  
Research Council of Canada



This is one of a series of reports published by the Canadian Centre for Policy Alternatives-Manitoba, based on the research conducted by the Manitoba Research Alliance on Community Economic Development in the New Economy. We are pleased to acknowledge the generous financial support of the Social Sciences and Humanities Research Council, grant #502-2005-0006. The full reports are available online at [www.policyalternatives.ca](http://www.policyalternatives.ca).