The **Canadian CED Network**

Le RÉSEAU canadien de DÉC

FINANCING COMMUNITY-BASED RURAL DEVELOPMENT

Profiles of the Prevalent Instruments Used to Finance Community-Based Rural Development in Various Industrialised Countries

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EXECUTIVE SUMMARY

This document presents short profiles of 20 programs and instruments currently used to finance community-based rural initiatives. These programs and instruments were chosen among 70 studied either because they represent good examples of collaboration between different levels of government, including interesting formulas for cost sharing, or because they depict an innovative approach to solving problems associated with financing rural development at the community level, or both.

The information contained in these profiles was compiled mainly from public domain documents, both in print and on the Internet, as well as from conversations and interviews with expert informants and from the author's personal experience and knowledge. It is provided for discussion purposes and further research would be required to guarantee complete authenticity of every fact that has been gathered. This caveat notwithstanding, it is our belief that the profiles generally and fairly reflect the present situation for each instrument.

The template used for each profile includes the following topics: type of instrument; goal(s); description; location; scope; targets; amount(s) of funds; source(s) of funds; implementation mechanism; allocation mechanism; treatment of non-monetary contributions; governance; methods to ensure accountability; role of partnerships; other information; compatibility with principles underlying the National Rural Policy applicability to Canadian Federal context. The profiles have also been summarised in table form and grouped into one of six categories:

- capacity-building programs;
- privately managed, independent but publicly endowed development funds;
- publicly funded and managed programs;
- investment tax credits;
- loan funds;
- other instruments.

All of the instruments profiled appear to have produced excellent results within the context of their implementation and subsequent operations. However, how these results have been achieved points away from a direct replication approach to program development to one that attempts to mould programs to fit he contours of both the problems to be addressed and their solutions.

Overall, enabling factors for best practices include:

- local strategic planning and control over implementation by individuals and organisations who will be affected by the outcomes, working in partnership and supported by competent technical assistance and adequate financing;
- competitive application processes involving some degree of local partnerships at the outset coupled with technical assistance during the application process;
- medium and long term commitment by funders for capacity-building programs in severely disenfranchised areas;
- multi-year or permanent core financing for community economic development organisations or their equivalent to ensure on-going facilitation of partnerships and competent technical assistance to local projects and entrepreneurs;
- multi-level government collaboration both in setting goals and program parameters and during the life of the supported projects;
- an expanded notion of development that includes social, cultural and environmental dimensions, including health and education issues.

Overall program funding can, of course, be quite significant when medium or long term goals are sought. Publicly endowed development funds, managed by volunteer boards of directors made up of stakeholders, appear to be a most cost-effective way of solving this issue.

If flexibility is required on the local, operational level, firmness and clarity are required when establishing overall goals and accountability requirements. This seems to be best achieved when stakeholders are part of the process to determine these goals and requirements, including indicators of success, and when assistance is provided to help project managers meet their reporting requirements.

Finally, a focus on community development seen as a capacity-building process not limited to or exclusively measured by service provision seems to produce very beneficial outcomes.

A – CAPACITY-BUILDING PROGRAMS

	Business Retention and Expansion Ontario	Rural Community Empowerment Program United States	National Rural Development Partnership United States
Goal (s)	Promote employment growth and economic prosperity in rural Ontario.	Enable people to discover solutions to problems of poverty based on their own strategic vision for change.	Empower and build capacity of States and rural communities through collaborative partnerships.
Description	Local businesses visited by local trained volunteers; economic development strategic action plan is presented to community; implementation teams established with local suppliers of services to businesses.	Grants and technical assistance for rural designated communities. Applications consist of comprehensive 10-year strategic plans developed with active participation of low-income community residents.	Networks at all levels used as a foundation by building collaborative partnerships to enable existing public and private programs to serve rural citizens and communities more effectively.
Scope	As of September, 2002, 78 people from 53 municipalities have attended sessions and completed international accreditation.	Since 1994, all designated zones have created or saved 20,000 jobs and raised more than $10 for every dollar granted to them.	There are 40 State Rural Development Councils. Over 40 Federal agencies are present within the National Rural Development Council.
Targets	Local businesses.	Areas defined by census tracts, a minimum of 20% poverty rate and a maximum population of 30,000.	Rural communities.
Amount(s) of funds	Not available.	Have varied considerably depending of the rounds of competition and the component.	An appropriation of $10,000,000 has been requested for each of FY2003 through 2007.
Source(s) of funds	A consortium of private and public sector entities.	Specific Federal legislation.	U.S. Department of Agriculture (USDA) and U.S. Department of Health and Human Services.
Implementation mechanism	The head of Economic Development from Ontario's Ministry of Agriculture, Food and Rural Affairs has assumed leadership for the detailing of the program.	Funds are administrated through State agencies with projects managed locally.	Included in the Farm Security and Rural Investment Act of 2002.
Allocation mechanism	Not applicable.	Each legislative act specified the number of EZs and ECs to be designated as well as tax benefit envelopes.	Not applicable.
Governance	Steering committee comprised of members of both the public and private sectors program.	U.S. Department of Agriculture Rural Development mission, Office of Community Development.	A National Rural Development Co-ordinating Committee within the USDA.
Methods to ensure accountability	Follow-up with representatives from the communities participating in projects.	Designated zones, areas and communities are required to establish performance benchmarks and report these regularly to the Federal government.	A panel leads and co-ordinates the Partnership; the panel submits to Congress an annual report.
Role of partnerships	At the provincial level, partnership is at the heart of financing and leadership. At the local level, partnership is the basis for the local task force and the resource network.	Great emphasis on partnerships with Federal and state agencies and communities.	All task forces include participation from the Federal, State, tribal and local governments as well as the for-profit, non-profit and community-based private sectors.
Sustainability and transferability	Implementation depends on financial contributions from local partners. Seems appropriate for small communities.	Long-term partnership (10 years in most cases) between the Federal government and rural communities.	Five-year program.

A – CAPACITY-BUILDING PROGRAMS (CONTINUED)

	LEADER Program European Union	Area-Based Partnerships Companies Ireland
Goal (s)	Implementation of integrated sustainable development strategies in rural communities to enhance natural and cultural heritage, strengthen the economic environment and improve the organisational capacity of a community.	Locally based response to unemployment and social exclusion.
Description	Member States, in partnership with local and regional authorities, submit Community Initiatives Programs (CIP). Once CIP approved, patnership-based and co-financed projects and local action groups (LAG) are selected at the national level, after a pre-selection at the regional level.	Companies located, owned and run by the local community receiving public resources to implement their multi-annual integrated area action plans.
Scope	Information is available on 709 areas.	There are 38 Area-based Partnership Companies including 18 in rural areas. From 1994 to 1999, 13,100 long-term unemployed people set up their own businesses with Partnership assistance.
Targets	All rural areas within the European Union.	Designated disadvantaged urban and rural communities.
Amount(s) of funds	The budget of LEADER+ (2000-2006) is 2.02 billion Euros (about $3 billion Canadian).	About IR£80 million was allocated to the 38 Partnerships — each one having an assured budget of between IR£ 0.5-1m per annum — between 1995 to 1999 to cover core costs.
Source(s) of funds	Guidance Section of the European Agricultural Guidance and Guarantee.	A national organisation called Area Development Management Ltd (ADM).
Implementation mechanism	Part of the Common Agriculture Policy included in Agenda 2000.	Established in 1991 under the Program for Economic and Social Progress.
Allocation mechanism	Member States finance European Union's funds according to GNP. How funds allocate resources to programs and how program funds are allotted to Member States is not clear. Each Member State sets the number of LAGs.	Not available.
Governance	Decision to grant funding is the responsibility of the Local Action Group. Funding management formulas vary from country to country.	Board of directors drawn from the local community and voluntary sector, local State Agencies, local social partners and elected representatives.
Methods to ensure accountability	Monitoring committees responsible for follow-up and intermediate evaluation. Locally, LAG puts in place a continuous evaluation mechanism using common indicators.	Quarterly throughput and financial reports to ADM.
Role of partnerships	Each LAG constitutes an active partnership of local private, public and community actors.	Locally, the Partnerships interact with a range of organisations and establishments.
Sustainability and transferability	Current program in effect until 2006. Participants part of a permanent European network of rural development.	The Area-based Partnership approach is slated to be continued.

B – PRIVATELY MANAGED, INDEPENDENT BUT PUBLICLY ENDOWED DEVELOPMENT FUNDS

	Agri-Food Futures Fund British Columbia	Community Foundations Canada	Fondation Rues Principales Québec
Goal (s)	Facilitate development of emerging agri-food sectors while maintaining the capacity of traditional sectors and fostering diversification opportunities.	Providing financial support to a wide range of local community programs.	Promote heritage conservation, economic stimulation, revitalisation and worth of downtown areas, heritage neighbourhoods and harmonious development of municipalities and rural regions.
Description	Purpose trust established to provide grants for strategic projects that strengthen the agri-food industry in British Columbia. Supplements financial assistance from other sources.	Philanthropic organisation structured and operated as a permanent collection of endowed funds, income from which is distributed as grants to registered charities.	Implementation, within a given community, of a consultative and democratic revitalisation process based on partnership.
Scope	In first year (2001), three strategies (Agriculture Environment Partnership, Mushroom Industry, Vancouver Island) funded.	There are some 116 community foundations in Canada.	Since 1984, more that 90 Québec municipalities have called upon the foundation's expertise.
Targets	In 2001, 14 priority sectors.	Canadian communities.	City Centres, heritage neighbourhoods, urban municipalities and rural regions in Québec.
Amount(s) of funds	In 2001, $13.5 million.	Hold combined assets of more than $1.6 billion.	Three million dollar endowment fund and service contracts with the municipalities.
Source(s) of funds	60% B.C. Ministry of Agriculture, Food and Fisheries and 40% Agriculture and Agri-Food Canada.	Donors.	Heritage Canada Foundation, Economic Development Canada and Québec Government for the endowment fund.
Implementation mechanism	Canada/B.C. Framework Agreement on Agricultural Risk Management.	Federal and provincial tax deduction.	Service agreements with each municipality.
Non-monetary contributions	Not applicable.	Regulated by Charities Division of Canada Customs and Revenue Agency.	Not applicable.
Allocation mechanism	B.C. Investment Agriculture Foundation process.	Not applicable.	Not applicable.
Governance	B.C. Investment Agriculture Foundation is trustee	Local volunteer Board of Directors for each community foundation.	Board of Directors and team of professionals under the co-ordination of an executive director.
Methods to ensure accountability	Covered by the Trust agreement.	Registered charities are accountable to government and public at large.	Involvement and support from the foundation.
Role of partnerships	Not clear at this time.	Community foundations bring people together from all sectors to identify and address local issues.	Partnership initiative with local elected officials, citizens, business people and other partners or local organisations.
Sustainability and transferability	Sustainable if the principal is not touched.	The fact that the principal is not touched ensures the sustainability.	The creation of an endowment fund ensures the sustainability of the foundation without any other statuary contribution of public funds.

C – PUBLICLY FUNDED AND MANAGED PROGRAMS.

	Infrastructure Canada Program **Canada**	**Fonds de développement des entreprises d'économie sociale** **Québec**
Goal (s)	Enhance municipal infrastructures in urban and rural communities and improve the quality of life of Canadians through investments that protect the environment and favour long-term economic growth.	Support projects initiated by non-profit organisations or co-operatives in order to ensure their continued existence and to create or maintain employment.
Description	A six-year shared cost program to renew and enhance Canadian physical infrastructure.	Non-reimbursable grants, combined with technical assistance, awarded by local development centres to new or expanding social enterprises.
Scope	The ICP approved two projects during its first year (2000), 634 in 2001 and 1,420 in 2002.	In 2001, excluding Montréal and Laval, contributed to creation or maintaining of 3,561 jobs within 437 businesses.
Targets	Local administrations, First Nations, public or private legal entities whose projects are proposed by the Government of Canada or by a province or territory.	Social economy enterprises (non-profit organisations or co-operatives).
Amount(s) of funds	$2.05 billion over six years.	$6.7 million in 2001.
Source(s) of funds	In most cases, the Federal government (Infrastructure Canada) finances one third of the cost of a project and the province or territory and the local municipality provide the remainder of the funding.	Québec Ministry of Regions.
Implementation mechanism	ICP agreements were signed between the Government of Canada and the ten provinces and two territories.	Québec Policy Supporting Local and Regional Development and the Social Economy in April 1997.
Allocation mechanism	According to a formula based on population and unemployment.	Per capita (population served by each local development centre)
Governance	At the national level: Infrastructure Canada. Joint Federal-provincial and Federal-territorial governing committees have been set up in each of the jurisdictions to examine and select projects.	Québec Ministry of Regions program managed by local development centres
Methods to ensure accountability	Each agreement contains provisions that include regular detailed audits and evaluations.	Applicants submit a business plan and then sign an agreement to participate in the evaluation of their project and in follow-up for the next two years.
Role of partnerships	Costs of and responsibility for the projects are shared between the different partners at the Federal, provincial and municipal levels.	Local development centres jointly financed by the Québec government and local municipalities.
Sustainability and transferability	Not applicable.	Program is renewed annually.

D - INVESTMENT TAX CREDITS

	Community Economic Development Investment Funds Program Nova Scotia	Labour-sponsored venture capital corporations Canada	Employee Share Ownership Program British Columbia
Goal (s)	Encourage communities to invest in themselves and determine their own futures.	Job creation or maintenance, economic growth worker investment, strengthening national venture capital market as well as provincial sub-markets.	Encourage employees to make equity investments in B.C. companies for job creation and participation in business ownership.
Description	Pool of capital formed within a defined community and reinvested in local businesses through the sales of shares or units to persons who receive tax credits.	Individuals who buy LVCC shares eligible for Federal tax credits and often for provincial tax credits and additional fiscal deductions. LVCC transform these savings into investments for local production	Provides employees with a tax credit for making investments in their employers' businesses.
Scope	16 CEDIFS have received or are in the process of receiving provincial approval for the issuing of shares to local investors.	Important impact on economically disadvantaged regions and communities.	In B.C., ESOP plans are said to have raised $30 million for 70 local businesses and created and/or saved 8,000 jobs.
Targets	Community enterprises that possess specific characteristics related to mission, ownership and control.	Low and average income tax payers affiliated with labour-sponsors, although anyone can buy shares in an LVCC.	B.C. companies or co-operatives with less than $500 million in assets and at least 25% of wages to B.C. residents.
Amount(s) of funds	$1.1 million in 1999.	In 2000, members of the Alliance of Labour Funds possessed shares valued at $4.58 billion.	Since 1991, annual maximum employee investment tax credit is $13 million.
Source(s) of funds	Tax expenditure.	Tax expenditure.	Tax expenditure.
Implementation mechanism	Nova Scotia Equity Tax Credit Act.	Province legislation for each LVCC.	Employee Investment Act.
Allocation mechanism	Tax credits through existing income tax mechanism.	Tax credits through existing income tax mechanism.	Tax credits through existing income tax mechanism.
Governance	N.S. Department of Finance for tax credits. CEDIFs are owned by their shareholders.	Official labour union sponsor creates the LVCC and ensures management of the main decision-making structures through majority control.	Business Investment Branch of the B.C. Ministry of Competition, Science and Enterprise.
Methods to ensure accountability	Under the jurisdiction of the Securities Act.	Very strict legal guidelines (types and amounts of investments, liquidity, solvency, conflicts of interest, consumer protection) and must conform to securities legislation.	Annual financial statements and reports to shareholders, and annual report to the B.C. Ministry.
Role of partnerships	Possibility for a CEDIF to be co-ordinated through a partnership arrangement (e.g. with a bank, credit union, or trust company).	Certain LVCCs have been established in partnership with other investment funds or financial institutions.	Not applicable.
Sustainability and transferability	Not applicable.	LVCC sustainability not guaranteed. LVCC model has been adopted by several provinces and adapted to local contexts.	Not applicable.

E – LOAN FUNDS

	Intermediary Relending Program United States	Small Business Loans Association Saskatchewan	Community Development Financial Institutions Fund United States
Goal (s)	Alleviate poverty and increase economic activity and employment in rural communities through financing smaller and emerging businesses.	Encourage economic diversification and supports community economic development by making funding available to beginning and non-traditional entrepreneurs through community-run organisations.	Provide funding for capital and capacity-building to community development financial institutions (primary mission is community development).
Description	IRP lends money to intermediaries which in turn capitalise and operate local revolving loan funds.	An SBLA (four or more community-based interest groups) may access an interest-free revolving line of credit of up to $100,000 from Saskatchewan Industry and Resources. The SBLA in turn makes loans of up to $10,000 to new and existing businesses.	Two programs provide monetary assistance: CDFI Program direct debt and equity support to CDFIs; BEA Program provides incentives to banks and thrifts to channel reinvestment to CDFIs. Very recent New Markets Tax Credit Program allocates tax credits for investmernts in eligible for-profit entities.
Scope	IRP dollars have leveraged $119 million in FY2000, and $1.5 billion since 1998.	There are 279 SBLAs in Saskatchewan. In 2001-2002, 495 businesses borrowed more than $3.4 million through the SBLA Program.	In 2002, 148 organisations received $51 million (U.S.). Since creation in 1994, Fund has made over $534 million (U.S.) in investments in CDFIs.
Targets	Intermediaries: private non-profits, public agencies, aboriginal groups, co-operatives. Ultimate recipients: private or public organisations or individuals.	Companies that have experienced difficulty obtaining financing through traditional means.	Distressed urban and rural communities.
Amount(s) of funds	In 2001, $38 million, and $44 million in 2002.	Not applicable.	For 2002 CDFI Program totalled $51 million (U.S.), BEA was $23 million (U.S.) and NMTC opened competition for tax credits in support of $2.5 billion (U.S.) in qualified investments.
Source(s) of funds	U.S. Dept. of Agriculture (USDA), Rural Business-Cooperative Service.	Saskatchewan Industry and Resources.	U.S. Department of the Treasury.
Implementation mechanism	USDA Rural Development Instruction 4274, Direct and Insured Loanmaking, Subpart D.	Interested organisations complete an application form and if successful, the Ministry provides an offer of credit at an appropriate level.	In 1994, Community Development Banking and Financial Institutions Act established CDFI Fund as a wholly-owned government corporation.
Allocation mechanism	Applications evaluated by the USDA Rural Development State Office.	SBLA generally judges businesses on their ability to create jobs and to add services to communities.	CDFI Fund "opens" funding rounds for its programs once a year by publishing a Notice of Funds Availability (NOFA) in the Federal Register.
Governance	USDA Rural Business-Cooperative Service.	Saskatchewan Industry and Resources.	United States Department of the Treasury.
Methods to ensure accountability	Quarterly reports and an annual budget.	Not known.	Awardees file annual reports to the Fund at specific deadlines.
Role of partnerships	To maximise their IRP dollars, intermediaries leverage additional credit and investment capital from both public and private sources.	Local partnerships appear to be an important component since SBLAs are formed by the incorporation of four or more interest groups.	CDFI Fund requires CDFIs to develop sophisticated partnerships with conventional financial institutions.
Sustainability and transferability	Not applicable.	An SBLA generates sufficient revenues to cover its administrative costs.	Program is renewed annually.

E – LOAN FUNDS (CONTINUED)

	Coopérative de crédit alternatif (Belgium)
Goal (s)	Provide social economy businesses with low interest debt, equity capital, and management consulting services.
Description	"Alternative" credit union (low interest rates,no remuneration for the money invested in it, etc.). Services include direct loans, capital investments. micro-credit loans, venture capital for start-ups and technical assistance
Scope	More than 600 members.
Targets	Co-operatives, non-profit organisations and social economy businesses.
Amount(s) of funds	In 2000, the fund managed 5.5 million Euros.
Source(s) of funds	Members (individuals, organisations and non-profit associations) and donations from ethical investment systems.
Implementation mechanism	Crédal is set up as a co-operative corporation linked to a non-profit organisation.
Allocation mechanism	Amounts vary according to needs and capacity to repay.
Governance	Administered like all other co-operatives.
Methods to ensure accountability	Accepted projects must satisfy a long list of conditions.
Role of partnerships	Awardees must purchase a co-operators share in Crédal (25 Euros). Crédal also works with other members of the Alternative Financing Network of Belgium.
Sustainability and transferability	Community loan associations of this type are frequently unstable (underapitalisation; financially precarious nature of many borrowers).

F – OTHER INSTRUMENTS

	Community Reinvestment Act United States	Community Land Trusts Canada	Enterprise Facilitation Canada, Australia, New Zealand, U.S.
Goal (s)	Encourage depository institutions to help meet the credit needs of the communities in which they operate.	Conservation and improvement of natural spaces, control of housing developments, the creation of recreation parks and the maintenance of agriculture.	Support entrepreneurs in the learning process of developing their business ideas into viable business ventures.
Description	Insured depository institution's record in helping meet the credit needs of its entire community is evaluated periodically. That record is taken into account when the institution applies for deposit facilities, including mergers and acquisitions.	Non-profit corporation to ensure community control over land development either by acquiring land (through purchasing or a donation) or by obtaining conservation designation.	Individual one-on-one support for nascent entrepreneurs and the creation of a local network to support businesses. A local Enterprise Facilitator links clients to a whole range of services including marketing, access to capital, partnering, etc.
Scope	Community organisations have negotiated about 370 CRA agreements that total more than $1 trillion dollars.	About 80 of all sizes in Canada, over 900 in the United States.	First tested in rural Western Australia, this approach has been exported to 250 communities; since 1985, 30,000 entrepreneurs have been assisted.
Targets	Banks and savings institutions in lower income communities.	Individuals and organisations involved in the protection of the environment, active in the area of controlling housing development for low-income families or maintenance of agricultural lands to support access to farms or to make agricultural operations profitable.	Individuals in local communities interested in developing or expanding small businesses.
Amount(s) of funds	Not applicable.	Varies considerably, according to the scope of the trust.	Not applicable.
Source(s) of funds	Not applicable.	Annual contributions by members, regional and provincial fundraising campaigns, foundations, tax exemptions, controlled development and controlled production.	Vary from community to community. In B.C. the Program is funded by local businesses and the municipal and the Federal governments.
Implementation mechanism	Legislation enacted by U.S. Congress in 1977.	Incorporated as corporations without share capital according to jurisdiction.	A community that wants to implement this program will generally enter into a contract with the Sirolli Institute of Canada.
Allocation mechanism	Not applicable.	Not applicable.	Not applicable.
Treatment of non-monetary contributions	Not applicable.	Treated in the same way as any other similar donation made to charitable organisations.	In-kind contributions from local governments, banks or organisations can take the form of office space, telephone, computer, etc.
Governance	Examinations conducted by the Federal agencies responsible for supervising depository institutions	Board of directors.	Local community steering committees.
Methods to ensure accountability	Oversight of Federal agencies and vigilance of citizens and neighbourhood organisations	No specific methods.	No specific methods.
Role of partnerships	Has led chartered banks and other lending institutions to enter into partnerships with community groups.	Close ties with government institutions, at either the municipal, provincial or Federal levels.	Local partnerships are a cornerstone of the approach since a strong sense of community involvement at all levels is important to the whole process.
Sustainability and transferability	Not applicable.	Sustainability ensured through the revenues generated by the use of its assets.	This approach seems to work best in medium-size and small towns.

AGRI-FOOD FUTURES FUND

TYPE OF INSTRUMENT

Publicly funded and privately managed trust fund.

GOAL (S)

The Agri-Food Futures Fund (AFFF) is expected to facilitate the development of emerging agri-food sectors in British Columbia while maintaining the capacity of traditional sectors and fostering diversification opportunities for them. It seeks to maintain economic viability while adopting practices that contribute to improved environmental stewardship.

DESCRIPTION

The AFFF is a purpose trust established by the British Columbia Ministry of Agriculture, Food and Fisheries for the benefit of the agri-food industry in that province. The AFFF views its role as that of a partner in the investment in agri-food opportunities in British Columbia that help industry to adapt, diversify and grow. It is not intended to replace or duplicate existing programs available through government or industry specific development funds although it may provide funding that is complimentary to support provided by other programs. Applicants are encouraged to use the AFFF's funds to supplement industry cash contributions and financial assistance from other sources.

The AFFF is not a source of funding for business start-ups, expansion, capital acquisition or core funding for non-profit groups but rather provides grants to projects that:

• facilitate growth and development of emerging sectors of the agriculture and agri-food industry in British Columbia;

• facilitate stability of established sectors of the agriculture and agri-food industry in British Columbia, and foster opportunities for diversification of the sectors;

• maintain viability and productivity of British Columbia farm and agri-food operations as they strive to integrate the changing environmental values of society and to adopt stewardship practices that are appropriate and responsible;

• facilitate growth and development in the processing of British Columbia food and agriculture products, and that enhance all aspects of food quality;

• contribute to improving the safety and acceptability to consumers of all British Columbia foods, and capitalise on a market reputation for safe foods, humanely produced.

LOCATION

British Columbia

SCOPE

In 2001, through its trustee, the AFFF reserved $4.0 million for the first year of the B.C. Agriculture Council's Agriculture Environment Partnership Initiative Strategy and Operational Plan, reserved $0.5 million for the Mushroom Industry Strategy and Operational Plan, and provided a planning grant to the Vancouver Island Farmers Alliance to facilitate the development of a long-term agri-food strategy and operational plan for Vancouver Island.

TARGETS

In 2001, the Trust established 14 priority initiatives to be considered for funding based on the submission of a long-term strategic plan that include the following areas: nutraceuticals and functional foods, small lot agriculture, agricultural workforce, First Nations agriculture, organic agriculture, and opportunities for women in agriculture and agri-food.

AMOUNT (S) OF FUNDS

The provincial and Federal governments have put $13.5 million into this trust fund with Investment Agriculture as the trustees.

SOURCE (S) OF FUNDS

The provincial government contributed 60% of the funds and the remaining 40% came from the Federal government.

IMPLEMENTATION MECHANISM

The Agri-Food Futures Fund is a joint Federal/provincial initiative within the Canada-British Columbia Framework Agreement on Agricultural Risk Management (Federal/provincial safety net agreement).

ALLOCATION MECHANISM

In 2001, the B.C. Investment Agriculture Foundation established an administrative process for the review and approval of initiatives to be funded by the AFFF. There is no funding limit, and applications are evaluated on the basis of their ability to help the industry adapt, diversify and grow. The overall funding target is a matching of industry cash contributions.

Treatment of non-monetary contributions

Not applicable.

Governance

The B.C. Investment Agriculture Foundation administers the AFFF in accordance with a Trust agreement with the Ministry of Agriculture, Food and Fisheries signed in 2001.

Methods to ensure accountability

Covered by the Trust agreement.

Role of partnerships

Not clear at this time.

Sustainability and transferability

The creation of an endowment fund ensures sustainability without any other statuary contribution of public funds as long as the principal is not touched. It is not clear if this is the case with the AFFF.

Applicability to Canadian Federal context

The creation of an endowment fund can be done anywhere in Canada.

AREA-BASED PARTNERSHIP COMPANIES

TYPE OF INSTRUMENT

Capacity-building program.

GOAL (S)

The Government of Ireland established the area-based Partnerships in 1991 as a locally based response to unemployment and social exclusion. Following the lack-lustre performance of the national economy during the 1980s, frustration with conventional macroeconomic management led to the creation of a national forum for employers and trade unions to articulate and negotiate their interests. High unemployment and poverty within particular localities, coupled with the historic weakness of local government, created pressures for a similar approach at the local level. The area-based Partnerships were thus to have a problem-solving approach, to mobilise potential resources and to be flexible in devising remedies, including a willingness to experiment. Their goal was to improve co-ordination and evaluation at local level of mainstream programs and policies to ensure their effective delivery to the long-term unemployed and the socially-excluded and from this experience to contribute to the national policy making process.

DESCRIPTION

Area-based Partnership Companies are located, owned and run by the local community in designated disadvantaged areas around the country receiving diverse public resources to implement their multi-annual integrated area action plans. These Actions Plans are developed in consultation with local people and span a wide range of strategies focused on tackling these problem areas: enterprise creation and development, services for the unemployed, community development, complementary education and training, preventive education, infrastructure and environmental actions and promoting institutional and policy changes.

In other words, some initiatives fill gaps in the existing network of service provision, expand their scale or widen access. Others provide services that are tailored more closely to the needs of individuals. Some involve the transfer of knowledge, skills and information between organisations. Some partnerships are inclined to do things themselves while others seek to encourage other bodies to provide the services in order to avoid the administrative burden and financial cost. In rural areas there may be more emphasis on direct service delivery because of the lack of other providers, while in urban areas facilitation and co-ordination of existing organisations may be more common. Some areas of work are effectively prescribed by central government, such as a program of childcare support. The partnerships have generally developed at a different rate and in different ways, depending on pre-existing conditions, such as whether ‘natural’ communities could be identified (i.e. based on shared problems, territories or histories) and the extend to which an infrastructure of community organisations already existed.

The Companies are modelled on the social partnership structure at a national level with State agencies, social partners (unions, farmers, business), elected representatives and the community sector all making up local boards of management. Their task is to co-ordinate State agencies and to focus on meeting the needs of disadvantaged groups. They work through community development principles of consultation, participation and inclusion.

LOCATION

Ireland.

SCOPE

There are 38 Area-based Partnership Companies in Ireland: 20 in urban areas and 18 in rural ones covering roughly half of the territory of Ireland. From 1994 to 1999, a total of 13,100 long-term unemployed people set up their own businesses with Partnership assistance. 13,500 previously unemployed people were placed in employment. Over 17,000 children from disadvantaged backgrounds participated in Partnership funded preventative education projects. Over 13,000 adults on low incomes were assisted in participating in education and training actions. Partnerships initiated over 1,400 community environment and infrastructure projects in their area.

TARGETS

Designated disadvantaged urban and rural communities.

AMOUNT (S) OF FUNDS

About IR£80 million was allocated to the 38 Partnerships — each one having an assured budget of between IR£ 0.5-1m per annum — between 1995 to 1999 to cover core costs. These sums were also used to lever in additional activity through mainstream government programs and funding from other public and private sources. Funding for most capital projects, such as community centres and business premises, have to be raised separately.

SOURCE (S) OF FUNDS

A national organisation called Area Development Management Ltd (ADM) allocates and monitors funding of the Partnerships. ADM works within government policy but is a private company and independent of government. Funds are provided via the National Development Plan through the Department of Tourism, Sport and Recreation, ADM, and other sources including the European Union.

IMPLEMENTATION MECHANISM

Established in 1991 under the Program for Economic and Social Progress (PESP).

ALLOCATION MECHANISM

Not available.

TREATMENT OF NON-MONETARY CONTRIBUTIONS

Not applicable.

GOVERNANCE

Each local Partnership is an independent company limited by Guarantee, with a board of directors drawn from the local community and voluntary sector, local State Agencies, local social partners – unions, farmers, business interests – and elected representatives. The partnership boards typically have between 20-25 members. Each is expected to make a unique contribution and to gain something in return. None can hold a majority, so particular interests cannot dominate and decisions are made by consensus.

METHODS TO ENSURE ACCOUNTABILITY

Partnerships are accountable to their funders through detailed monitoring and financial reporting procedures such as quarterly throughput and financial reports to ADM.

ROLE OF PARTNERSHIPS

Locally, the Partnerships interact with a range of organisations and establishments, such as the local branches of national associations dealing with specific disadvantaged groups, local chambers of commerce and other business associations, centres for the unemployed, training institutes and many local voluntary bodies. Each Partnership sets about carrying out its work with a process of strategic planning involving consultation and listening to the people who live within its area. It also involves negotiation and agreement leading to collective decision-making.

This reflects the interdependence between the partners with no one sector able to fully achieve its goals without a significant degree of support from the other sectors. In turn, this also leads to the joint ownership of the decisions.

One of the main ways the partnerships relate to government departments is through official representatives on their boards. Their role was assumed to be to transmit requirements for changes in departmental policy and procedure from the partnerships to national decision-makers, who would respond constructively to the improved knowledge and practical advice emerging from the local level. This has proved far from straightforward in practice. There has also been some ambiguity about the position of official representatives. Several departments are involved in the local partnerships, usually through their regional offices.

SUSTAINABILITY AND TRANSFERABILITY

The Area-based Partnership approach to addressing disadvantage at local level will be continued. The Government is committed also to the continuation of the LEADER program in the context of the European Union's Community Initiative for Rural Development which will succeed the current program. In accordance with the Report of the Task Force on the Integration of the Local Government and Local Development Systems (1998) a single agency should operate LEADER and the Area Partnership approach in rural areas.

APPLICABILITY TO CANADIAN FEDERAL CONTEXT

At first glance, these Companies resemble local development organisations in Canada (e.g., Community Futures Development Corporations). However, the especially flexible nature of the Companies, both in terms of structure and services, is not found in the Canadian models. Indeed, the Companies' focus on social goals seems more along the lines of the social development roundtables that have recently developed in Québec.

BUSINESS RETENTION AND EXPANSION

TYPE OF INSTRUMENT

Public financing, Private management

GOAL (S)

The Business Retention and Expansion (BR+E) initiative aims to promote employment growth and economic prosperity in rural Ontario by helping communities identify both the barriers to survival and the expansion opportunities facing local businesses.

DESCRIPTION

The BR+E is a volunteer-based economic development tool created for communities, which encourages the growth and stability of local businesses. This economic program of business visits has been implemented in hundreds of rural and urban communities in the United States. In Ontario, the concept was first put into action in 1998 by the Agriculture and Food Ministry, working together with other ministries and organisations, the private sector and economic associations.

A local leadership team guides the implementation of the project, and volunteers are trained within the community to carry out interviews with local businesses. Then a local task force, comprised of municipal civil servants, along with representatives from economic and community development organisations, public services, educational institutions, trade unions, etc., examines the results of the questionnaires and puts together an economic development strategic action plan. The results of the research and the action plan are then presented to the community during a public meeting and implementation teams are established in order to put the strategy into action. Local suppliers of services to businesses, including provincial and Federal governments, public services and commercial development organisations, serve as resources for the local implementation team. Tool kits have been developed and accredited BR+E consultants are available to collaborate with the communities in order to help them implement a BR+E project.

LOCATION

Ontario.

SCOPE

As of September 14, 2001, 78 people from 53 municipalities have attended BR+E training sessions in Ontario and have gone on to complete the international consultant accreditation process in Business Retention and Expansion. In the United States, the program has been offered in more than 25 States over the past 25 years.

TARGETS

Local businesses.

AMOUNT (S) OF FUNDS

Not available.

SOURCE (S) OF FUNDS

A consortium of private and public sector entities has provided expertise and funds to set up a program and a BR+E tool kit: Bell Canada, Ontario Power Generation, Enbridge Consumers Gas, Microsoft Canada, Economic Developers Council of Ontario, Ontario Association of Community Development Corporations, Industry Canada's Federal Economic Development Initiative for Northern Ontario of, Human Resource Development Canada, Canadian Rural Partnerships, the Ontario Environment Ministry, its Ministry of Training, Colleges and Universities, its Ministry of Northern Development and Mines, and its Ministry of Agriculture, Food and Rural Affairs.

IMPLEMENTATION MECHANISM

The head of Economic Development from Ontario's Ministry of Agriculture, Food and Rural Affairs has assumed leadership for the detailing and testing of the Ontario BR+E program. Pilot projects started in 1998 in ten rural communities and strategic plans were implemented during the following two years.

ALLOCATION MECHANISM

Not applicable.

TREATMENT OF NON-MONETARY CONTRIBUTIONS

Not applicable.

Governance

The Ontario Ministry of Agriculture and Food set up a steering committee comprised of members of both the public and private sectors to guide the BR+E program (see Source of Funds).

Business Retention and Expansion International (BREI) provided training for members of pilot communities in Ontario, and agreed to work with BR+E Ontario to provide BREI certification courses in 2000.

Methods to ensure accountability

A follow-up was carried out with representatives from the communities participating in projects.

Role of partnerships

At the provincial level, partnership is at the heart of financing and leadership of the BR+E program. At the local level, partnership is the basis for the local task force as well as the resource network.

Sustainability and transferability

BR+E does not constitute a self-financed business development program and therefore its implementation depends on financial contributions from local partners. The BR+E seems appropriate for small communities.

Applicability to Canadian Federal context

Through the involvement of its economic development agencies, the Government of Canada presently supports a network of approximately 300 organisations dedicated to local development, through the Community Futures Development Corporations (CFDC) in small cities and rural communities. Most CFDCs offer business development services and it might bed warranted for these organisations to investigate the BR+E model if they have not already done so.

COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS FUND

TYPE OF INSTRUMENT

Loan fund.

GOAL (S)

The Community Development Financial Institutions Fund (CDFI Fund) in the U.S. Department of the Treasury provides funding for capital and capacity-building to community development financial institutions (CDFIs) in that country.

[CDFIs are private-sector finance-led intermediaries whose primary mission is community development. They couple their financing with development services and provide loans, investments, and consumer financial services to communities left out of the mainstream financial system. They employ a range of strategies to increase access to credit and capital and to build businesses, housing, jobs, and savings for low-wealth people and communities. CDFIs include community development banks, credit unions, loan funds, venture capital funds, and micro-enterprise loan funds, among others. CDFIs also exist in Canada; see Applicability to Canadian Federal Context section for more information.]

DESCRIPTION

The CDFI Fund has two programs that provide monetary assistance: the CDFI Program and the Bank Enterprise Award Program (BEA). The CDFI Program provides direct support to CDFIs, and the BEA Program provides incentives to banks and thrifts to channel their community reinvestment to CDFIs. Another very recent program, the New Markets Tax Credit Program (NMTC) allocates tax credits to eligible for-profit entities. The CDFI Fund takes an entrepreneurial approach to its programs, funding and strengthening institutions rather than specific projects.

• The CDFI Program uses Federal resources to invest in and build the capacity of private, for-profit and non-profit financial institutions to provide capital and services to underserved people and communities. The Fund invests in CDFIs using flexible tools such as equity investments, loans, grants, and deposits, depending upon market and institutional needs. These needs are demonstrated by the applicant CDFI in its business plan and in its ability to raise comparable non-Federal matching funds, both requirements of the application process. The CDFI Program has three main funding components: 1) the Core Component provides direct investment in

CDFIs in the form of a capital grant, equity shares, or a loan, depending on the type of institution; 2) the Intermediary Component provides awards to CDFI intermediaries that in turn make awards to other CDFIs; 3) the Small and Emerging CDFI Access (SECA) Component that is designed to provide streamlined access to small amounts of capital for smaller and newer CDFIs.

• The BEA Program rewards banks and thrifts for increasing their community investments. Banks (including community development banks that are CDFIs) receive awards of 5-15 percent of their increased community investing over the previous years. The BEA Program recognises the key role played by traditional financial institutions in community development lending and investing. It supports the community reinvestment efforts of regulated banks by providing incentives for them to invest in CDFIs and to increase their lending and provision of financial services in distressed communities.

• The New Markets Tax Credit (NMTC) Program permits taxpayers to receive a credit against Federal income taxes for making qualified equity investments in designated Community Development Entities (CDEs) that must, in turn, be used by the CDE to provide investments in low-income communities. The credit provided to the investor totals 39% of the cost of the investment and is claimed over a seven-year credit allowance period. NMTCs will be allocated annually by the Fund to CDEs under a competitive application process. These CDEs will then sell the credits to taxable investors in exchange for stock or a capital interest in the CDEs.

LOCATION

United States.

SCOPE

Since its creation in 1994, the Fund has made over $534 million (U.S.) in investments in CDFIs serving both rural and urban areas in local, regional, statewide, and multi-state markets in 50 states and the District of Columbia, Puerto Rico, and the Virgin Islands. In 2002, 148 organisations were awarded a total of $51 million (U.S.).

TARGETS

Distressed urban and rural communities by stimulating the creation and expansion of diverse community development financial institutions.

AMOUNT (S) OF FUNDS

Funds available for the 2002 CDFI Program totalled $51 million (U.S.): $41.6 million for the Core/Intermediary Component, $6.9 million for the SECA Component and $2.5 million under the

Native American components. For the same year, BEA Program funding amounted to $23 million.

The Fund published its first annual NMTC Program Notice of Allocation Availability in June, 2002, inviting CDEs to compete for tax credit allocations in support of an aggregate amount of $2.5 billion in qualified equity investments in CDEs.

SOURCE (S) OF FUNDS

CDFI Fund: U.S. Department of the Treasury.

[CDFIs themselves get capital from private and public sources. Private sector funds come from many sources: corporations, individuals, religious institutions, and private foundations. Depository CDFIs like community development banks and community development credit unions get capital from customers and non-member depositors. CDFIs use the CDFI Fund to leverage additional private-sector resources into distressed communities.]

IMPLEMENTATION MECHANISM

In 1994, the Community Development Banking and Financial Institutions Act established the CDFI Fund as a wholly-owned government corporation.

ALLOCATION MECHANISM

The CDFI Fund "opens" funding rounds for its programs once a year by publishing a Notice of Funds Availability (NOFA) in the Federal Register. Each of the CDFI Fund's programs is designed to provide assistance to different types of organisations and each has its own set of eligibility criteria. For example, to obtain funding via the Core and Intermediary Component, organisations need to provide a 5-year comprehensive business plan and raise comparable non-Federal matching funds. Awards are competitive and based on the applicant's community development track record, operational capacity, past and projected financial soundness, management capacity, and financial products and services that successfully address the needs and demands of the target markets that are underserved by traditional financial institutions.

TREATMENT OF NON-MONETARY CONTRIBUTIONS

Not applicable.

GOVERNANCE

United States Department of the Treasury.

Methods to ensure accountability

CDFI Fund rules require awardees to file annual reports to the Fund at specific deadlines.

Role of partnerships

The CDFI Fund requires CDFIs to develop sophisticated partnerships with conventional financial institutions to channel private investment into distressed communities, either through direct investment in the CDFI or through co-ordination of lending, investment, and other services.

Sustainability and transferability

The CDFI Fund's current programs are renewed annually.

Applicability to Canadian Federal context

What distinguishes CDFIs from conventional financial institutions is their focus on community development. As noted elsewhere in this report, a number of loan and venture capital funds play such a role in Canada. Support for them is lacking, however, especially as regards their equity needs. The idea of having a public source of debt and equity funding for Canadian CDFIs warrants investigation in order to find ways to ensure access to capital in rural communities. Moreover, even when financial services are provided to communities by smaller financial institutions such as credit unions, their primary mission is not community development as such. An investigation into the advantages and disadvantages of creating community development banks, community development credit unions and other financial institutions focussed on community development, would seem warranted given the positive results produced by CDFIs in rural settings in the United States.

COMMUNITY ECONOMIC DEVELOPMENT INVESTMENT FUNDS PROGRAM

TYPE OF INSTRUMENT

Investment tax credit.

GOAL (S)

Recognising that communities know best their assets and aspirations, the Province of Nova Scotia has developed a program called Community Economic Development Investment Funds (CEDIFs) to further encourage communities to invest in themselves and determine their own futures.

The tax credits and guarantees offered to investors in CEDIFs should accelerate the pace at which communities develop and implement viable projects. Having local capital available for investment will reduce the size of the financing hurdle for local entrepreneurs, thereby increasing the number of projects undertaken. In addition, people within these communities will start to think more as entrepreneurs and may be more comfortable establishing a commercial venture.

DESCRIPTION

In 1993, the Nova Scotia Government established the Equity Tax Credit — a personal tax credit of 30% — to encourage residents to invest in the province’s small businesses. The tax credit allows equity investment in corporations, co-operatives and community economic development initiatives. CEDIFs were developed as an enhancement to the tax credit program. In addition to the 30% tax credit, investments in CEDIF corporations and co-operatives are partially guaranteed by the Province (20% for the four years following the investment), are pre-approved as holdings for self-directed RRSPs, can attract investment through community solicitation and also assist or develop local businesses within the community.

A CEDIF is a pool of capital formed through the sale of shares or units to persons within a defined community. It is created to operate or invest in a business or businesses in that community. A CEDIF must be incorporated either as a corporation or an association and cannot be charitable or not-for-profit. It must also have at least six directors from the defined community it serves.

The primary advantage of the CEDIF model for fund organisers is that it is a better mechanism for raising large sums of money ($500,000 to $1 million). The capital raised through a CEDIF is invested into enterprises that normally share most, if not all, of the following characteristics:

employee ownership (full or partial); local ownership and control; membership/ownership open to all persons within the defined community; a mission that includes community improvement as a central theme; a commitment to being a good employer regarding wages, opportunities, etc.; not movable and not subject to being bought out; a board of directors serving for the public good.

LOCATION

Nova Scotia.

SCOPE

To date, 16 CEDIFs have received or are in the process of receiving provincial approval for the issuing of shares to local investors. By facilitating the formation of CEDIFs, the government aims to increase the amount of capital reinvested in Nova Scotia to 5% by the end of the year 2003 and increase this figure by at least 1% annually thereafter.

TARGETS

Community enterprises such as co-operatives and community economic development initiatives as well as small businesses and corporations that possess the specific characteristics noted above.

AMOUNT (S) OF FUNDS

Three CEDIFs were established in Nova Scotia during 1999. These funds raised $1.1 million in 1999.

SOURCE (S) OF FUNDS

Tax expenditure.

IMPLEMENTATION MECHANISM

The legislation enabling the creation of CEDIFs in Nova Scotia was introduced in 1994 as part of the Equity Tax Credit Act. Implementation of the program was delayed, however, until 1999 due to conflicts with the Nova Scotia Securities Act. The CEDIF Tax Credit program began and is set to expire December 31, 2003.

To apply for registration as a CEDIF corporation or co-operative, a Simplified Offering Document must be prepared by a CEDIF's board of directors and filed with Nova Scotia Economic Development. Upon satisfactory review by the department's Community Economic Development Division, copies of the document are forwarded to the Nova Scotia Securities Commission and Department of Finance for concurrent review.

Allocation mechanism

Individuals receive the tax credit through the existing income tax mechanism.

Treatment of non-monetary contributions

There does not appear to be any restriction contained in the regulations as to what form of consideration is used to purchase shares. If an investment is to be made by anything other than cash, this item must have a clearly demonstrated market value. Any investment made in this manner must be pre-approved to the issuance of shares.

Governance

Approval of the tax credit lies with the Nova Scotia Department of Finance, whereas the province's Securities Commission decides upon the proposed public offering.

CEDIFs are owned by their shareholders who elect a board of directors (at least six directors from the defined community it serves). The board of directors may be voluntary but this is not required.

Methods to ensure accountability

Since this program involves the sale of securities to the public, the issuance falls under the jurisdiction of the Securities Commission. The Commission administers the Securities Act, which provides protection for Nova Scotia resident investors in the securities markets in the province.

Role of partnerships

It is possible for the administration of the CEDIF to be co-ordinated through a partnership arrangement (e.g., with a bank, credit union, or trust company).

Sustainability and transferability

Not applicable.

Applicability to Canadian Federal context

Since investments in CEDIF corporations and co-operatives are pre-approved as holdings for self-directed RRSPs, Federal income tax benefits can be claimed as well. Other provinces are exploring options for similar CED financing initiatives. For example, in Manitoba, community development bonds have been operating for some time. This program allows communities to plan and manage bond offerings to raise capital to finance eligible business opportunities and expansions. However, such investments generally contain no Federal fiscal incentives. In Manitoba, bondholders have voting rights in the corporations that manage the bond issues.

Additional Federal tax credits to match approved provincial CED financing vehicles for rural communities could be explored to enhance the value and relative attractiveness of rural community economic development financing instruments to address access to capital needs in rural areas.

COMMUNITY FOUNDATIONS

TYPE OF INSTRUMENT

- Grants
- Privately funded and managed endowment

GOAL (S)

Provide grant support to a wide range of local community programs from health, education and social services to arts, culture and the environment.

DESCRIPTION

A community foundation is a philanthropic organisation, organised and operated primarily as a permanent collection of endowed funds, the income from which is distributed to registered charities for the long term benefit of a geographically defined community. A community foundation is tax-exempt, incorporated, not-for-profit, and organisationally autonomous. Specifically, a community foundation:

1. is officially registered with Revenue Canada as a tax exempt Public Foundation and, as such, has been allotted a charitable registration number;
2. has a governing body, composed of volunteers, usually independently appointed, which strives to be representative of the community it serves;
3. operates primarily as a grant-making institution and not generally as a direct provider of charitable services;
4. focuses its grant-making and charitable services within a defined geographic area;
5. provides a variety of opportunities for donors;
6. maintains a broad grants program to multiple grantees that is neither limited to one field nor to serving one segment of the population;
7. is structured primarily as a permanent collection of funds that carry out the diverse charitable purposes specified by the governing body and donors, and has a long-term goal to increase the assets held as permanent unrestricted endowment.

Community foundations receive donations from all kinds of people. Some donors make gifts (cash, real estate, stocks, artwork or insurance) during their lifetime, some leave bequests in their will, and some do both of these. Donors can specify how their gift will be spent, or seek advice from the foundation. Professional financial managers invest and manage the foundation's assets. In Canada, community foundations are linked through a national network.

LOCATION

Canada.

SCOPE

Today, there are some 116 community foundations in Canada. The largest Canadian community foundation is the Vancouver Foundation, which is also one of the largest granting foundations of any kind in Canada (custodian of 689 funds which make up its Consolidated Trust Fund with a market value in excess of $610 million).

TARGETS

Canadian communities.

AMOUNT (S) OF FUNDS

Canada's 116 community foundations hold combined assets of more than $1.6 billion. During 2001, they received more than $228 million in new gifts and they made over $78 million in grants across the country.

SOURCE (S) OF FUNDS

Donors.

IMPLEMENTATION MECHANISM

Federal and provincial tax deduction.

ALLOCATION MECHANISM

Not applicable.

TREATMENT OF NON-MONETARY CONTRIBUTIONS

Gifts in kind are regulated by the Charities Division of the Canada Customs and Revenue Agency (Interpretation Bulletin IT297R2).

GOVERNANCE

Local volunteer Board of Directors for each community foundation.

METHODS TO ENSURE ACCOUNTABILITY

All registered charities are accountable to government and the public at large for the money they raise and how they use their resources. The Canada Customs and Revenue Agency requires all registered charities to maintain adequate books and records but there are no specific reporting requirements for community foundations outside of those contained in the Income Tax Act.

ROLE OF PARTNERSHIPS

Community foundations bring people together from all sectors to identify and address local issues.

SUSTAINABILITY AND TRANSFERABILITY

Community foundations pool the gifts of many donors into permanent, income-earning endowment funds. The community foundation makes grants from the interest on the funds. The fact that the principal is not touched ensures the sustainability of the community foundation.

APPLICABILITY TO CANADIAN FEDERAL CONTEXT

Many community foundations are not aware that, since December1999, community economic development (CED) initiatives qualify as eligible activities for charitable contributions. Included in the activities that are considered charitable by Revenue Canada are: relieving unemployment through job search assistance, vocational, employability, and entrepreneurial training, training businesses, individual development accounts, micro-enterprises and community loan funds; relieving poverty through the operation of stores providing low-cost necessities or selling goods produced by the poor or of certain social enterprises; relieving suffering in economically challenged communities by promoting industry and trade.

Promotion of information about the eligibility of these activities for foundation support could enhance the contribution of community foundations to rural community development activities.

COMMUNITY LAND TRUSTS

TYPE OF INSTRUMENT

Local financing initiative.

GOAL(S)

The primary goal of a land trust is to safeguard natural environments. Most land trusts therefore strive for one or more of the following objectives: conservation and improvement of natural spaces, control of housing developments, the creation of recreation parks and the maintenance of agriculture.

DESCRIPTION

Land trusts are generally created to ensure that members of a given community retain control of land development in their area, either by acquiring land (through purchasing or a donation) or by obtaining conservation designation. They are community management tools and instruments for the protection of the natural environment. In practice, lands under trust management are placed under restrictions which have the force of law, in accordance with the codes in place in different provinces.

A land trust is a private non-profit corporation and thus an entity sheltered from political interests. Lands placed in trust are in the hands of the community and are not dependent upon any government authority. In fact, the goal of the trust is not profit but the interests of the community. Community land trusts often therefore enjoy fiscal advantages : they are generally exempt from any form of taxation (revenue taxation, land taxes, building or renovation taxes) and those with charitable status may provide owners who donate land and other contributors with income tax deductions.

Land trusts which aim to control housing development are usually seeking to reduce the cost of dwellings built upon their land. Since the lands in trust are sheltered from speculation, changes in their market value are not a factor in increasing rent. Where land trusts are exempt from land taxes, rents can be reduced accordingly. This is an advantage in neighbourhoods (primarily urban) in the throws of gentrification.

In rural areas, land trusts may permit those interested in agriculture but lacking financial resources to have access to a farm or to maintain farm land for agricultural purposes.

LOCATION

Everywhere in Canada and the United States.

SCOPE

While the phenomenon is more recent here than in the United States, where there are already over 900 land trusts, there are no less than 80 land trusts of all sizes in Canada. The scope of these trusts varies considerably, going from the protection of 216 000 acres by the Nature Conservancy of Canada, one of three national trusts, to the possession and protection of a dozen acres by several local trusts in British Columbia (which has about 35 trusts in all).

TARGET

In general, individuals and organisations involved in the protection of the environment are interested in community land trusts. Trusts active in the area of controlling housing development tend to target low-income families, while those aiming for the maintenance of agricultural lands usually support those without adequate financial resources to acquire a farm or to make an agricultural operation profitable.

AMOUNT OF FUNDS

Varies considerably, according to the scope of the trust.

SOURCE OF FUNDS

There is no specific public programme dedicated to supporting community land trusts. There are several sources of private funds: annual contributions by members, regional and provincial fundraising campaigns, foundations, tax exemptions and turning to controlled development (re-selling all or part of the land as laid out by the objectives of the trust), controlled production (agricultural or sylvicultural working of the land for trust profit).

IMPLEMENTATION MECHANISM

Land trusts are incorporated as corporations without share capital according to the jurisdiction. Obtaining such an incorporation allows the trust to request charitable status in order to issue tax receipts to donors.

ALLOCATION MECHANISM

Not applicable.

TREATMENT OF NON-MONETARY CONTRIBUTIONS

Non-monetary contributions are generally encouraged by land trusts. Gifts of land and buildings and other non-monetary goods are treated in the same way as any other similar donation made to charitable organisations, under various income tax laws and regulations.

GOVERNANCE

The members of the board of directors of the land trust decide upon the workings of the trust and determine its strategies. The board generally delegates the practical management of the land to its residents (tenants, farmers, biologists, day labourers), who take on the role of stewards.

METHODS TO ENSURE ACCOUNTABILITY

The board of directors of the land trust must ensure that the stewards of private lands respect the objectives laid out in the bylaws of the trust.

ROLE OF PARTNERSHIPS

Land trusts may form close ties with government institutions, at either the municipal, provincial or Federal levels. Many land trusts have acted with government to pre-emptively acquire lands, that is to remove them from the market in order to then re-sell them to government. Others work closely with the different levels of government to establish adequate policies on the conservation of natural heritage. Finally, some trusts such as the Manitoba Habitat Heritage Corporation administer a variety of provincial government initiatives.

SUSTAINABILITY AND TRANSFERABILITY

The sustainability of a land trust is ensured through the revenues generated by the use of its assets, or by donations.

APPLICABILITY TO CANADIAN FEDERAL CONTEXT

Land trusts may be created anywhere in Canada. In rural communities, where access to farming is prohibited to individuals lacking significant financial resources, use of land trusts should be explored as a way of reducing capital requirements (land and buildings could be leased instead of being sold). The Federal government could investigate supporting initiatives of this nature.

COMMUNITY REINVESTMENT ACT

TYPE OF INSTRUMENT

Legislation to encourage local reinvestment.

GOAL (S)

To encourage depository institutions to help meet the credit needs of the communities in which they operate.

DESCRIPTION

The Federal Community Reinvestment Act (CRA) is a 1977 law that was enacted to combat redlining (practice of refusing to serve particular geographical areas because of the race or income of the area's residents). It states that banks and savings institutions must take affirmative steps to help meet the credit needs of the entire community they are chartered to serve, including low and moderate income areas. The CRA requires that each insured depository institution's record in helping meet the credit needs of its entire community be evaluated periodically. That record is taken into account in considering an institution's application for deposit facilities, including mergers and acquisitions.

Regulated financial institutions must: 1) maintain a CRA public file, open for public inspection that contains a map of their lending areas, their recent CRA evaluations, public comments on their CRA performance, and information on branch locations and services available, branch openings and closings, and lending activity; 2) post a CRA notice in each branch office that informs the public about CRA and encourages public participation in the bank application process.

The Federal agencies that regulate lending institutions must: 1) assess each institution's community lending performance, assign a rating, and publish an evaluation report; 2) take that assessment into account when deciding whether or not to approve an institution's application for a new branch, a merger or acquisition, or new insurance.

LOCATION

United States.

SCOPE

The National Community Reinvestment Coalition calculates that community organisations have negotiated about 370 CRA agreements with lending institutions that total more than $1 trillion dollars. CRA agreements are promises to make a specified number of loans and investments for low and moderate income communities over a certain number of years.

Community organisations have also won agreements for, among other things: reduced loan costs for low and moderate income borrowers, including interest rate breaks, fee waivers, and other cost cutting measures; flexible credit standards for evaluating the creditworthiness of low and moderate income people; affirmative marketing of bank services to low income and minority areas; special housing, small business and community development loan programs; and pre-purchase homeownership counselling, financial literacy and foreclosure prevention programs.

TARGETS

Banks and savings institutions in lower income communities.

AMOUNT (S) OF FUNDS

Not applicable.

SOURCE (S) OF FUNDS

Not applicable.

IMPLEMENTATION MECHANISM

The CRA was enacted by Congress in 1977 (12 U.S.C. 2901) and implemented by Regulations 12 CFR parts 25, 228, 345, and 563e.

ALLOCATION MECHANISM

Not applicable.

TREATMENT OF NON-MONETARY CONTRIBUTIONS

Not applicable.

GOVERNANCE

CRA examinations are conducted by the Federal agencies that are responsible for supervising depository institutions: the Board of Governors of the Federal Reserve System (FRB), the Federal

Deposit Insurance Corporation (FDIC), the Office of the Comptroller of the Currency (OCC), and the Office of Thrift Supervision (OTS).

METHODS TO ENSURE ACCOUNTABILITY

The CRA depends not only on the oversight of Federal agencies, but on the vigilance of citizens and neighbourhood organisations. Since the CRA was passed, community groups have used the law to win more than $400 billion in commitments by banks and savings and loans.

ROLE OF PARTNERSHIPS

The CRA has led a great number of chartered banks and other lending institutions to enter into partnerships with community groups — in particular, with community development corporations and local revitalisation networks — in order to better respond to local development issues such as small business development for minorities and women. As part of their CRA commitments, some financial institutions even provide core and project funding for local economic development organisations.

SUSTAINABILITY AND TRANSFERABILITY

Not applicable.

APPLICABILITY TO CANADIAN FEDERAL CONTEXT

Since 1996, the Canadian Community Reinvestment Coalition has unsuccessfully attempted to encourage Federal legislators such as the House of Commons Finance Committee and the Senate Banking Committee to enact bank lending and service reviews similar to those of the U.S. CRA and related disclosure laws.

COOPÉRATIVE DE CRÉDIT ALTERNATIF

TYPE OF INSTRUMENT

Loan fund.

GOAL (S)

The mission of Coopérative de crédit alternatif (Crédal) is to provide co-operatives, non-profit organisations and other social economy businesses with low interest credit, joint capital, and management consulting services.

DESCRIPTION

Questioning the end use of their savings, a group of individuals and associations created Crédal in 1984. Crédal identifies itself as an "alternative" credit union, due to its practices. For example, Crédal charges much lower interest rates than banks when lending out the money from the accounts of its investors. In order for Crédal to maintain its own financial stability and to cover its costs without in any way generating a profit, Crédal does not offer any remuneration for the money invested in it, with the exception of interest compensating for the rate of inflation, for those who want it.

Various services are offered :

• direct loans which contribute to reinforcing the autonomy, the dynamism and the financial structure of member companies. In order to be financed, projects must have a constructive social action and a genuine ability to repay the financing;

• joint capital which is directed to social economy businesses at start-up, or when they are expanding (and developing employment) in a significant way. The conditions (length of loan, rate of payment…) are adapted for each case. This type of investment calls for a solid application, created in partnership with Crédal and including a business plan;

• micro-credit which consists of loans that must be repaid monthly, and that serves to finance an economic activity which is ongoing and lucrative for its bearer;

• venture capital for social economy businesses which works better than traditional credit for start-up projects or those in a period of strong growth. It takes the form of equity capital put at the business's disposal to finance investments or for its cash flow. It is a less expensive and less demanding source of financing than a loan. It needs be repaid only once the business is well underway;

• technical assistance on the social economy, to help set up new projects and to strengthen the financial management and marketing of existing projects. Crédal offers accompanying services including advice on finding grants, on how to present projects to to funders, and on how to complete European Commission applications.

LOCATION

Belgium.

SCOPE

More than 600 members.

TARGETS

Co-operatives, non-profit organisations and social economy businesses.

AMOUNT(S) OF FUNDS

In 2000, the fund managed 5.5 million Euros.

SOURCE(S) OF FUNDS

For the co-operative, there are two sources of funds: the savings of members who may be individuals, organisations and non-profit associations, and donations coming from ethical investment systems managed by two traditional banks.

IMPLEMENTATION MECHANISM

Crédal is set up as a co-operative corporation linked to a non-profit organisation. Generally, from a fiscal viewpoint, co-operatives are treated like commercial companies. This means they may be taxed for donations received, and they may be ineligible for public funding. In Belgium, this problem can be resolved by combining the co-operative with an organisation that has a non commercial status. As well, the funds pooled by the members are not considered as deposits but rather as equity capital (which spares Crédal from the requirements of the Banking Commission), since the money contributed represents the purchase of Crédal shares.

ALLOCATION MECHANISMS

The amounts loaned or invested, as the case may be, vary according to the needs and the capacity for repayment.

TREATMENT OF NON-MONETARY CONTRIBUTIONS

Does not apply.

GOVERNANCE

Crédal is administered like all other co-operatives (the “one person, one vote” principle; an annual general meeting; a board of directors; etc.).

METHODS TO ENSURE ACCOUNTABILITY

Crédal strives to be transparent (one knows exactly how the money invested is used) and supports only projects that are financially viable and have a strong social aspect. Specifically, accepted projects must satisfy the following conditions: legal status with a collective dimension; participation in the construction of a more united society; respecting the criteria of the Walloon Council on the Social Economy (social rather than profit motive; autonomous management; democratic management; precedence given to work when distributing wealth); proven relevance of its action in regards to its objectives; reliable accounting or business plan; capacity for repayment.

ROLE OF PARTNERSHIP

Out of concern for reciprocating the solidarity, Crédal requires that those projects which benefit from its services purchase a co-operators share – the partner’s share - at 1,000 Belgian Francs (about 25 Euros or $40). Crédal also works in partnership with other members of the Alternative Financing Network of Belgium to put into place new ‘solidarity venture capital’ initiatives.

SUSTAINABILITY AND TRANSFERABILITY

The sustainability of Crédal is by no means assured, and community loan associations of this type are frequently unstable due to inherent underapitalisation and the financially precarious nature of many of their borrowers.

APPLICABILITY TO CANADIAN FEDERAL CONTEXT

Even though there may be many differences between Belgian and Canadian co-operatives, the structure and activities of Crédal are similar to several Canadian initiatives, such as the Bread and

Roses Credit Union in Ontario, l’Association communautaire d’emprunt de Montréal and the St. John’s Community Loan Fund in Newfoundland. As noted, community loan funds generally lack sufficient equity to be able to provide both capital and technical assistance to prospective borrowers. More financial support for core operating expenses is needed to offset the lack of equity and the Federal government could investigate such support, especially for rural community economic development financial institutions where capital is scarce.

EMPLOYEE SHARE OWNERSHIP PROGRAM

TYPE OF INSTRUMENT

Investment tax credit.

GOAL (S)

This program is designed to encourage employees to make equity investments in British Columbia companies for the purposes of job creation, job protection and participation in business ownership. Through employee share ownership, the community also benefits in a number of ways including: new equity capital formation, debt reduction, improved business performance, human resource development, job protection, employee retirement planning and financial growth.

DESCRIPTION

British Columbia's Employee Share Ownership Program provides employees with a tax credit for making investments in their employers' businesses. In most cases, investments can also be transferred to self-directed RRSPs to obtain further tax benefits (Federal and provincial). Already an extremely cost-effective way to develop employee participation, the program is available to both privately held and publicly traded companies.

The Employee Share Ownership Program provides two specific types of employee investment with some variation permitted in their implementation:

1) the Employee Share Ownership Plan (ESOP) that has three forms available:

- the Standard ESOP that provides employees with an opportunity to invest directly by purchasing shares of the company that employs them;

- the Successor ESOP that provides employees with the opportunity to invest by purchasing most or all of the shares of a company from the retiring or departing owner(s);

- the Co-operative ESOP that provides employee members with the opportunity to invest by purchasing shares in the worker co-operative association that employs them;

2) the Employee Venture Capital Corporation (EVCC) that provides employees with the opportunity to purchase shares in their own holding company – an employee group sponsored EVCC – and the EVCC in turn invests in the company that employs them.

For both ESOPs and EVCCs, the province provides assistance in the form of tax credit incentives for investors, cost sharing with the employer, sample documents and other materials, and consultation with program staff to ensure successful registration. The provincial tax credit is subject to a maximum of $2,000 in credits per person in any one year and a lifetime maximum of $10,000. Tax credits are available to eligible employee/investors, providing they hold the shares for a minimum period of time: three years for the ESOP types and five years for the EVCC types. EVCC investors are also eligible to receive Federal tax credit on their investment. Retention of the Federal tax credit provided in the case of EVCC investment requires that the investor hold the EVCC shares for eight years.

LOCATION

British Columbia.

SCOPE

In B.C., government-registered ESOP plans are said to have raised $30 million for 70 local businesses (average $428,000) and created and/or saved 8,000 jobs. Moreover, for every $1 in tax credits, ESOP companies and employees are said to have generated $7 in additional, new provincial taxes. There is likely additional tax revenue generated by companies that learn about ESOPs from the government, but choose to use a non-government plan.

TARGETS

For ESOPs: any British Columbia or Federal company or co-operative which, together with its affiliates, has less than $500 million in total assets and pays at least 25 per cent of its wages to employees resident in British Columbia.

For EVCCs: except for those involved in retail sales or service, primary resource exploration or extraction, the provision of financial services, property management, real estate development or traditional agriculture, any British Columbia company that has less than $50 million in total consolidated assets and pays at least 50 per cent of its wages to employees resident in British Columbia.

AMOUNT (S) OF FUNDS

Since 1991, the annual maximum employee investment tax credit is $13 million.

SOURCE (S) OF FUNDS

Tax expenditure.

IMPLEMENTATION MECHANISM

The legislation enabling the creation of ESOPs in British Columbia was introduced in 1997 as part of the Employee Investment Act (B.C. Reg. 341/97, O.C. 1167/97).

The application process to register an ESOP or an EVCC includes a number of steps to ensure company benefits, employee interest and a clear understanding of the use of the funds. The Ministry of Competition, Science and Enterprise has detailed procedures and forms to be completed for each step leading to accreditation.

ALLOCATION MECHANISM

Individuals receive the tax credit through the existing income tax mechanism.

TREATMENT OF NON-MONETARY CONTRIBUTIONS

Not applicable.

GOVERNANCE

The Business Investment Branch of the British Colombia Ministry of Competition, Science and Enterprise oversees the ESOP program.

METHODS TO ENSURE ACCOUNTABILITY

Each ESOP or EVCC requires a documented Plan or contract that has been adopted by the company in which employee/shareholder rights and responsibilities are outlined and program management information and procedures are identified. Following the registration of its ESOP, a company must prepare and deliver annual financial statements to the employee/shareholders, complete the Plan Annual Report and send to its analyst at the Ministry of Competition, Science and Enterprise, hold an annual shareholder meeting and distribute a report to shareholders.

ROLE OF PARTNERSHIPS

Not applicable.

SUSTAINABILITY AND TRANSFERABILITY

Not applicable.

Applicability to Canadian Federal context

Saskatchewan also has an employee share ownership program and so does Québec, although this latter program is exclusively for co-operatives. Additional Federal tax incentives for employee share ownership in rural areas could be explored.

ENTERPRISE FACILITATION

TYPE OF INSTRUMENT

Individualised technical assistance for business development.

GOAL (S)

Enterprise Facilitation is a community-based, community-driven economic development model that supports entrepreneurs in the learning process of developing their business ideas into viable business ventures. Its goals are to: promote local entrepreneurship and innovation, empower the fulfilment of individual dreams, help start new local businesses, assist local businesses to expand, assist struggling local businesses to survive and increase the capacity within a community to meet the challenges of changing economic and social conditions. In other words, it seeks to move clients from dependence — relying on someone else for employment or financial support — to independence by learning and gaining knowledge about planning and running a business.

DESCRIPTION

Dr. Ernesto Sirolli founded the Enterprise Facilitation approach to community and economic development about 20 years ago. Enterprise Facilitation is based on individual one-on-one support for nascent entrepreneurs and the creation of a local network to support new businesses. It is a bottom-up model that does not dictate what types of business an entrepreneur should pursue, but instead assists entrepreneurs to follow their own dreams and desires. It is thus a people-based approach to supporting entrepreneurship that seeks to build upon a passion for building new businesses.

A community that embraces this approach receives specialised training in supporting entrepreneurial businesses. A local Enterprise Facilitator is selected by the community, with the sole purpose of serving as a management coach to local citizens with interest in starting a new business. In practice, the facilitator links clients to a whole range of services including marketing, access to capital, partnering, and the like. As no one individual can provide these services alone, the Facilitator is supported by a trained local management board with expertise on all of the issues related to succeeding in business.

The Facilitator never initiates or goes looking for projects to develop, nor will he or she motivate a client to develop ideas other than their own. Enterprise Facilitation is not a predetermined program.

LOCATION

Australia, New Zealand, United States and Canada.(six Canadian sites seem to be operational in Alberta and British Columbia).

SCOPE

Enterprise Facilitation was first tested in rural Western Australia. Designed for communities ranging in size from 5,000 to 50,000 residents, this approach has been exported (through the Sirolli Institute) to 250 communities in Australia, New Zealand, Canada and the United States. Since 1985, over 30,000 entrepreneurs in more than 250 communities world-wide have been assisted.

TARGETS

Individuals in local communities interested in developing or expanding small businesses.

AMOUNT (S) OF FUNDS

Not applicable.

SOURCE (S) OF FUNDS

Funds to contract with the Sirolli Institute, pay facilitators, cover other project costs and finance business start-up and development come from sources that vary from community to community. In B.C., the Enterprise Facilitation Program is funded by local businesses, the municipal government and the Federal government (Human Resources Development Canada). In Alberta, the Federal government participates through Western Economic Diversification for some programs.

IMPLEMENTATION MECHANISM

The Sirolli Institute of Canada was incorporated in Edmonton, Alberta, in January 1997. A community that wants to implement an Enterprise Facilitation program will generally enter into a contract with this Institute.

ALLOCATION MECHANISM

Not applicable.

TREATMENT OF NON-MONETARY CONTRIBUTIONS

In-kind contributions from local governments, banks or organisations can take the form of office space, telephone, computer, receptionist services, etc.

GOVERNANCE

Enterprise Facilitation programs are governed by local community steering committees. Typical board members include local bankers, entrepreneurs, development officials, and other civic leaders.

METHODS TO ENSURE ACCOUNTABILITY

No specific methods.

ROLE OF PARTNERSHIPS

Local partnerships are a cornerstone of the approach since a strong sense of community involvement at all levels is important to the whole process. The clients, staff, Board of Directors, mentors, lending institutions, public and private sector support services all contribute to projects and create a strong sense of community building.

Funding partnerships between Federal, provincial and local governments, and local businesses and community organisations allow the local programs to provide services free of charge.

SUSTAINABILITY AND TRANSFERABILITY

The Enterprise Facilitation model has been successfully implemented in different countries but seems to work best in medium-size and small towns. It is not a self-sustaining model of business development.

APPLICABILITY TO CANADIAN FEDERAL CONTEXT

The Enterprise Facilitation model already operates in Canada as a private institute available to communities who are able to raise funds to contract with the institute. There is also a range of intermediary community economic development groups that provide similar technical assistance and support to rural communities but they often lack the resources required to provide the kind if one-on-one facilitation upon which the Sirolli method is based. Enhanced support to a range of development intermediaries by the Federal government could assist in addressing capacity needs in rural areas where entrepreneurs often require individual support.

FONDATION RUES PRINCIPALES

TYPE OF INSTRUMENT

An endowment fund financed by the Government but managed by the private sector.

Goal (s)

The goal of the Fondation Rues Principales [Main Streets Foundation] is to promote heritage conservation, economic stimulation, the revitalisation and worth of downtown areas, heritage neighbourhoods and the harmonious development of municipalities and rural regions.

DESCRIPTION

The Fondation Rues Principales fulfils its mission through the implementation, within a given community, of a consultative and democratic revitalisation process with representation from all interest groups in the area. The action proposed by the Fondation is based on partnership. In co-operation with a project manager who works within the community, the Fondation helps those acting at the local level to overcome the challenges confronting them and enables them to ensure sustainable results. The actions taken may include: the establishment of a climate of collaboration where everyone sees themselves as partners; the search for a balance of economic factors; greater commercial diversity in order to better respond to the needs of the citizens; the revitalisation of the sector and a better orchestration of its promotion; an improved atmosphere and image for the municipality; and other activities that aim to give buildings and streets back their charm, and to give streets and city developments a level of quality on a more human scale. Setting up action committees of people involved in the community helps to ensure that projects are achieved.

Municipalities taking part become members of the Rues Principales Network, an organisation that offers them: a discussion group, an annual symposium and awards program, working meetings, a professional training structure, technical follow-up, and training that is adapted to local needs and to the stage they have reached in the process.

According to data collected from Fondation Rues Principales project managers, on average, for each dollar invested in the implementation of an initiative, a further seven dollars in private investment has been generated. Such local financial involvement represents tens of millions of dollars and brings about the creation of both jobs and numerous businesses that respond to needs expressed by the community.

LOCATION

The area served by the Fondation Rues principales is limited to Québec. Main Streets programs exist throughout Canada and the United States, but it is not known if any possess endowment funds or provide province-wide assistance as is the case here.

SCOPE

Since 1984, more that 90 Québec municipalities have called upon the Fondation's expertise. This has led to the opening of hundreds of new businesses, the creation of numerous innovative revitalisation activities and the completion of many maintenance projects and building renovations, as well as public developments.

TARGETS

Downtown areas and heritage neighbourhoods in urban municipalities and rural regions in Québec.

AMOUNT (S) OF FUNDS

A $3 million endowment fund provides financing for the Fondation's activities. Additional revenues stem from service contracts with the municipalities and by offering training courses in collaboration with the Université Laval.

SOURCE (S) OF FUNDS

In 1997, three funding partners (The Heritage Canada Foundation, Economic Development Canada and the Québec Government) contributed to the creation of the endowment fund.

IMPLEMENTATION MECHANISM

The creation of the endowment fund seems to have been achieved through existing programs. Local projects are implemented through service agreements with each municipality.

ALLOCATION MECHANISM

Not applicable.

NON-MONETARY CONTRIBUTIONS

Not applicable.

GOVERNANCE

The Fondation Rues Principales is governed by a Board of Directors and a team of professionals under the co-ordination of an executive director.

METHODS TO ENSURE ACCOUNTABILITY

Involvement and support from the Fondation Rues Principales is most prominent in the implementation stage of the revitalisation process (the first three years). For those municipalities that find it necessary to continue their revitalisation efforts, the Foundation offers them membership in the Rues Principales Network and expertise as needed and according to the priorities in completing their revitalisation plan.

ROLE OF PARTNERSHIPS

A financial partnership between the Federal and Québec governments made the creation of the endowment fund possible.

On the local project level, the Fondation proposes a partnership initiative within a step by step process. In consultation, elected officials, citizens, business people and other partners or local organisations establish an analysis of the region by identifying the strengths and weaknesses of the sector, the expectations of each partner, and the stakes at the commercial, economic, social, cultural and physical levels. Together they provide a vision for future development and bring forward strategies concerning three key aspects of revitalisation, those being: economic and commercial development, revitalisation and promotion, and physical interventions.

SUSTAINABILITY AND TRANSFERABILITY

The creation of an endowment fund ensures the sustainability of the Fondation Rues Principales without any other statuary contribution of public funds.

APPLICABILITY TO CANADIAN FEDERAL CONTEXT

The creation of an endowment fund can be done anywhere in Canada. Adapting the Fondation Rues Principales model to support similar facilitation and technical assistance, perhaps through an existing umbrella organisation such as the Canadian Community Economic Development Network (CCEDNet), might ensure on-going assistance to rural communities, especially those in distress.

FONDS DE DÉVELOPPEMENT DES ENTREPRISES D'ÉCONOMIE SOCIALE [Social Economy Enterprise Development Fund]

TYPE OF INSTRUMENT

Publicly financed and managed grant program.

GOAL (S)

The Social Economy Enterprise Development Fund (SEEDF) aims to support projects initiated by non-profit organisations or co-operatives in order to ensure their continued existence and to create or maintain employment in their jurisdictions.

DESCRIPTION

The SEEDF allows the Centres locaux de développement (CLD) to intervene in the initiation and the strengthening of social economy businesses in their areas of jurisdiction. CLDs are non-profit organisations jointly financed by the Québec government and the municipalities within the regional county municipalities (MRC) or their equivalents. Included in the responsibilities of each CLD is the co-ordination of a variety of entrepreneurial assistance services, including entrepreneurship within the social economy. Each CLD offers accompanying services as well as technical or financial support to potential or active entrepreneurs — be they individuals or a group. Furthermore, with its mandate as a multi-service centre, the CLD also creates an action plan that takes into account national and regional strategies and includes the different development components as they relate to the social economy.

The financial aid approved by the CLDs to social economy enterprises takes the form of non-reimbursable grants that come from the SEEDF program. Each CLD is responsible for the management of the SEEDF program within its jurisdiction. The CLD determines the amount of financial assistance and the evaluation criteria for each project while the Québec government (Ministry of Regions) establishes the admissibility criteria. Financial aid from the CLD combined with that from the provincial and Federal governments may not exceed 80% of allowable expenses.

LOCATION

Québec.

SCOPE

In 2001, excluding Montréal and Laval, the SEEDF contributed to the creation and maintaining of 3,561 jobs and to the creation or strengthening of 437 businesses.

TARGETS

The Québec government's Policy of Support to Local and Regional Development defines the social economy as activities and organisations stemming from collective entrepreneurship that comply with the following principles: providing services to members or to the community, autonomously managed, processing democratic decision-making, the primacy of persons and work over capital in the redistribution of profits and revenues, participation, taking individual and collective responsibility. The social economy can be developed in all sectors that respond to the needs of citizens and communities. Any incorporated non-profit organisation or co-operative may take part.

AMOUNT (S) OF FUNDS

In 2001, the 102 CLDs approved a total of $6,765,568 in financial aid and, thanks to these contributions, businesses generated over $72 million in investments (excluding Montréal and Laval).

SOURCE (S) OF FUNDS

The Québec Ministry of Regions provides financing for the SEEDF. The municipalities or the MRCs partially finance the local management of this program by way of their core funding contributions to the CLD.

IMPLEMENTATION MECHANISM

The SEEDF was created in 1998 following the adoption of the Québec Policy Supporting Local and Regional Development and the Social Economy in April 1997.

ALLOCATION MECHANISM

The amount allocated by the Québec Ministry of Regions to each CLD for the SEEDF program is calculated according to the population served by the CLD (per capita).

NON-MONETARY CONTRIBUTIONS

Not applicable.

GOVERNANCE

The SEEDF is a Québec Ministry of Regions program. The CLDs are responsible for its management.

METHODS TO ENSURE ACCOUNTABILITY

Each social economy enterprise is required to submit a business plan that is evaluated according to criteria established by the CLD. The businesses that are selected then sign an agreement with the CLD and agree to participate in the evaluation of their project and in follow-up for the next two years.

ROLE OF PARTNERSHIPS

The CLDs are jointly financed by the Québec government and the municipalities within the regional county municipalities (MRC) or their equivalents.

SUSTAINABILITY AND TRANSFERABILITY

The amount allocated to the SEEDF is renewed annually within the Québec Ministry of Regions budget.

APPLICABILITY TO CANADIAN FEDERAL CONTEXT

Through the involvement of its economic development agencies, the Government of Canada presently supports a network of approximately 300 organisations dedicated to local development, through the Community Futures Development Corporations (CFDC) in small cities and rural communities. Nothing seems to prevent that the mandate of these organisations be expanded to include the development (financing and technical support) of social enterprises in partnership with local communities or with local development organisations already providing these services (to avoid duplication).

INFRASTRUCTURE CANADA PROGRAM (ICP)

TYPE OF INSTRUMENT

Publicly financed and managed grant program.

GOAL (S)

Infrastructure Canada Program (ICP) aims to enhance municipal infrastructures in urban and rural communities across the country as well as to improve the quality of life of Canadians through investments that protect the environment and favour long-term economic growth.

DESCRIPTION

In 2000, the Government of Canada launched a six year program to renew and enhance Canadian physical infrastructure. This program, put in place jointly with the provincial, territorial and municipal governments as well as with the First Nations, allows for the improvement of infrastructures in rural and urban municipalities on a national scale. In most cases, the Federal government finances one third of the cost of each municipal infrastructure project. The province or territory and the municipality provide the remainder of the funding. The private sector and other actors, such as non governmental organisations, can also be considered as partners in projects.

There are a variety of admissible projects: water and waste water systems, water management, solid waste management and recycling, capital expenses to retrofit or improve the energy efficiency of buildings and facilities owned by local governments, local transportation infrastructure, cultural and recreational facilities, tourism related infrastructure, rural and remote telecommunications, high-speed Internet access, affordable housing.

LOCATION

Canada: provinces and territories.

SCOPE

The ICP is a national program with local impacts that funds infrastructure municipal projects in rural and urban communities across Canada. Launched in 2000, this program approved two projects during its first year, 634 in 2001 and 1,420 in 2002.

TARGETS

According to the definitions included in each agreement concluded through the terms of the ICP, there are three types of admissible applicants: 1) local administrations (as defined by provincial laws); 2) First Nations; 3) public or private legal entities (such as non governmental organisations or wilderness protection agencies) whose projects are proposed by the Government of Canada or by the government of a province or territory.

AMOUNT (S) OF FUNDS

The Canadian Government will dedicate a total amount of $2.05 billion over six years to the ICP.

SOURCE (S) OF FUNDS

Federal government, Infrastructure Canada.

IMPLEMENTATION MECHANISM

The ICP was announced as part of the Government of Canada's budget in 2000. ICP agreements have been signed between the Government of Canada and the ten provinces and two territories. These agreements define the relationship between the Federal government and each provincial and territorial government. Each agreement includes the program's objectives, the funds allocated, the project selection criteria, cost-sharing principles, communication protocols,general administrative procedures, as well as the auditing and evaluation process.

ALLOCATION MECHANISM

In order to take into account the differing needs of all regions, the amount allocated to a given province or territory is calculated according to its percentage of Canada's total unemployment and its percentage of Canada's total population. Furthermore, the ICP allocates a small percentage of funds to green infrastructure projects as well as to projects in rural areas in each of the jurisdictions.

TREATMENT OF NON-MONETARY CONTRIBUTIONS

Not applicable.

GOVERNANCE

Infrastructure Canada assumes the governance of the ICP at the national level. Joint Federal-provincial and Federal-territorial governing committees have been set up in each of the jurisdictions to examine and select projects. In 2001, the Government of Canada approved the terms and conditions of the First Nations component of the ICP. This part is administered by Indian and Northern Affairs Canada.

METHODS TO ENSURE ACCOUNTABILITY

The Government of Canada works in close collaboration with partners to ensure adequate public accountability. Each agreement made with the territorial and provincial governments contains provisions that include regular detailed audits and evaluations of new programs.

Audits are performed annually to ensure that public funds are being spent judiciously. Two evaluations of the ICP are conducted to examine the effectiveness and efficiency of program design and delivery, an interim evaluation after the third year and, a complete evaluation at the end of the program.

ROLE OF PARTNERSHIPS

Costs of and responsibility for the projects are shared between the different partners, those being at the Federal, provincial and municipal levels.

SUSTAINABILITY AND TRANSFERABILITY

Not applicable.

APPLICABILITY TO CANADIAN FEDERAL CONTEXT

Without reservation.

INTERMEDIARY RELENDING PROGRAM

Type of instrument

- Loan fund

- Publicly funded and privately managed

GOAL (S)

The purpose of the Intermediary Relending Program (IRP) is to alleviate poverty and increase economic activity and employment in rural communities, especially disadvantaged and remote communities, through financing targeted primarily towards smaller and emerging businesses, in partnership with other public and private resources, and in accordance with State and regional strategies based on identified community needs.

DESCRIPTION

The IRP lends money to intermediaries, which in turn capitalise and operate local revolving loan funds. Through the revolving loan fund, intermediary entities lend money to private or public organisations or individuals to help them finance a new business, expand an existing business, create employment opportunities, save existing jobs or engage in community development projects.

The maximum loan to any one intermediary is $2 million. The maximum term is 30 years and the interest rate is one percent (1%) per annum. Intermediaries may not use IRP funds to finance more than 75% of the cost of an ultimate recipient's project or for a loan of more than $250,000 to one ultimate recipient.

When an intermediary accepts an IRP loan, it is incurring a debt. All loans to intermediaries must be adequately secured. Security normally consists of a lien on the IRP revolving fund. Intermediaries are also required to obtain the U.S. Department of Agriculture’s Rural Business-Cooperative Service (RBS) approval for their security policies for loans to ultimate recipients. Collections from loans to ultimate recipients should be sufficient to repay the RBS loan on schedule. However, even if collections from ultimate recipients are not sufficient, the intermediary is fully responsible for repaying RBS.

LOCATION

United States.

SCOPE

The U.S. Department of Agriculture (USDA) considers that IRP has proven to be a successful Federal loan program, moving much needed capital to rural areas for development activities. USDA estimates that IRP dollars have leveraged $119 million in the fiscal year 2000, and $1.5 billion since the program's inception in 1998.

TARGETS

Intermediaries may be private non-profit corporations, public agencies, aboriginal groups, or co-operatives. Ultimate recipients may be private or public organisations or individuals. All territory of a State that is not within the outer boundary of any city having a population of 25,000 or more is eligible.

AMOUNT (S) OF FUNDS

In 2001, $38 million, and $44 million in 2002.

SOURCE (S) OF FUNDS

USDA Rural Business-Cooperative Service.

IMPLEMENTATION MECHANISM

The IRP was created by USDA Rural Development Instruction 4274, Direct and Insured Loanmaking, Subpart D.

ALLOCATION MECHANISM

The application of each intermediary is evaluated by the USDA Rural Development State Office, and those retained are in turn reviewed, ranked quarterly and funded in the order of priority ranking.

TREATMENT OF NON-MONETARY CONTRIBUTIONS

Not applicable.

GOVERNANCE

The IRP is administered by the USDA's Rural Business-Cooperative Service.

METHODS TO ENSURE ACCOUNTABILITY

Intermediaries must submit quarterly reports on lending activity, income and expenses, financial condition and progress, and an annual budget.

ROLE OF PARTNERSHIPS

IRP's success relies largely on the expertise of locally based intermediaries to market and administer individual loans. To maximise their IRP dollars, intermediary institutions also leverage additional credit and investment capital from both public and private sources. Rural community development corporations have played a huge role in the program's success.

SUSTAINABILITY AND TRANSFERABILITY

Not applicable.

APPLICABILITY TO CANADIAN FEDERAL CONTEXT

The Federal Government already provides loan funds to Community Futures Development Corporations in some rural areas of Canada, that operate as intermediaries in the same way as those of the Intermediary Relending Program. However, access to debt capital in rural areas is still problematic. Expansion of long term Federal lending arrangements to a broader range of intermediaries at low interest rates may help address this issue.

LABOUR-SPONSORED VENTURE CAPITAL CORPORATIONS

TYPE OF INSTRUMENT

Investment tax credit.

GOAL (S)

By offering tax credits for investment in a labour-sponsored venture capital corporation (LVCC), governments are pursuing the following objectives: job creation or maintenance, economic growth and encouraging workers to invest, including financial and economic training. The support of these new financial institutions also allows for the strengthening of the national venture capital market as well as the provincial sub-markets. It may also make up for deficiencies in the financing of small businesses. A unique characteristic of the LVCCs is that their investment projects must support social and economical objectives.

DESCRIPTION

An LVCC is a labour-sponsored investment. Individuals, who buy shares issued by an LVCC, are eligible for Federal tax credits and, in many cases, can also obtain provincial tax credits. When the LVCC is connected to an RRSP, the invested sums are considered admissible investments, making them eligible for additional fiscal deductions. However, the maximum annual investment for tax credit is limited and, as a general rule, shares cannot be cashed in before an established date — in certain cases at retirement and in others, between five and eight years.

The first LVCC, the Solidarity Fund QFL, was initiated by the Québec Federation of Labour (QFL) in 1983. In 1988, the Federal government changed income tax legislation in order to create the fist national fund for union investment, the Fund for Canadian Renewal. Almost all provinces have since followed the example of the Federal and the Québec governments.

All the LVCC are required by their by-laws to transform savings acquired locally into investments for local production. For certain funds, such as the Crocus Investment Fund in Manitoba, this aspect of their mandate represents an essential element of a strategy for the local conservation of invested capital.

LOCATION

Across Canada.

SCOPE

The LVCC has become one of the main models of private capital institutions in Canada. The two largest ones, the Solidarity Fund QFL and the Fund for Canadian Renewal, are the two largest venture capital institutions in the country.

The LVCCs have an impact on economically disadvantaged regions and communities. For example, in 1998, the Solidarity Fund QFL created a network of decentralised local and regional funds whose members work together to accomplish investment projects throughout Québec. The main objective of the 17 decentralised regional solidarity funds is to invest from $50,000 to $2 million in the first stages of development of start-up businesses, in the expansion of existing ones or in the recovery of others. Each regional fund has its own business plan adapted to the specific needs of the region. On the local level, 87 local funds (SOLIDE) were established in collaboration with the *Union des municipalities régionales de comtés* (Alliance of Regional Municipal Counties). Half of the capital was provided through a $10 million central common fund (SOLIDEQ) created by the Solidarity Fund QFL and the remaining capital came from the municipalities and other sources. The approach of these funds is the same as the regional funds, but they target smaller projects ($5,000 to $50,000).

TARGETS

Low and average income tax payers among the unionised workers affiliated with labour-sponsors, although anyone can buy shares in an LVCC.

AMOUNT (S) OF FUNDS

Varies according to the LVCC. In 2000, LVCC members of the Alliance of Labour Funds possessed shares with a value of $4.58 billion.

SOURCE (S) OF FUNDS

Tax expenditure for the tax credits, investors for share purchases.

IMPLEMENTATION MECHANISM

Each province legislates the creation of LVCCs. For example, in Manitoba, the legislation is the 1991 Crocus Investment Fund Act (C.C.S.M. c. C308). Because there are two LVCCs in Québec, it is Law 192 adopted in 1983 to create the Solidarity Fund QFL and the law creating Fondation, the LVCC sponsored by the Confederation of National Trade Unions (L.Q. c-48) in 1995. In Ontario, it is the Community Small Business Investment Funds Act (O. Reg. 591/92) for the First Ontario Labour Sponsored Investment Fund Ltd., etc.

Allocation mechanism

The tax credit is given to investors according to existing income tax mechanisms.

Treatment of non-monetary contributions

Not applicable.

Governance

An LVCC must have an official labour union sponsor. Although provinces have adopted different definitions for a labour sponsor, it is usually a union with a central body, such as a national or provincial labour federation or one or more unions. As well as creating the LVCC, the sponsor ensure management of the main decision-making structures by way of the union maintaining majority control. These structures are the Board of Directors and its committees.

Methods to ensure accountability

LVCCs must follow strict guidelines contained in laws that pertain to them in each province and that apply to the types and amounts of investments, liquidity and solvency, conflicts of interest and consumer protection. They must also conform to all legislation relating to securities.

Role of partnerships

Certain LVCCs have been established in partnership with other investment funds or financial institutions. For example, in Winnipeg, the Crocus Investment Fund partnered with the Venture Development Corporation Centre to set up the Downtown Revitalization Fund (DRF) with the goal of supporting revitalisation and housing projects.

Sustainability and transferability

Because the objective of the LVCC is to create risk capital for businesses, their sustainability is not guaranteed. The LVCC model has nonetheless been adopted by several provinces and adapted to local contexts.

Applicability to Canadian Federal context

The creation of LVCCs can be carried out anywhere in Canada.

LEADER

(Liaison entre actions de développement de l'économie rurale**)**
[Links between Actions for the Development of the Rural Economy**]**

TYPE OF INSTRUMENT

Capacity-building public program providing grants to rural communities.

GOALS (S)

LEADER+ encourages the implementation of innovative and integrated sustainable development strategies in rural communities, with the objective of experimenting with new methods to enhance natural and cultural heritage, strengthen the economic environment and improve the organisational capacity of a community. It is focused on the involvement of local communities seeking local solutions to local problems.

DESCRIPTION

LEADER+, one of four community initiatives brought forth in the Structural Fund Framework, bases its success on previous LEADER programs. It works in the following ways:

- The European Commission establishes the general objectives, distributes amounts among Member States and determines eligible areas. The Member State, in partnership with local and regional authorities, submits a Community Initiatives Program (CIP), that is a development plan confirming the implementation of an integrated development strategy based on a representative partnership and working around a theme characteristic of the area's identity.

- Once the European Commission adopts the CIP, a call for projects is sent out and the local action groups (LAG) are selected at the national level, after a pre-selection at the regional level. The LAGs are made up of a group of private and (not more than 50%) public partners who together create a strategy and innovative steps for the development of a rural area on a local level. As well, each project must find co-financing and must conform to the priorities laid out in the CIP. All participants in LEADER+ must convey their experiences to the LEADER network.

The activities of LEADER+ are demonstration projects, projects transferring know-how, and research projects, supported within three streams: a) territorial strategies for integrated and innovative rural development, b) transnational cooperation, and c) establishing networks in rural communities.

Location

The 15 Member States of the European Union prior to its expansion.

Scope

The European LEADER Observatory has information on 709 areas.

Targets

In the past, the LEADER program was only available to the most disadvantaged rural communities. With LEADER+, all rural areas within the European Union are eligible, the areas being on a small scale at the level of local communities with a maximum of 100,000 inhabitants.

Amount (s) of funds

LEADER I, which covered the period 1991-1993, was a pilot project with a total budget of about $600 million Canadian. LEADER II (1994-1999) was more ambitious with a financial allocation of about $2.6 billion Canadian. The budget of LEADER+ (2000-2006) is about $3 billion Canadian (2.02 billion Euros), which is a little less than half of the amount allocated annually by the European commission to rural development and measures.

Source (s) of funds

LEADER+ is financed by the Guidance Section of the European Agricultural Guidance and Guarantee Fund (EAGGF). Created in 1962, the EAGGF, one of four structural funds of the European Union, is the financial instrument of the Common Agriculture Policy (CAP) responsible for supporting agricultural markets (Guarantee Section) and for contributing to the development of the rural sector (Guidance Section).

Implementation mechanism

In March 1999, with the adoption of Agenda 2000, the European Council set the direction and the financial framework of the CAP.

Allocation mechanism

Each Member State contributes to the financing of the European Union's different funds according to its gross national product (GNP). How funds allocate their resources to their various programs and how program funds are in turn allotted to Member States is not clear. What is known is that each Member State sets the number of local action groups and then issues a call for projects.

Treatment of non-monetary contributions

Not applicable.

Governance

The decision to grant funding (selection of projects to be financed, amounts of funding allocated, etc.) is primarily the responsibility of the Local Action Group. However, various funding management formulas are in operation throughout the European Union. In some countries, for example, LAGs administer the funds from the EAGGF whereas, in others, local, regional or national authorities do this, depending on the country.

Methods to ensure accountability

Monitoring committees made up of representatives from the local, national and community levels are responsible for the follow-up and intermediate evaluation of all actions. On the local level, each LAG must put in place a continuous evaluation of the actions it undertakes in the name of LEADER+, with the assumption that simple indicators established at the start of the program will be compiled throughout. In addition, the LAG must be available to any organisation designated by the national or community authorities in charge of LEADER+ evaluation. Many tools have been developed to help local leaders to evaluate their projects and to communicate in an efficient manner with other projects and authorities.

Role of partnerships

Partnership are the bedrock of the LEADER program, since each LAG constitutes an active partnership of local private, public and community actors, working in concert to achieve a common vision and to find solutions that address the numerous dimensions of local underdevelopment. Indeed, each LAG must designate an administrative and financial head who ensures the close participation of all concerned local partners

Sustainability and transferability

The current program is in effect until 2006. The LEADER participants are part of a European network of rural development, which has become a permanent tool for the exchange of accomplishments, experiences and expertise thanks to various tools and services (database, publications, electronic network, seminars…). The primary mission of this network, sometimes called the LEADER European Observatory, is to facilitate the transfer of innovations and the exchange of experiences and knowledge among the European Union's rural areas and rural actors.

APPLICABILITY TO CANADIAN FEDERAL CONTEXT

The network of support offered to LEADER initiatives, including that of a publicly sustained network that offers them training, technical assistance, tools and events, distinguishes this program from the various project focussed public programs in North America. Networking is, in fact, an underestimated but essential component of successful development strategies, especially when flexibility at the local (operational) level is important. Networks, such as the Canadian Community Economic Development Network (CCEDNet), exist in Canada but do not receive the kind of support afforded to the LEADER European Observatory, and this means that local initiatives often lack the tools, knowledge or capacity to access existing government programs, to develop effective local partnerships or to see their projects through to successful completion.

NATIONAL RURAL DEVELOPMENT PARTNERSHIP

TYPE OF INSTRUMENT

Multi-level capacity-building public program providing grants and technical assistance to rural communities.

GOAL (S)

While many programs that exist could be beneficial to rural people and rural places, they have been unco-ordinated and sometimes have had cross-purposes. Policies designed at the state and Federal level that assume one-size-fits-all are generally based on an urban model, and thus make little sense for rural communities and people. These problems were recognised in the late 1980's and, in response, the U.S. Department of Agriculture (USDA) implemented the National Initiative on Rural America in 1990, which is now the National Rural Development Partnership (NRDP or the Partnership).

The purposes of the Partnership are to empower and build the capacity of States and rural communities through collaborative partnerships to design flexible and innovative responses to their own special rural development needs, with local determinations of progress and selection of projects and activities.

DESCRIPTION

NRDP accomplishes its mission: a) by building networks at all levels (community, state, national); b) using those networks as a foundation, by building collaborative partnerships among key rural institutions; and c) by using these collaborative partnerships to enable existing public and private programs to serve rural citizens and communities more effectively. The NRDP has three main components:

- State Rural Development Councils (SRDC) form the primary components of the NRDP and bring together key rural players in their states to address critical community concerns and to respond to fast-breaking opportunities. State Councils are responsible for creating their own mission, structure, operating guidelines, and action plan. Each Council hires a senior-level executive director who works with the Council leadership.

- The National Rural Development Council (NRDC) consists of senior program managers representing Federal agencies as well as national representatives of public interest, community-based, and private sector organisations. The NRDC provides guidance for the Partnership and works on behalf of the State Councils at the national level. The NRDC administers no governmental programs and oversees no budget of its own. Its role is to serve as a conduit of information on the implications and impacts of Federal decision-making in rural communities. The NRDC assists the SRDC through its Federal agency representatives by examining and, whenever possible, by changing Federal rules, regulations and procedures that significantly hinder successful application of Federal programs in rural areas. This has been particularly effective when addressing the issues of regulatory barriers and unfunded mandates, where attention to the specificity of ruralness has made agencies more flexible and more responsive to the concerns of citizens in rural places.

- The National Partnership Office (NPO) is the NRDP's administrative centre, providing the Partnership with oversight and programmatic and technical support. Its mission is to focus, support, and energise collaborative partnerships in pursuit of the Partnership's mission and goals. The NPO seeks to accomplish this by strengthening and opening channels of communication and collaborative action between agencies, governments at all levels, and the private sector.

LOCATION

United States.

SCOPE

There are presently 40 State Rural Development Councils. Over 40 Federal agencies are present within the National Rural Development Council.

TARGETS

Rural communities.

AMOUNT (S) OF FUNDS

To carry out this work, an appropriation of $10,000,000 has been requested for each of fiscal years 2003 through 2007.

SOURCE (S) OF FUNDS

Federal funds come from USDA Rural Development branch and from the U.S. Department of Health and Human Services. Most Federal funds go directly to the State Rural Development Councils with the remaining funds supporting the national infrastructure. SRDC budget support also comes from state government and the private sector. The amount of matching funds or in-kind goods or services to support the activities of the SRDC varies.

Implementation mechanism

Included in the Farm Security and Rural Investment Act of 2002.

Allocation mechanism

Not applicable.

Treatment of non-monetary contributions

Unknown at this time.

Governance

A National Rural Development Co-ordinating Committee has been established within the USDA.

Methods to ensure accountability

A panel consisting of representatives of the Co-ordinating Committee and the SRDCS leads and co-ordinates the strategic operation, policies, and practices of the Partnership. The panel submits to Congress an annual report on the use of the funds, including a description of strategic plans, goals, performance measures, and outcomes for the SRDCs.

Role of partnerships

Over and above the partnerships inherent to the National and State Rural Development Councils, there are currently seven active national task forces on: agriculture; health care; livable rural communities; telecommunications policy; welfare reform; and work force development. The NRDP task forces tackle important issues that affect all of rural America and cut across the entire Partnership. All task forces include participation from the Federal, state, tribal, and local governments as well as the for-profit, non-profit, and community-based private sectors. This collaborative approach gives the task forces depth and leverage when addressing issues such as health care and welfare reform.

Sustainability and transferability

The current National Rural Development Partnership is a five-year program.

APPLICABILITY TO CANADIAN FEDERAL CONTEXT

The Partnership embodies many aspects of the current Rural Development Initiative and the horizontal collaboration and partnership building work of the Rural Secretariat (e.g., Rural Teams inclusive of a range of government and non government partners in each province and territory). A legislated mandate and formal partnership arrangements between the Federal government and each province or territory could be explored as elements of this model for rural development that do not currently exist in the Canadian setting.

RURAL COMMUNITY EMPOWERMENT PROGRAM

TYPE OF INSTRUMENT

Multi-level capacity-building public program providing grants and technical assistance to poor rural communities.

GOAL (S)

The Rural Community Empowerment Program is designed to afford communities real opportunities for growth and revitalisation. Its goal is to enable people to discover solutions to the problems of poverty based on their own strategic vision for change.

DESCRIPTION

The Rural Community Empowerment Program has three components:

- Rural Empowerment Zones and Enterprise Communities: Communities with high rates of poverty apply for designation as either Empowerment Zones (EZ) or Enterprise Communities (EC). Applications consist of comprehensive 10-year strategic plans developed with the active participation of low-income community residents. EZs receive significant Social Services Block Grants to implement a variety of services as well as other funding to serve primarily as a leveraging tool to secure funds from other funding sources rather than being used as program dollars or grant funds. ECs receive smaller Social Services Block Grants and other funding. Both EZs and Ecs receive the authority to issue tax-exempt private activity bonds, wage credits for portions of qualified wages paid to zone residents who work in the zone and various other tax benefits and other supply-side incentives for business investments.

- Champion Communities: All the communities who submit strategic plans in the EZ/EC competitions are invited to continue implementing their plans by signing agreements with USDA. USDA designates them as "Champion Communities" and provides project-specific funding, technical assistance, and information to support their efforts for such things as water and waste disposal systems, other essential community facilities, business development, and housing.

- Rural Economic Area Partnership Zones (REAP): The REAP Initiative was established to address critical issues not related to poverty but rather to problems such as geographic isolation of communities separated by long distances, absence of large metropolitan centres, low-density settlement patterns, historic dependence on agriculture, continued population loss and emigration, and economic upheaval or economic distress. Each REAP Zone develops a citizen-led, comprehensive, long-term, strategic planning process for the economic revitalisation in their respective geographic areas according to the principles of the EZ/EC program, including specific performance benchmarks and indicators. It also seeks a broad range of resources to implement the strategic plan, with emphasis on mobilising local and regional resources that will continue to be available after the REAP Zone designation expires. In exchange, the REAP Zones receive modest amounts of money for planning this program as well as USDA's community development technical assistance across all areas of Zone endeavour.

LOCATION

United States.

SCOPE

There have been three rounds of competition since Congress created the program in 1993: Round I: 1994; Round II: 1997; Round III: 2001. In all, 10 rural Empowerment Zones, 47 rural Enterprise Communities, over 100 rural Champion Communities, and 5 Rural Economic Area Partnership Zones have been established. Altogether, they have created or saved nearly 20,000 jobs and have raised an aggregate of more than $10 for every dollar granted to them at the time of their designation.

TARGETS

EZs, ECs and Champion Communities are areas defined by census tracts with a minimum of 20% poverty rate and a maximum population of 30,000 and 1000 sq. miles. REAP Zones have constraints in economic activity and growth, low density settlement patterns, stagnant or declining employment, and isolation that has led to disconnection from markets, suppliers, and centres of information and finance.

AMOUNT (S) OF FUNDS

Funding has varied considerably. In Round I, each EZ received a one time 10-year grant of $40 million and each EC, $2.97 million. For the first year of Round II, each EZ received $2 million and each EC received $250,000. Subsequent annual appropriations to the communities have been similar. An initial $100,000 grant was provided to each designated Round III EZ community for start-up costs. Since 1994, specific projects in Champion Communities have received nearly $260 million and $10 million over 5 years has been pledged to each REAP Zone.

In all, EZs and ECs had received $180.5 million as of January, 2002, in program grants (USDA, HHS). However, total funding from other sources (other Federal funds, State, local and tribal governments, the private sector, non-profit organisations) amounted to $3,013.8 million, indicating a 17.69 ratio of non EZ/EC funds to drawn EZ/EC funds.

SOURCE (S) OF FUNDS

The United States Congress enacted the EZ/EC program in Title XIII of the Omnibus Budget Reconciliation Act of 1993. The law authorised $2.5 million in tax incentives and $1 billion in Title XX Social Service Block Grant funds over a ten-year period.

Round II was enacted into law by the Taxpayer Relief Act of 1997. The act did not appropriate grant funds as had been available to Round I EZs and ECs, but did make available a less generous package of tax benefits. Round II funding thus comes from the USDA's appropriation budget.

The Consolidated Appropriations Act of 2001 includes provisions relating to the the creation of two rural EZs. The act did not appropriate grant funds as had been available to the previous EZs and ECs, but did make available a package of tax benefits similar to Round II. Round II funding also comes from the USDA's appropriation budget.

IMPLEMENTATION MECHANISM

Applications for EZ/EC and REAP designations were competitive. The applications were reviewed by an inter-departmental team of experts who considered the openness of the strategic planning process, the comprehensiveness of the strategic plan, the effectiveness of the performance benchmarks, the extent to which community residents were to be an active part of plan implementation, and the geographic diversity of the applicants.

The funds are administrated through State agencies with projects managed locally by a community-based board of directors.

ALLOCATION MECHANISM

Each legislative act specified the number of EZs and ECs to be designated as well as tax benefit envelopes. Only the law for Round I contained budget allocations.

TREATMENT OF NON-MONETARY CONTRIBUTIONS

Not applicable.

GOVERNANCE

The Rural Community Empowerment Program operates under the authority of the U.S. Department of Agriculture (USDA) Rural Development mission, Office of Community Development.

METHODS TO ENSURE ACCOUNTABILITY

Using a Web-based information system, designated zones, areas and communities are required to establish performance benchmarks for each of their activities and report these regularly to the Federal government.

ROLE OF PARTNERSHIPS

This program places great emphasis on partnerships with Federal and state agencies, local and tribal governments, private businesses, foundations, and non-profits that engage the resources and commitments of these organisations to carry out portions of the community's strategic plan.

SUSTAINABILITY AND TRANSFERABILITY

The Rural Community Empowerment Program represents a long-term partnership between the Federal government and rural communities — ten years in most cases — so that communities have enough time to implement a series of interconnected and mutually-supporting projects and build the capacity to sustain their development beyond the term of the partnership.

APPLICABILITY TO CANADIAN FEDERAL CONTEXT

Urban development agreements have been created in Canada to prioritise and focus investment in urban disadvantaged communities (e.g. Vancouver Agreement) based on co-operation between all levels of Government focussing on a specific community. A more extensive use of this model in rural disadvantaged areas that face multiple, inter-related challenges to their development could assist in channelling support to rural areas most in need, inclusive of technical assistance, tax incentives and partnership arrangements between all levels of government as exists in the US Rural Community Empowerment Program model.

SMALL BUSINESS LOANS ASSOCIATION PROGRAM

TYPE OF INSTRUMENT

Loan fund.

GOAL (S)

The Saskatchewan Small Business Loans Association (SBLA) Program encourages economic diversification and supports community economic development by making funding available to beginning and non-traditional entrepreneurs through community-run organisations.

DESCRIPTION

An SBLA can be formed by the incorporation of four or more community-based interest groups – individuals, partnerships, co-operatives or corporations. The SBLA can incorporate under The Business Corporations Act or The Co-operatives Act as either "for profit" or "non-profit". Because of their broad membership bases, existing Rural Development Corporations and Regional Economic Development Authorities (REDAs) may qualify as SBLAs.

Once approved and incorporated, an SBLA may access an interest-free revolving line of credit of up to $100,000 from Saskatchewan Industry and Resources. The SBLA in turn uses this line of credit to make loans of up to $10,000 to new and existing businesses.

Businesses can use SBLA loans to purchase assets, such as equipment. They cannot use the money for operating expenses or for repayment of existing debt. Loans are granted at competitive interest rates, which vary with each association, up to a maximum of 10% per year. Businesses have up to five years to repay their loans. The principal repaid on a loan is returned by the SBLA to Saskatchewan Economic and Co-operative Development. The SBLA retains the interest to cover its administrative costs.

LOCATION

Saskatchewan.

SCOPE

There are currently 279 SBLAs in Saskatchewan. This past fiscal year (April 2001-March 2002), 495 businesses borrowed more than $3.4 million to start or expand their operations through the

SBLA Program. As a result, over 1,130 jobs, primarily in rural regions, were created or maintained. Since its inception in 1989, more than $39 million has been loaned to 7,706 new and existing businesses with almost 17,000 jobs created.

Targets

Businesses eligible for SBLA loans include any companies that have experienced difficulty obtaining financing through traditional means. Businesses not eligible for assistance are those engaged in direct farming, exploration (e.g., mining and oil extraction), residential real estate and multi-level marketing schemes. Charitable organisations also do not qualify for assistance.

Amount (s) of funds

Not applicable.

Source (s) of funds

Saskatchewan Industry and Resources.

Implementation mechanism

It is not clear how this program came into being.

To establish an SBLA, interested organisations must contact Saskatchewan Industry and Resources' local SBLA Office for information. Once the application form is completed and the new association is incorporated, the department reviews the application and, if successful, provides an offer of credit at an appropriate level.

Allocation mechanism

In making loans, an SBLA generally judges businesses on their ability to create jobs and to add services to communities. The ability of businesses to access traditional bank or credit union financing is also considered, as the intent of the program is to provide help to entrepreneurs who otherwise might not get started.

Treatment of non-monetary contributions

Not applicable.

Governance

Saskatchewan Industry and Resources is responsible for the SBLA program.

METHODS TO ENSURE ACCOUNTABILITY

Not known.

ROLE OF PARTNERSHIPS

Local partnerships appear to be an important component since SBLAs are formed by the incorporation of four or more community-based interest groups, but it is not based on a multi-level government partnership.

SUSTAINABILITY AND TRANSFERABILITY

Sustainability would seem to be ensured by the fact that an SBLA generates sufficient revenues to cover its administrative costs.

APPLICABILITY TO CANADIAN FEDERAL CONTEXT

Access to credit in rural areas is, as noted, still an important problem. Expansion of Federal lending arrangements to include innovative endeavours such as the SBLA might help address some aspects of this issue.