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LOCAL DEVELOPMENT PAPER NO. 23

The East Central Economic Development Association: A Case Study

by

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RÉSUMÉ

On reconnaît de plus en plus, dans les ouvrages traitant de développement régional parus récemment, que les programmes conçus pour stimuler le développement socio-économique sont généralement plus efficaces lorsqu'ils visent à répondre aux besoins (et à tirer parti des points forts) d'une collectivité ou d'une région en particulier. L'expérience canadienne démontre également que ces programmes atteignent leur maximum d'efficacité lorsqu'ils visent l'accroissement de la capacité institutionnelle de la collectivité plutôt que la poursuite d'objectifs à court terme comme la création d'emplois.

Mais l'expérience canadienne fait état aussi de certains cas où un programme conçu pour répondre aux besoins et tirer parti des points forts d'une collectivité, et qui par ailleurs a mis l'accent sur la mise en valeur du potentiel local à long terme, a quand même échoué, ou du moins a donné des résultats qui étaient bien en deçà des attentes initiales. À titre d'exemple, mentionnons l'initiative de l'ECEDA (East Central Economic Development Association), une organisation mise sur pied en 1971 pour tenter d'enrayer le déclin rural dans la région de Drumheller. Le projet en question répondait selon toute évidence aux critères de réussite énoncés plus haut, mais il s'est finalement révélé inefficace au moment où il a fallu débloquer des capitaux d'investissement contrôlés localement. L'ECEDA a pu obtenir le financement dont elle avait besoin grâce au Programme fédéral d'aide au développement des collectivités, mais sa survie à long terme demeure incertaine. Pour pouvoir répondre aux exigences minimales du programme concernant la population, l'ECEDA a dû étendre considérablement ses frontières; cette extension des frontières risque de lui faire perdre la cohésion interne qui la caractérisait depuis toujours.

ABSTRACT

There is an increasing agreement in the recent regional development literature that programs designed to stimulate socio-economic development tend to be most effective when they meet the needs (and draw on the strengths) of a particular community or region. The Canadian experience also suggests that such programs are most effective when they seek to develop the community's institutional capacity rather than focusing on short-term goals such as job creation.

But the Canadian experience also reveals some cases in which a program was designed to meet local needs and draw on local strengths and did emphasize longer-term capacity building -- and still failed, or at least fell far short of initial expectations. An example is the East Central Economic Development Association (ECEDA) initiative, originally established in 1971 to help halt rural decline in the Drumbheller area. Though this initiative met the apparent criteria for success outlined above, it eventually proved unable to access locally controlled investment funds. While absorption into a larger federal program (Community Futures) did provide ECEDA with the necessary funding, the association's long-term survival remains in some doubt. Only by expanding its boundaries greatly could ECEDA meet Community Futures' minimum population requirement; the cost of this expansion could be loss of the cohesiveness that had long held the association together.

CONTENTS

FOREWORD

The purpose of the Economic Council's project on Directions for Regional Development was to look at situations in which local communities had assumed more responsibility for their own development, and to see what lessons could be learned from these experiences. Fourteen case studies were undertaken, while a number of Issue Papers examined subjects of general concern to communities and development practitioners. The research was deliberately designed to be different from work typically undertaken by the Council in the past. The primary task was to collect instructive evidence, and to verify it where possible by drawing upon existing evaluation studies. The authors were not expected, for example, to undertake the extensive data collection needed to do cost-benefit studies. Rather, they were asked to capture the diversity of the local development experience in Canada.

The results of the research are being reported in a special collection of Local Development Papers listed at the end of this document.

A subsequent phase of the project will analyse the context within which local development initiatives take place and evaluate their actual and potential impact on reducing regional disparities.

This Paper presents one of the 14 case studies produced by the Directions for Regional Development project under the direction of Dal Brodhead. Geographically, these studies span almost the entire country, from Nanaimo, British Columbia, to St. Anthony's, Newfoundland. The range of initiatives described is almost equally broad; it goes all the way from the establishment of a small credit union designed to provide basic financial services to the residents of a single community to a comprehensive long-term area development initiative involving all three levels of government and designed to achieve a wide variety of socioeconomic objectives over a ten-year period. A unique feature of the project was its regional orientation through the use of three regional consultants who played a major role in the development of the case studies and the consultation process. Equally important were the numerous joint research ventures undertaken with a wide range of regionally based partners.

Our work in the first part of the project suggests that programs sensitive to the needs of individual communities, and based on some type of partnership between government and local groups, may make a contribution to economic development in Canada's diverse regions. In particular, our research suggests that communities have an important role to play in identifying development priorities and the particular skills requirements of individuals and local businesses. They also indicate that such "bottom-up" strategies can be assisted by a Local Development Organization (LDO), whose mandate is sufficiently broad and constituency base sufficiently large to enable it to take a long-term development perspective. An important feature of "bottom-up" community development strategies is their focus on community capacity-building aimed at increasing local self-reliance and innovation.

The cases on which we have chosen to focus illustrate a number of the ways in which Canada's communities have mobilized their available human, financial, and material resources to help assure a future for themselves. We believe that these cases will be of value both to community and regional development practitioners and to regional policy-makers at all levels of government.

The authors of this case study, Lloyd Baron and Marie Cadrin, are consulting economists with Horizon Pacific Company in Vancouver.

Judith Maxwell
Chairman

A CASE STUDY: RURAL RESOURCES PROJECT NO. 1

ALBERTA

1.0 INTRODUCTION

1.1 The Theory of Local Development

This paper considers local development as a particular form of regional development in which the impetus for growth originates from within the locality.[1] This approach has been tried in many disadvantaged regions in Canada and the U.S. as a means of stimulating growth. Such local development initiatives have generated a new body of literature which focusses upon these experiences and attempts to draw lessons from them. Contributors to the literature have attempted to identify the conditions under which local initiatives are likely to be most successful in stimulating economic growth. These conditions have been incorporated into local development "models" for use in assessing and evaluating past experiences and planning future regional policies and programs.[2]

While local development initiatives have recently been receiving considerable attention from public policymakers, they are not new to Canada. Rather, they have evolved out of decades of frustration with regional development programs originating from senior levels of government. While certain of these programs appear to have been successful in stimulating economic activity in certain regions,[3] many did not live up to expectations. As the cost of centralized government programs grew, local initiatives, with their potential for greater success at a reduced cost, became increasingly attractive (Bryant et al., 1987).

There are a number of reasons why local development initiatives were expected to enjoy greater chances of success than their "top-down" counterparts. Initiatives developed and supported by the population of a regional or sub-regional unit, it was assumed, would overcome the problems of insensitivity to local needs and of rigidity in applying criteria found in federal programs (Canadian Council, 1978). In addition, it was generally believed that local development initiatives would not take the same narrow sectoral approach that senior level programs had adopted. Instead, they would rely primarily upon community input, with particular emphasis placed upon: 1) the development of <u>community</u> goals and objectives; 2) the <u>local</u> mobilization of resources to attain the goals; and 3) the development of strategies compatible with the <u>community's</u> goal and objectives (Bryant et al, 1987).

There is increasing agreement in the literature that programs designed to stimulate socio-economic development tend to be most effective when designed to meet the needs (and draw on the strengths) of a particular community or region. The Canadian experience also suggests that such programs are most effective when they are designed to develop the community's institutional capacity rather than focussing on short-term goals like increased income or short-term job creation.[4]

But the Canadian experience also reveals some cases in which a program was designed to meet local needs and draw on local strengths and did emphasize longer-term capacity building rather than short-term goals, and still failed, or at least fell far short of initial expectations. Why did such programs fail, and what can be done to prevent other, seemingly well-designed programs from failing in the future? At a time when Canada's entire regional development policy is coming under increasingly close scrutiny, such questions are of considerable interest both to regional and community development practitioners and to development policy-makers at all levels of government.

The present case study is an example of an initiative which, having met the apparent requirements for success outlined above, still fell short of its goals and objectives. In fact, for some time, the project teetered on the brink of collapse, and was only revived through major restructuring and subsequent incorporation into a larger program. Although absorption into the larger program appeared to supply the primary missing ingredient -- access to locally controlled investment funds -- this requirement may have been met too late to save the program as an effective tool for economic growth. Indeed, at the time of writing, the project's very future remains in some jeopardy. In what follows, we examine the history of RRP #1 and, to the extent possible, its impacts, with an eye to uncovering the project's strengths and weaknesses and the lessons it offers to practitioners and regional policy-makers.

2.0 THE HISTORY OF REGIONAL RESOURCES PROJECT NO. 1

2.1 Introduction

Since its inception in 1971, Regional Resources Project No. 1 (RRP #1) has gone through three major phases. First, it acted as a disseminator of information, informing residents in the participating communities of the various local improvement programs offered by public agencies and how to access them. Later, the project focussed on establishing local development cooperatives, which acted as development vehicles by accessing local private funds. Finally, RRP #1 entered its most recent phase, in which it focussed on encouraging local and regional capital formation by attracting new investment to the region. This emphasis has indirectly led to its absorption into a much larger federal program.

RRP #1 has an extensive and complex history. For ease of reference, Appendix I provides a brief summary of that history.

2.2 Stage 1: The Seed of RRP #1 is Planted (1971-1972)

In 1971, the Alberta Government established a Task Force on Urbanization and the Future to examine, over a three-year period, certain aspects of urbanization which were of concern to the people of Alberta. Six task committees were organized by the Task Force staff.

One of the committees was set up in the Drumheller area with a mandate to consider the issue of the development potential of smaller cities, towns, and communities in regions of slow growth. The membership of the Committee was varied, ranging from businessmen operating in the small communities to agents from various government bodies.[5] Hugh Bodmer, a resident of the area, was appointed Task Committee Coordinator. A high school teacher, Bodmer had long been concerned about the future of small rural commodities.

Following a series of town meetings with concerned residents, the Committee recommended the implementation of a formal local development initiative with a mandate to halt rural decline. This recommendation led to the establishment of Regional Resources Project #1 (RRP #1), later known as the East Central Economic Development Association (ECEDA). Initially, RRP #1 was a project funded through the Special Projects Branch of the Ministry of

Municipal Affairs, with a mandate to address the concerns raised by the Task Committee established for the region.

What began as a planning exercise centred on the Drumheller region, with plans to conduct the same process later in the Red Deer and the Lloydminster regions, was to prove unique, as a change in government during the exercise resulted in its truncation.[6] The Drumheller region, the only region to be assessed, became the logical location for the pilot project known as RRP #1. There were two important reasons for the choice of Drumheller. First, the head of the Committee was a former resident of the region, and he provided much of the momentum necessary to launch the initiative. Second, it was the only region whose needs the Committee had fully assessed through meetings with residents.

The initial goal of the Committee organized to assess the Drumheller region was to determine the communities' priorities. Those attending community meetings were concerned that employment opportunities in urban Alberta were increasingly drawing rural Albertans to the urban centres. To address this primary concern, the Committee made a number of recommendations, the principal one being that the government make a commitment to rural development so that small rural communities could survive as an alternative to the cities. The Committee stated that, as an indication of its level of commitment, the government should be prepared to share the cost of having a professional community development person live in rural communities.

The Committee also recommended that the provincial government be prepared to provide rural communities with initial assistance to help them attract additional investment and thus offset the negative locational factors that often placed them at a competitive disadvantage compared to the province's major metropolitan centres. Community-based investments, along with newly created local development cooperatives, were to direct public funding to activities most urgently demanded by the rural communities. Priorities highlighted in the committee reports were improvements to the housing stock, the development of land use plans, and the development of regional and transportation plans.

After the Task Committee made its recommendations, its Coordinator, Hugh Bodmer, took it upon himself to see that the Committee's recommendations were implemented. He obtained the support and financial backing of the following eleven communities in the Drumheller region (see Figure 1) and submitted a proposal to the Ministry of Municipal Affairs:

1. Acme
2. Bassano
3. Beiseker
4. Carbon
5. Hussar
6. Improvement District #7
7. M.D. of Kneehil (#48)
8. M.D. of Starland (#47)
9. Rockyford
10. Standard
11. Trochu

RRP #1 was approved and launched on a one-year, experimental basis, in September, 1972, with funding provided by the Ministry

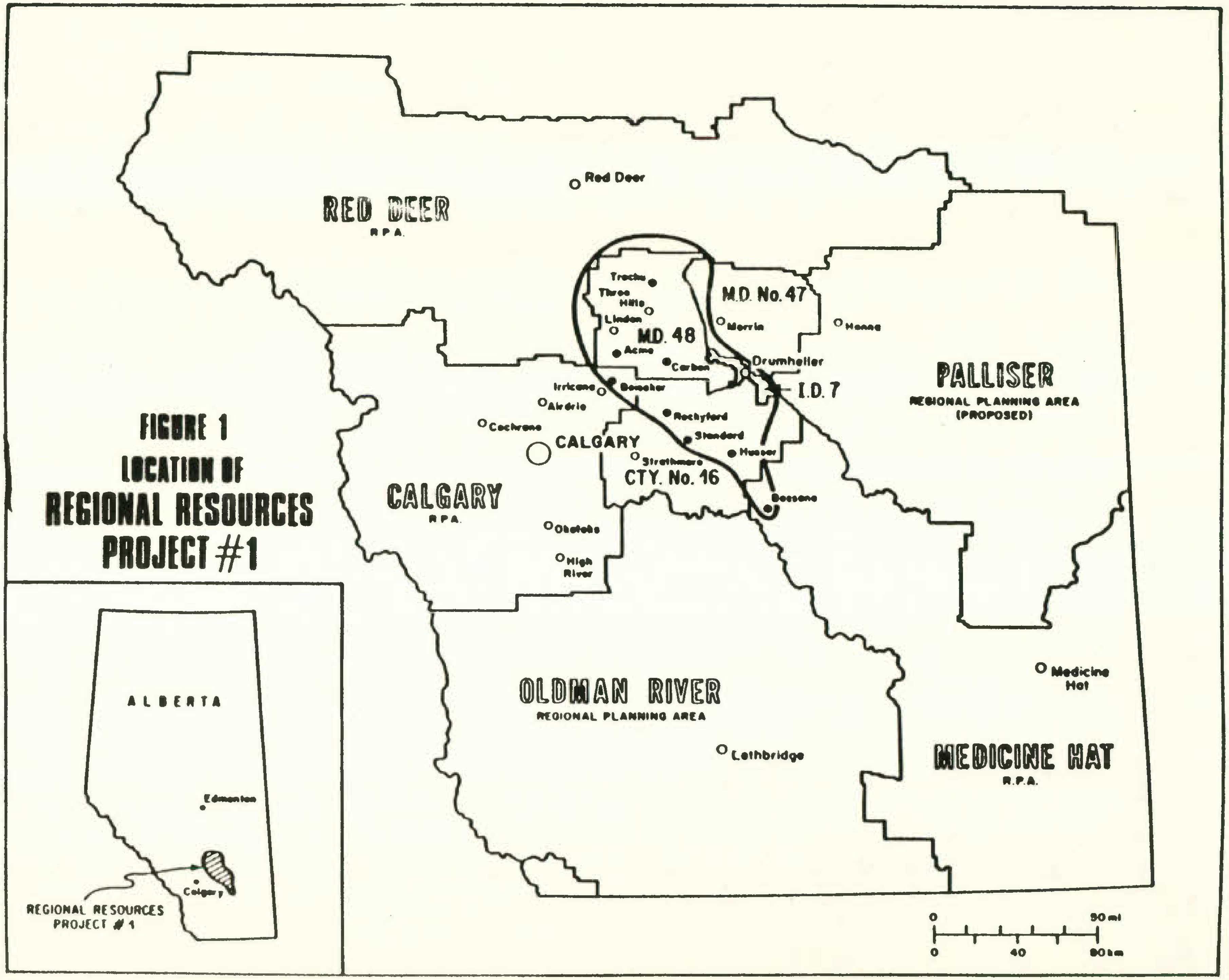

FIGURE 1
LOCATION OF
REGIONAL RESOURCES
PROJECT #1

of Municipal Affairs (Special Projects Branch). From the government's perspective, the advantage of approving funding for such a short time period was that it delayed any need for long-term commitment. The short time frame also allowed RRP #1 to be included under the Special Projects umbrella, and thereby enabled it to secure the necessary funding without excessive red tape.

A distinct disadvantage, however, was that project activities could only be planned and developed within this short time frame. The lack of a long-term commitment inhibited RRP #1's ability to establish, early on, the necessary long-term objectives by which the project's activities would be assessed and to develop a long-term funding strategy. This lack of well-defined long-term goals and objectives remained a constant problem throughout the life of the initiative.

2.3 Stage 2: Regional Resource Project No. 1, A Pilot Project (1972-1973)

In the project's first year of operation, the government investment in RRP #1 was $19,040. Each community involved in the project added $300, thereby underwriting the first year's operating costs. The project's mandate was to: 1) coordinate government services at the local level; 2) disseminate information about available government programs to community residents by placing literature on relevant government programs at strategic locations in the participating communities; 3) complete community inventories; 3) establish local development organizations (LDOs)[7]; and 4) attempt to begin integrated planning. In its early stages, the initiative focussed strongly on the provision of information and institution-building.

An important aspect of the project coordinator's job was liaison between the client population and the public agencies which might potentially be of assistance to the region. For this reason, a local person was sought to fill the position. Because of his knowledge of the region and his prior experience as Task Committee Coordinator, Hugh Bodmer was appointed project coordinator in September, 1972. Shortly thereafter, he began work under the general guidance of a local committee made up of representatives of the participating communities.

Administration of RRP #1 was handled at the project office in Carbon. In addition to his general administrative duties, Bodmer also visited each community to discuss, at first hand, the various programs available to local citizens. This procedure, although a necessary part of the information dissemination process, was very time-consuming -- at one point Bodmer attended 19 meetings in one month -- and limited the time he had available for his other administrative responsibilities.

Nonetheless, the project's first year saw a wide variety of activities. First, the Coordinator identified government funding sources for improving community and social amenities. He then initiated communication regarding these programs between the government agencies and the interested communities/individuals. RRP #1 thus opened up better channels of communication between residents of small urban centres in rural areas and the provincial administration.[8] The project also made the development of community inventories a priority in the first year. The aim was to package the information contained in these inventories in such a way as to attract business and new residents to the region. Finally, RRP #1 helped create LDOs for a number of the communities. In one year, eight LDOs were established and a ninth was in the process of formation.[9]

By the end of the first year, shareholders* in the LDOs began to see returns on their investments. With the use of private funds raised through the sale of shares as leverage, the LDOs successfully obtained loans from public agencies such as the Alberta Housing Corporation and the Central Mortgage and Housing Corporation. Where individuals had been previously rejected, the

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* The LDOs in RRP #1, incorporated under the Co-operative Associations Act, obtained their capital through the sale of shares. The value of shares varied from LDO to LDO, but at no point exceeded the value of $100.00 per share. As of 1976, a total of $45,800 was raised by the nine LDOs through the sale of shares. No cumulative figure was available beyond 1976. Shares in LDOs, however, are not considered like shares in other companies. Few, if any ever pay dividends because the objective is to build up the community's economy. Appendix II provides a list of the present status of each of the LDOs involved in RRP #1.

local development organizations received immediate mortgage approval from the public agencies.

In 1973, a private consulting firm from Calgary was hired to conduct an independent assessment of the project. Its general assessment was very favorable (Scale, 1973). It concluded, given the high degree of involvement and support of LDOs through share purchases, that the project had great potential in two major areas: 1) stabilizing the population in certain communities; and 2) attracting investment to the region.

RRP #1's first-year operating expenses were greater than originally anticipated. Because the communities did not then have the tax base to provide the additional funding themselves, it became necessary to seek more funds from the umbrella agency. The Ministry of Municipal Affairs agreed to fund the project with a slightly larger annual commitment for ten communities[10] for another five years. (One community withdrew, for reasons discussed in detail in the notes).

2.4 Stage 3: RRP #1 Upgrades Services and Amenities - the Beginning of Local Investment Initiatives (1973-1976)

From 1973 to 1976, the project's scope broadened considerably. LDOs became actively involved in speculative residential housing**, (see Appendix II) to improve the communities' residential housing stocks. In addition, they became involved in providing commercial facilities for the communities, including a permanent medical facility, a restaurant, a shopping cooperative to house businesses whose facilities were no longer adequate, and a seed-cleaning plant. LDOs also made improvements to public facilities such as those listed in Appendix VII. In all instances, a mix of external and locally generated funds was used.

The project communities were also active in a variety of other programs. With the help of the Coordinator and Board of RRP #1, they approached the Devonian Foundation, a private charitable organization, with a request to participate in its "Main Street Alberta Program."[11] Eventually, seven of the ten project communities were able to start improvement projects. A total of $115,000 was allocated by the Devonian Foundation towards implementation of its program in the participating communities (Scace, 1976).

** This may be defined as housing which is not sold prior to the foundation's being poured.

Another program accessed by the project was the Senior Citizens' Accommodation Program, administered by the Alberta Housing Corporation. A number of the communities took advantage of the funding provided by this program to improve the quality and quantity of senior citizen housing. These improvements were necessary because of the increasing number of retirees moving from rural areas to small towns.

Acting upon RRP #1's mandate to disseminate information, the project's Board and Coordinator actively encouraged new businesses to move into the communities. Two aspects of this role were stressed: 1) putting information regarding available services and opportunities in each community into the hands of interested businesspersons; and 2) providing these businesspersons with information about government programs which could help them in starting up or expanding existing businesses. Because of the Coordinator's detailed knowledge of the region, he was also able to bring together potential business partners as well as proponents of business development, representatives from the communities, and appropriate public agencies.

During this period, participating communities improved water and sewer facilities with the help of such programs as the Alberta Waterworks Assistance Program, the Municipal Sewage Treatment Assistance Program, and the Cost-Shared Water Management Project Program. Although these programs were potentially available to all communities, the Coordinator's familiarity with and promotion of the programs was instrumental in communities' successful applications for this type of assistance.[12] As well, it should be noted that many of the government programs required financial input from the communities as an eligibility requirement. The communities' willingness to use tax money to meet this requirement was a strong indication of residents' commitment to improving each community's facilities.[13]

RRP #1 was also successful in obtaining funds from the Neighbourhood Improvement Program (NIP) and the Residential Rehabilitation Assistance Program (RRAP). These successes were good examples of how the project communities were able to work together to access additional sources of funding. Although rural communities had not previously been considered eligible for NIP or RRAP funding, the Board successfully argued that the area covered by RRP #1 could be considered a "regional city" with the individual communities constituting adjacent neighbourhoods. Funding of $2.6 million was approved over a three-year period, to be received in three separate stages, one year apart.

An initial problem faced by the Board was deciding how best to allocate the funds obtained from NIP and RRAP among the communities. The decision was made to use a multiple-stage approach whereby three of the communities would participate in each of the three steps. Although the communities varied in population, the Board concluded that the cost of conducting the planned improvements under NIP and RRAP would not vary much by community. Therefore, the board decided to split the funds equally among the communities, regardless of their populations.

Three communities were ready with plans for implementation and thus were chosen to receive first-stage funding. By the second year, three more communities were ready with their plans and received funding.[14] Finally, by Stage 3, the last three communities had their plans developed and were thus able to utilize the final portion of funding.[15] The potentially divisive issue of funding allocation was defused by the communities' willingness to work together to maximize the benefits from the NIP and RRAP grants.

By 1976, then, RRP #1's primary focus on information dissemination and education had changed. The project now emphasized the promotion of local development by improving the residential housing stock, soliciting business, and assisting in upgrading living standards in many of the communities.

As the project matured, government departments and other agencies became increasingly receptive to the needs of RRP #1. One reason may have been that the Board's commitment to "bottom-up" planning and self-help ventures had significantly increased the planning and development expertise of the members of the communities involved in the project. Further, RRP #1 began to generate a ripple effect in the region. Its example and the experience gained by those touched by the project stimulated individual endeavours which benefited participants directly and the region indirectly. For example, the success of the LDOs in selling housing stock encouraged carpenters in some of the communities to begin their own construction companies to meet the now recognized housing demand. In Bassano, Beiseker, and Hussar, these construction companies replaced the LDOs completely in providing housing stock. In Rockyford, the LDO helped private contractors to find clients in the community until these contractors had established themselves (see Appendix II).

In 1976, a second assessment was conducted (Scace, 1976) It recommended that RRP #1, because of its success, be identified as a model rural development association.[16] At the same time, however, the assessment also noted a discrepancy between the initiative's goals and objectives and its activities. It was therefore recommended that the Coordinator and Board of Directors immediately undertake an in-depth review of RRP #1's aims and objectives to ensure that they accurately reflected the project's activities.[17]

Here it should be noted that lack of a long-term strategy was a recurring criticism in all but the project's first assessment --

and one which appears never to have been addressed. There are two possible reasons why this issue was never addressed:

1. The lack of secure long-term funding made the development of longer-term goals and objectives pointless in the eyes of the Board and the Project Coordinator: or

2. The Board and Coordinator lacked the planning experience necessary to distinguish between short-term and long-term goals and objectives, and between objectives and activities.

2.5 Stage 4: RRP #1 Builds up Industrial Services (1977-1979)

A review exercise undertaken by the Board indicated that the LDO's involvement in residential housing had helped renew contractors' interest in the communities. Shortly thereafter, RRP #1 decided to establish a new focus: the development of an industrial base for the communities to give the area added stability. The Board and Coordinator, therefore, chose as their particular focus the acquisition of industrial land and promotion of industrial development. To begin with, the Board sought and obtained assistance from the Alberta Industrial Land Program administered by the Alberta Housing Corporation.

Although other activities designed to upgrade social amenities and promote small-scale business endeavours continued, RRP #1 began to specialize more in regional growth than in individual community growth. The Coordinator acted as a "packager" of the industrial land program applications, while RRP #1 itself, thanks to its reputation, lent legitimacy to the applications.

Until 1979, the project's goals and objectives had remained in line with available funds. RRP #1 had fulfilled its role in developing civic services and some of the needed infrastructure, and now had to focus upon attracting larger-scale business investment to the region. The strong local commitment to the program suggested that local capital formation for industrial development was a possibility. However, greater long-term funding -- more than could be generated locally due to the region's small population base -- would be necessary if substantial outside investment was to be attracted.[18]

A third assessment, conducted in 1979, again identified the need to change the mandate and funding of the project to match its new focus on industrial development. Administrative costs were rising, and if member communities were to continue to benefit from the activities of RRP #1, it would be necessary for them to assume a greater proportion of its administrative costs. In particular, the assessment recommended that if the communities wanted the Coordinator to focus more of his energies on soliciting venture capital, they should consider assuming a greater proportion of the cost of retaining him on a full-time basis,[19] since it would be the communities, rather than the province as a whole, which would bennefit from his activities. And indeed (see Table 4) the communities did, over time, assume a significantly larger share of the cost. However in 1984, the province was still paying more than 75 per cent of the coordinator's cost.

The Coordinator and Board of RRP #1 continued to be concerned with municipal affairs, planning commission activities, infrastructure development, and community promotion. In addition, in 1980 RRP #1 made the formation of a local capital pool to attract high technology to the region another of its priorities. This decision was motivated by the success of a plant opened by Global Thermo-Electric Generator Co. in Bassano, on the assumption that if one plant could survive, others could as well. This conclusion, however, had one weakness: it was predicated on a single success, which may have been an anomaly. No detailed analysis was conducted to determine whether this single success story was likely to repeat itself. As well, it placed an additional burden on RRP #1 administrative staff, a burden which may have exceeded staff's reasonable capacities.

2.6 Stage 5: RRP #1 Weathers the Downturn (1980-1984)

The economic downturn of 1980 not only destroyed the high technology dreams of RRP #1, but significantly affected the viability of some of the existing LDOs. The recession placed severe financial strain on many LDOs that were in the midst of constructing extra residential and commercial stock when the downturn occurred. These LDOs were squeezed by extremely high interest rates which reduced the demand for both housing and commercial stock and which increased to a prohibitive level the cost of carrying the structures until they were sold.

By 1980, funding from various government sources for the region exceeded six million dollars. The economic downturn, however, signalled an end to the days of the generous public funding that had provided assistance for new and expanding businesses. The downturn made it all the more vital to mobilize local capital to help existing businesses and to attract new business and industry to the region.

A survey of a number of companies interested in locating or expanding their operations in RRP #1 showed that interest was contingent upon securing equity funding (RRP #1, 1985). Accordingly, in 1983, a two-pronged program was devised. First, a local investment vehicle would be established to raise local equity capital. Second, a list of businesses that might relocate to or expand within the region without incurring excessive costs would be developed.[20] This list was seen as a way to minimize risk for the project. The Board of RRP #1 had decided that, instead of hunting potential investments one at a time, it would attempt to create a large enough pool of capital to underwrite several endeavours simultaneously.

In 1984, yet another assessment was conducted, this time by the management consulting firm of Currie, Coopers, and Lybrand. Now the subject was not RRP #1 alone, but also the seven regional development projects in Alberta modelled after RRP #1 but funded by the Department of Tourism and Small Business. (That department, it is perhaps worth noting, paid for the assessment). This latest assessment pointed out that the problems of developing comprehensive goals and objectives had never been adequately addressed by RRP #1. The lack of written goals and objectives made the success (or failure) of the project difficult to measure. However, the assessment concluded that, while RRP #1 had been very successful in accessing government funds to the communities' benefit, now that the days of lucrative public funding were over, it had to re-examine its mandate and find new ways to fulfill it (Alberta, Province of, 1984(b)). The assessment also recommended that all regional development projects be administered by a single ministry. As a result, on April 1, 1985, RRP #1 was incorporated as the East Central Economic Development Association (ECEDA), funded and administered by the Ministry of Tourism and Small Business.

2.7 Stage 5: RRP #1 is Transformed into the East Central Economic Development Association (ECEDA) (1985-Present)

Following ECEDA's incorporation the Board instructed its Director (the Coordinator under the old organization) to concentrate on creating a regional pool of capital. This pool was viewed as a prerequisite to attracting significant amounts of new economic development to the region. The provision of information on government programs and referrals of individuals to various government departments took lower priority than capital generation.

The lack of available capital prevented any immediate business start-ups. Quite simply, until the capital pool was created, ECEDA had no "carrot" to offer business people considering relocating to the region. However, economic development workshops were held to introduce interested persons to the overall concept and processes of economic development funded by venture capital. The ECEDA also began to contact persons with plans for serious business ventures in anticipation of the fund's creation.

A commissioned study determined that while a venture fund was feasible, it would require at least two million dollars of initial funding before making its first investment. This estimate assumed that, with these assets, single investments of up to $200,000 could be made without exceeding ten per cent of the capitalization of the fund. The study also confirmed that the expertise needed to manage the fund was not available locally and would have to be imported (Financial Focus Ltd., 1984). It therefore recommended that suitably trained specialists be hired to manage the fund once it had been established.

A number of potential investors were approached, following which the Community Capital Corporation (ComCap) was launched with ninety seed capital investors and $300,000 in equity capital. All but two investors were from the region served by ECEDA. A minimum of $3,000 was required to invest in the venture. Even with this minimum requirement, the number of investments (88) made by local residents was a good indication of the local support for this new project.

But although ComCap remained a top priority, the public offering was never completed and hopes of establishing a private capital pool were dashed. ECEDA's 1986-87 annual report gave the following reasons for the corporation's inability to complete its public offering:

1. <u>Inability to find a lead order</u>: It had always been the responsibility of ComCap's management to secure the lead order[21] from a pension fund or other such institution.

The lead order was deemed necessary to provide credibility for attracting additional investment. The idea was that this investment would, in turn, serve to attract the interest of the investment brokerage community. But the large lead order, though at times almost within reach, remained elusive. Without the lead order, there was no incentive for brokers to underwrite ComCap shares; thus the initiative did not get off the ground.

2. Inability to develop a workable guarantee mechanism: Management felt that because ComCap shares were speculative in nature, a guarantee of capital was necessary to make the venture attractive to the public. However, when it came time to offer shares to the public, the purchase agreement did not attract prospective investors because it was complicated and difficult to understand. In addition, low interest rates meant an unattractive fifteen-year payback, too long a period to act as an incentive for such a high-risk venture. Under existing legislation, investors purchasing ComCap shares were eligible for a tax credit equal to 30 per cent of their investment. For some purchasers, this credit was a major drawing card, but it was not enough to make the venture a reality.

After its absorption by the Ministry of Tourism and Small Business, the ECEDA never felt secure about its long-term funding. Its fears proved justified: in 1987, it was advised that funding by the Ministry would be terminated by mid-1988. In desperation, the Director turned to Community Futures, a program administered by Canada Employment and Immigration.

The Community Futures Program (CFP) was conceived to allow specifically designated communities the financial means to determine their own local development strategies (See Appendix III for a description of this program). The CFP was seen as a way for the ECEDA to continue its efforts to stimulate local development.

CFP's mandate therefore provided a means by which RRP #1/ECEDA could continue its efforts to stimulate local development. Funding from Community Futures was approved, contingent upon the expansion of the geographic boundaries of the ECEDA to meet the program's minimum population requirement of 15,000.

But the result of the expansion was a protracted political fight between the original members of the ECEDA and the newly included communities. The program was ultimately launched, a new constitution was forged, and a new board was elected. However, Hugh Bodmer, the director for fifteen years, had his contract terminated. The reasons cited range from a disagreement over fees to some directors' dislike of involvement with ComCap and a desire to break away from the "old guard."

Internal strife within the new geographical boundaries of ECEDA was almost inevitable: although Community Futures had been designed to help sparsely populated regions, meeting the minimum population requirement for the program had stretched the ECEDA beyond its traditional cohesive limits. Whether the newly enlarged organization will survive this restructuring process remains to be seen.

3.0 IMPACTS OF RRP #1/ECEDA

The lack of specific long-term goals and objectives, a problem highlighted in each assessment of RRP #1/ECEDA, makes evaluation difficult. However, one way of measuring the initiative's success would be to use its initial rationale: halting rural decline in the area. Using this criterion, the initiative can be evaluated according to its success in:

1. Halting population decline;
2. Increasing economic benefits; and
3. Improving the quality of life of area residents.

Before making an overall assessment of the project as a local development initiative, it might be useful to examine its impacts under the above categories.

3.1 Halting Population Decline

One of RRP #1/ECEDA's major concerns was the declining population of many rural communities since 1961. But 1981 census statistics do not suggest that the initiative did a great deal to address this problem. While the population of the RRP/ECEDA region did increase marginally between 1961 and 1980 (see Table 1), the average population increase for the region was substantially less than both the provincial average and the average increase in the East-Central Alberta region[22] (which encompasses the RRP #1/ECEDA region and a number of other communities). This would suggest that any slowdown in population decline was likely the result of the improvement of the general economic climate in Alberta, rather than the result of the activities of RRP #1/ECEDA.

TABLE 1

POPULATION CHANGE OF EIGHT COMMUNITIES
AND TWO DISTRICTS IN RRP #1

COMMUNITY CHANGE	1961*	1971	% CHANGE	1980	%
MD Kneehill	7008	5890	-16	5974	1
Bassano	815	861	6	1148	33
Trochu	671	739	10	854	16
Beisecker	n/a	414	n/a	508	23
Carbon	371	343	-8	453	32
Acme	328	300	-9	409	36
Standard	266	267	0	349	31
Rockyford	288	286	-1	286	0
Hussar	213	170	-20	182	7
ID #7	n/a	1859	n/a	1266	-32
Project average (1980)					3
East-Central Alberta Region**					12
Alberta Average					29

* Source: Scace, Robert C., "Regional Resources Project #1, Assessment Report", June, 1973.

** Source: Woods, Gordon, "A Study of Economic Alternatives for East-Central Alberta, Economic Analysis, January, 1981." Note: Because RRP #1 is contained within the East Central Alberta Region but does not cover all the East Central Alberta Region, the total region is used for comparative purposes.

Source of all other data: Currie, Coopers & Lybrand, "An Assessment of the Rural Business Projects Program", Vol. II, February 1, 1984.

3.2 Economic Benefits

In the course of its sixteen-year history, RRP #1/ECEDA has been responsible for initiating or helping to establish a large number of businesses. Its efforts in this area have ranged from the establishment of a local retail store to assistance in financing a high-tech thermoelectric generator company employing approximately 70 people. Newly established businesses include a meat processing plant, a body shop, a sheet metal shop, a butcher shop, and an electrical shop (see Appendix IV) (Scace, 1979).

The raising of local capital through the LDOs in various communities was a prime motivator of economic activity, particularly in the area of housing and commercial construction. (In addition to providing a summary of the activities of each LDO, Appendix II also lists the present status of each cooperative). LDOs were able to access financing for speculative housing, which the communities had been unable to do in the past. This improved housing and commercial stock directly and indirectly, because the LDOs' activities stimulated the private sector to meet the existing demand.

Judging by the list in Appendix IV, it appears that RRP #1 was successful in stimulating business activity. It would not be unreasonable to assume, therefore, that this increased activity should have led to improvements in income for the residents of the

RRP #1/ECEDA region. However, Statistics Canada information from the years 1971 and 1981 does not appear to support that hypothesis for all income brackets.

Average family incomes, calculated in 1981 constant dollars, did not change substantially for the region. In 1971, average family incomes in the RRP #1/ECEDA region were approximately 86 per cent of the Alberta average. The control group, on the other hand, showed average family incomes equivalent to the provincial average.[23] By 1981, this proportion had not changed substantially. In the RRP #1/ECEDA region, average family incomes were still only 86 per cent of the provincial average. The control group, on the other hand had dropped from 100 per cent of the provincial average to 96 per cent.[24] It may be concluded, therefore, that the income effect of the increased business activity was minimal, although that activity may have prevented the RRP #1/ECEDA region from slipping slightly as occurred in the control region.[25]

The increased business activity also did not manage to reverse the decline in the number of self-employed workers, although the decline was not as substantial as in the control group or in the province as a whole. Over the ten-year period, the male population in Alberta witnessed a 65 per cent decline in the proportion of self-employed workers (from 18.2 to 6.3 per cent). In the RRP #1/ECEDA region, the proportion decreased slightly less than 59 per cent. Over the same period, the control group's self-employed population declined 63 per cent (see Table 2). However, the decline of self-employed women over the ten-year period was worse than either the provincial average or the control group average. The RRP #1/ECEDA region registered an 83 per cent decline in self-employed women, as compared to declines of 36 per cent and 64 per cent for the province and control group, respectively (see Table 2).

With respect to another indicator, the increase in total number of employed workers, the ECEDA region fared even less well, relative to the province and the control region. Its total number of employed workers increased by 78 per cent during the period 1971-81. However, the increase for the province as a whole was 105 per cent, and for the control region, 161 per cent, or more than twice the ECEDA figure (see Table 3). Particularly noteworthy was the lag in increased female employment, which stood at 79 per cent for ECEDA as compared to 131 per cent for the province as a whole and a whopping 185 per cent for the control region.

A final economic indicator worth examining is the change in local contributions to support the administrative costs of RRP #1/ECEDA over its lifespan, based on the assumption that the communities would adjust their contributions according to their estimation of the project's worth. From 1972, the level of local

Table 2

Percentage of Workers Self-Employed for Selected Communities

	Male		Female		Total	
	1971	1981	1971	1981	1971	1981
			(Per cent)			
Eceda region						
Bassano	21.0	5.2	10.0	1.7	17.2	6.9
Beiseker	23.5	11.7	0.0	3.3	19.0	15.0
Carbon	12.5	7.9	0.0	0.0	8.7	7.9
Hussar	42.8	21.1	0.0	0.0	27.3	21.1
ID #7	20.6	12.6	2.7	2.4	14.1	15.0
Rockyford	16.6	7.1	25.0	3.6	18.8	10.7
Standard	30.0	9.7	25.0	0.0	28.6	9.7
Trochu	42.1	7.4	11.0	0.0	27.0	7.4
Weighted average	23.4	9.5	7.2	1.6	18.0	11.1
Control region						
Airdrie	9.4	2.5	15.8	0.8	11.0	3.3
Drumheller	11.6	4.6	4.3	1.2	9.0	5.8
Red Deer	8.0	3.2	1.6	0.8	5.5	4.0
Strathmore	10.9	4.0	0.0	0.0	7.3	4.0
Three Hills	25.0	8.3	6.2	0.6	17.8	8.9
Weighted average	9.0	3.4	2.2	0.8	6.6	4.2
Alberta average	18.2	6.3	18.8	1.2	n/a	n/a

Source Statistics Canada, 1971, Census of Canada
Statistics Canada, 1981, Census of Canada

contribution to the project increased approximately fivefold. Figures for the period 1978 to 1984, for example, indicate a significant shift in the proportion of local to government contributions, from 10 per cent to 24.2 per cent (Alberta, Province of, 1984(a)) (see Table 4). The communities' willingness to increase their contributions suggests that they perceived the initiative to be of value, even though the initiative may not have led to quantifiable improvements to living standards. This leads one to suspect that quantifiable benefits may not reflect the perceived value to a community of an existing initiative. Less readily quantifiable areas, such as improvements in the quality of life, may prove to be truer indicators of how residents judge that value. At the same time, residents' willingness to increase their contributions is not the only valid indicator. In particular, one must examine why this willingness continued in the face of other indications that the initiative was not doing as well as might have been expected.

3.3 Improvements to the Quality of Life

Since its inception, RRP #1/ECEDA has accessed more than six million dollars of government funding to improve the quality of life in its communities.[26] Water and sewage facilities in the communities were improved to meet provincial environmental health standards. In addition, the operating capacity limits of these facilities, which had almost been reached in 1972, were

Table 3

Percentage Change in Workers* by Sex in Selected Regions for the Period from 1971 - 1981

	Male workers (percentage change)	Female workers (percentage change)	Total (percentage change)
		(Per cent)	
Eceda	78	79	78
Control	145	185	161
Alberta	93	131	105

Source Statistics Canada, 1971, Census of Canada
Statistics Canada, 1981, Census of Canada

* Defined as the number of persons employed at the time of the Census in question.

Table 4

Changes in Financial Support for RRP #1/ECEDA for the Period 1972 - 1984

	1972		1983/84	
	Dollars	Proportion	Dollars	Proportion
		(Per cent)		(Per cent)
Public sector contribution	19,040	86	52,600	76
Region contribution	3,300	14	16,800	24
Total	$22,340	100	69,400	100

Percentage increase in contribution over period noted above:

- Public sector	176%
- Regional contribution	409%

Source Alberta, Province of, Ministry of Tourism and Small Business, "An Assessment of the Rural Business Project Program Funded Through the Department of Tourism and Small Business and Regional Resources Project #1 Funded Through the Department of Municipal Affairs", Volume I, February 1, 1984.

substantially increased[27] (see Appendices V and VI), so that a larger population could be accommodated. The project also designed and helped implement an intermunicipal waste and landfill system, which improved the environmental and visual aspects of the region.

As a result of its success in classifying itself as a "regional city,"[28] the project was also able to build and/or upgrade a number of social and cultural amenities to the tune of two and one-half million dollars. As well, it was directly responsible for building senior citizens' accommodations in three communities (using government funds made available by the Alberta Housing Corporation and Central Mortgage and Housing Corporation), and also provided a medical clinic.

Improvements in social and cultural amenities ground to a halt during the economic downturn in Alberta. So long as government funds were available to act as leverage, which the communities could match with their own funds to upgrade living standards, development was possible. However, once government funds dried up, the communities were unable to continue the upgrading process because they had neither the population nor the tax base to pursue it by themselves. The capital raised by the LDOs was also insufficient to maintain a revolving fund for development.[29] Access to funding was essential: when the government tap was turned off, the initiative's activities were cut off at the source.

4.0 ASSESSMENT OF THE INITIATIVE AS A MODEL FOR LOCAL DEVELOPMENT

As a model for local development RRP#1/ECEDA appears to have met the conditions necessary for the success of a local development initiative. In the initial stages, it had strong local participation. As the initiative matured, it gained expertise and access to information. Finally, in its involvement with CFP, it has accessed the necessary funds for its continuation.

However, this initiative is still not stable, even after fifteen years of effort, and there is no indication that it will become stable in the future. Is there anything particular about the Alberta environment that prevented the initiative's stabilization, or has it been the timing of access to the resources which has obstructed the initiative's development? Analysis of RRP #1/ECEDA would suggest that the critical factor has been lack of timely access to resources.

It would appear, therefore, that removing most of the impediments to any given initiative is not enough: there are some impediments which <u>must</u> be removed, or else the survival of the initiative may be threatened. These critical impediments are: 1) the support of local actors; 2) information and education to ensure adequate organization and strategic planning; and 3) accessibility to funds for a predetermined period of time.

The nine small communities scattered around the Village of Carbon cannot be accused of any lack of effort or imagination in adapting their efforts to changing circumstances. They clearly possessed consistent and adequate leadership, local support, and information. Activities undertaken by the LDO's and by RRP #1/ECEDA were not carried out on an ad hoc basis, but were carefully planned. For example, in order to attract new business, the communities did not simply develop an industrial park, prepare some promotional literature, and attend trade shows. Instead, they began with an elaborate site services plan and promotion campaign that gradually evolved into a focussed attempt to create a locally controlled equity fund. Their comprehensive strategy integrated both social and business development goals. However, a number of barriers, all outside of the region's control, precluded the success of this ambitious initiative. These included a small population base, poor timing, and inadequate funding. These difficulties have been leitmotifs in the RRP #1/ECEDA story.

Despite the enormous efforts by each community and considerable public investment, the relatively small population base scattered over a large area may have stood in the way of the economic take-off. The latest federal program, Community Futures, implicitly came to that conclusion when it denied funding until the target communities reached a critical (albeit arbitrarily determined) population mass. The original size and population of RRP #1/ECEDA was forced to almost double; the cost, however, may have been regional cohesion. Thus removing one constraint has introduced another.

The second impediment which RRP #1/ECEDA was unable to overcome was inadequate funding. Its inability to launch its own equity fund was the final blow to the potential emergence of these nine communities as self-sufficient regional development generators. This failure serves once again to demonstrate the fragile nature of locally-based development initiatives. High-risk ventures, such as equity funds to underwrite new businesses locating away from major metropolitan centres, rarely succeed if they must depend solely upon private sector funding, particularly during economic downturns. This second impediment was, as noted above, likely worsened by the small population in the RRP #1/ECEDA region.

It was this second impediment, aggravated by the small population base, that sounded the death knell for RRP #1/ECEDA and necessitated a massive reorganization. In its attempt to secure enough government funding to keep itself alive, the project has been forced to expand its geographical and population size beyond its original limits. The result has been the loss of its Director, who was considered in each of the assessments to be one of the most significant factors in the initiative's successes. Whether RRP #1/ECEDA will survive this loss and rise above the rancour which has already developed between the "old guard" and the new communities will only be known over time.

5.0 LESSONS LEARNED

The rather turbulent history of RRP #1/ECEDA provides a number of valuable lessons for any organization considering a regional development initiative. In order of importance, these lessons are:

1. Development initiatives such as RRP #1/ECEDA must be extremely flexible, with a strategy that can be easily modified to suit changing social and economic conditions.

2. Active community involvement from the initial design stages on, together with firm financial support as an indication of the communities' commitment, is essential to the success of an initiative.

3. The involvement of a full-time coordinator with strong links to the community is essential for continuity, since such an individual can provide the contacts and networking essential to local development. In addition, the success of the project depends largely upon the ability of the coordinator to liaise

between the constituency and the public agencies offering potential assistance.

4. There is no guarantee that LDOs, regardless of their structure, will prove successful vehicles for local development. Rural communities have a low tax base and so are unlikely to be able to underwrite the costs of establishing and maintaining such institutions without government assistance. To be effective, however, this government funding must recognize the following constraints:

    (i) Funding must be guaranteed for long enough periods to permit long-range planning. As this period will vary by community, a fixed formula may be impractical;

    (ii) Minimal government interference is necessary, both to ensure bottom-up planning and to ensure that the initiative is not extended beyond the geographical or population size deemed "natural" by the communities' planners; and,

    (iii) High-risk ventures such as local development initiatives require a large capital base, which rural communities find difficult to raise on their own. In order to stimulate local development initiatives, therefore, government agencies must be prepared either to provide sufficient funding to leverage private risk capital or to provide the risk capital themselves, at least until a revolving fund can be established. Such risk capital could be administered through an institution like a national development bank.

5. Community development must be allowed to weather a learning period during which there may be a number of failed projects, as a result of inexperienced management decisions or external factors. If the community perseveres and its leadership is maintained, the community may well be able to learn from its mistakes and subsequently mount successful initiatives.

CONCLUSION

These above five major lessons listed, not surprisingly, point to the importance of focussing on institution-building and provision of capital to sustain initiatives in their early stages. The "animation" model developed by Coffey and Polèse (described earlier) would, therefore, appear to be both the most ambitious one and the one most likely to successfully stimulate economic growth in rural communities.

However, this case study serves to demonstrate the importance of appreciating the dynamics of the model. The three major priorities -- community organization, provision of information and training, and provision of financing -- are <u>all</u> essential to a program's success. Moreover, they must be closely harmonized rather than following a rigid, preset order of priority in order to create the synergy which will sustain the effectiveness of the initiative. If even one of the three central priorities is delayed or absent, the sustainability of the initiative may be placed in jeopardy, particularly in an unfavourable macro-economic climate.

It is important to realize that lengthy delays in meeting any one of the three conditions for success can limit the success of the initiative as much as the total omission of that condition. Adequate funds, the "missing ingredient" for RRP #1/ECEDA, were finally obtained through CFP. However, the delay has caused major organizational changes which may spell the demise of the local initiative.

The history of RRP #1/ECEDA suggests that, although important, animation and the provision of information are not, in themselves, sufficient to ensure a community development initiative's success. In particular such initiatives must address the funding of issue from the outset, by devising strategies to promote their own economic development. As the Economic Council's West Prince case study also demonstrates, such efforts must extend beyond the provision of infrastructure. While RRP #1/ECEDA did eventually make some attempts in this direction, these attempts appear to have been "too little, too late", given the magnitude of the region's problems.

Notes

1 This definition is taken from Coffey and Polèse, 1984 (a).

2 Willian J. Coffey and Mario Polèse. 1984. "Local Development: Conceptual Bases and Policy Implications", Regional Studies, Vol. 19.2, pp. 85-93.

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Stewart E. Perry, "The Community as a Base for Regional Development and the Community in Regional Development Policy: Policy Options from the U.S. Experience", (Ottawa: Economic Council of Canada Local Development Series, 1989).

3 The "Northeast Development" Program in New Brunswick, for example, which provided assistance in the form of forgivable performance loans, was successful in stimulating economic activity for a number of years. Between 1973 and 1977, 53 firms created 348 permanent jobs, at a cost to the government of $690,000. Total investment generated in the area by this incentive program was about $2 million (Canadian Council, 1978).

4 Perry, op. cit.

5 Agencies represented included the Department of Municipal Affairs, the Department of Health & Social Development, the Department of Industry & Commerce, as well as regional agencies such as the Calgary Regional Planning Commission.

6 Following the implementation of RRP #1 as a pilot project, seven other such projects were developed in other regions of Alberta. The success of these projects in stimulating local development in their regions has been mixed. For an in-depth discussion of these projects, refer to the study conducted on behalf of the Alberta Ministry of Tourism and Small Business by Currie Coopers & Lybrand, Management Consultants, entitled "An Assessment of the Rural Business Projects Program Funding Through the Department of Tourism and Small Business and Regional Resources Project #1 Funded Through the Department of Municipal Affairs," February 1984.

7 LDOs are associations of people in particular districts who are interested in the continuing development of the area. The purpose of LDOs is to promote, encourage and assist residential, commercial and industrial development of

communities and surrounding districts. LDOs are legal entities set up under the terms of the Provincial Co-operatives Act, with a board of directors and a share structure which provides each community with a vehicle to invest in itself.

The impetus for such organizations was the passage of the Alberta Opportunity Fund Act in 1972 which permitted borrowing by cooperatives at the rate of four dollars for every dollar raised, an effective initiative by which cooperatives could access private sector monies not otherwise accessible by municipalities. In addition, these cooperatives had access to the builder's speculative loan program administered by the Alberta Housing Corporation. Thus, government funds allowed the start-up of cooperatives which could then access dollars to develop housing and commercial stock. Note that the definition of an LDO does not vary across Canadian jurisdictions. However, the legal status of these organizations does. For an overview, see Greg MacLeod, New Age Business: Community Corporations That Work (Ottawa: Canadian Council on Social Development, 1986).

8 One assessment of RRP #1 conducted in 1973 included the following comment made by a resident of Carbon: "Since the Project began, we've had more government people in here looking at things and helping us than we've had in the past five years" (Scace, 1973).

9 By 1976, a total of $45,800 was raised by the nine LDOs through the sale of shares (Scace, 1976). This money was ultimately used for a variety of purposes, including speculative housing, provision of commercial and industrial sites, and assistance for businesses to locate in the region.

10 In 1974, the Municipal District (MD) of Starland withdrew its support of the Project. The MD gave the following reasons for its decision:

1. The City of Drumheller, the main centre in MD 47, was not participating in the project, and therefore, the MD did not anticipate any benefits to be derived from its continued association.

2. The MD considered that the aims and activities of the project unduly emphasized small town development at the expense of the general rural farming community.

3. As the hamlets, villages and towns in the area within the MD were not participating individually in the project, the MD did not believe that any direct benefits would accrue to the MD.

* A Municipal District (MD) is an area of the Province of Alberta containing both incorporated towns and farming land. It is to be distinguished from an Incorporated District (ID), which does not contain incorporated towns.

11 This program was established to provide the financial support for projects which would improve the aesthetics and visual character of Alberta's smaller communities.

12 One letter written by a council member from Trochu in support of the continuation of RRP #1 stated that "through the project [the town councillors] became much more aware of the Government assistance available ... where to ask for it and also ... how to apply for it..." (Scace, 1973).

13 During the period 1974-1979, approximately $1.00 was contributed by the communities for every $6.00 raised externally through private and public grants (Scace, 1979).

14 In Stage 2, communities also decided to "pool" their coordinator by basing him in one of the communities and having him travel to the other two, thereby reducing the administrative costs of hiring one coordinator per community.

15 The Municipality of Kneeland (also known as MD #47) was not eligible for the program because it was a municipal district, and not an incorporated village.

16 Questions were also raised in the assessment about the project's sustainability and replicability. These questions were never addressed.

17 Lack of a long-term strategy was a recurring criticism in all but the first assessment of RRP #1 and one which never appears to have been addressed. There are two possible reasons for this:

1. The lack of secure long-term funding made the development of long-term goals and objectives pointless in the eyes of the Board and the Project Coordinator; and/or

2. The Board and Coordinator did not have enough planning experience to distinguish between short-term and long-term goals and objectives, and between objectives and activities.

18 In addition, industries relocating in the region would require long-term funding to make the transition to the smaller community. A 1984 survey of companies interested in relocating to the region or expanding existing operations there showed that this interest was contingent on securing appropriate funding (see Sect. 2.6 for details).

19 The assessment concluded that the benefits of RRP #1 extended beyond the region because the coordination provided information about provincial and federal programs, such as the N.I.P., to citizens outside of the boundaries of R.R.P. #1. Therefore, public subsidization of the administration costs was well warranted as long as information dissemination remained the focus of the initiative. However, it was felt that any shift towards activities which stood to benefit the region alone should result in the communities underwriting a proportionately greater share of the costs.

20 The Coordinator relied on seminars, advertising and word of mouth to develop a "prospect list" of potential businesses. From a list of approximately 100 business who submitted plans, ten were eventually selected and presented to the Investment Committee of ComCap (see next section). Six of these were approved, ranging from a company building agricultural navigational devices and computerized taxi meters, to an electronic publishing company (RRP #1, 1985).

21 A lead order is the initial major investment into a capital pool which provides credibility to the capital fund, reassures potential investors, and attracts the interest of the investment brokerage community. In such cases as ECEDA, therefore, it is important to obtain the lead order for a group with a solid reputation in the investment community.

22 In his submission to Canada Employment and Immigration in support of the Community Futures Program Application, Mr. Bodmer compiled age-sex pyramids which indicated that the population of RRP #1/ECEDA was aging faster than the province as a whole. The statistics showed that the 20-45 age group was shrinking while the >65 age group was increasing. This may well account for a proportion of the variation between the population growth rate in the region and the province as a whole.

23 The control group included neighboring communities which were similar in business activity and primary sources of employment. Population sizes in the control group were larger on average, however, which may restrict the direct comparability of the statistics.

24 Source: Statistics Canada, 1971 and 1981, Census of Canada.

25 The following caveats apply to these conclusions:

1. Statistics Canada data were not available for all municipalities involved in the ECEDA. It must be assumed, therefore, that the seven municipalities listed are representative of the incomes in the whole of the region.

2. The small number of municipalities included in both groups (7 in the ECEDA, 6 in the control group) may restrict the statistical reliability of the conclusions drawn from the data. It is, however, suggested that the average incomes and income spreads shown are indicative of trends consistent across both groups.

3. Four of the towns listed in the control area have much larger populations that the communities listed in the ECEDA, which may affect the comparability of numbers.

26 The vast majority of these improvements occurred before 1980.

27 A study conducted by the Ministry of the Environment in early 1974 indicated that any future growth in the communities would severely stain the groundwater supplies. In addition, the study found that although water quality was acceptable in most instances, any expansion of the region's industrial and commercial economic base would cause the quality to drop below acceptable levels.

28 Appendix VI lists the projects completed during the third stage of funding. Similar improvements were carried out in the first and second stages of funding by the other communities.

29 The sole exception was in the area of housing; the development fund was no longer necessary as a result of private contractors returning to meet the demand.

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APPENDIX I

SUMMARY OF THE HISTORY OF RRP #1/ECEDA

YEAR	EVENT
1972	Task Committee is established to study the problems in a region of slow growth, the Drumheller Region.
1972	Based upon the recommendations of the Committee, Regional Resources Project #1 (RRP #1) is designed and approved; its funding provides for a professional community development person residing in the region.
1973	RRP #1 is assessed by an independent consultant, and recommendation is made to continue the project.
1973-76	Establishment of nine local development cooperatives, who become involved in improving housing and commercial business stock in their respective communities.
1977-80	RRP #1 expands into the area of attracting local investment.
1980	Economic downturn in Albert ends profitability of several LDCs.
1980-84	RRP #1 seeks entrepreneurs to invest in industrial development initiatives in the region.
1984	Currie, Coopers, Lybrand report recommends restructuring the ministerial funding of RRP #1 to match other regional resources projects.
1985	RRP #1 is restructured and incorporated as the East Central Economic Development Association, (ECEDA), answerable to the Ministry of Tourism and Small Business.
1986	RRP #1/ECEDA undertakes to set up and finance a venture capital corporation. Prospective businesses are solicited and financing is sought, but the endeavour is not successful.
1987	Following the announcement that the Provincial Government is withdrawing funding, RRP #1/ECEDA applies for and receives approval of federal funding from the Community Futures Program. This requires expanding the region covered by RRP #1/ECEDA, as well as another restructuring of the initiative. The leadership changes after fifteen years.

APPENDIX II

ACTIVITIES OF LOCAL DEVELOPMENT COOPERATIVES (LDCs) AND THEIR PRESENT STATUS

COMMUNITY	EXTENT OF ACTIVITIES
Acme	Built and sold a restaurant and a business/commercial mall. At the present time, the mall is managed locally with almost full occupancy. However, the LDC was forced into bankruptcy just after completion, resulting in a $35,000 loss to the investors.
Bassano	Eight houses were built and sold on a new subdivision. Subsequently, private contractors stepped in and built approximately twenty-five houses on the same subdivision. The LDC was dissolved in the mid-seventies, and all shareholders received their initial capital plus a modest return.
Beiseker	Three speculative houses were build and sold. Private contractors stepped in and assumed building activity. The LDC was subsequently dissolved in the late 1970s and equity was returned to the shareholders.
Carbon	Sixteen houses and three commercial buildings were built. The LDC extended itself too far: two houses and one commercial space were not sold. Consequently $41,000 in equity was lost when the LDC declared bankruptcy.
Hussar	Four speculative houses were built and sold before private contractors stepped in to meet local demand. The LDC is still in operation, but activities are presently suspended. No losses were recorded. One half of the equity has been turned over to a senior citizen's centre.
Rockyford	Four houses were build and sold. In addition, the LDC helped private contractors to find clients in the community, until they had established themselves. The LDC is still active and has been involved in various community improvements.

COMMUNITY	EXTENT OF ACTIVITIES
Standard	Eleven speculative houses were built and sold. The LDC suspended activities during the economic downturn, and has been inactive since. It is now in the process of dissolution. Investors will receive their capital plus an acceptable return on investment (500-600%).

Trochu Six houses and one commercial building were constructed and sold. The LDC became inactive when the private sector began to respond to the housing demand. At least thirty houses were built and sold by private contractors. The LDC was dissolved in the early 1980s and equity was returned to the shareholders, with the exception of approximately $2000 - $3000 which was turned over to the local recreation department.

This information was recently provided by the following individuals who were involved with the LDCs:

1. Acme: Ms. Val Parent, former Secretary;
2. Bassano: Mr. Ted Schaffer, former Board member;
3. Beiseker: Mr. John Richter, former Board member;
4. Carbon: Mr. Hugh Bodmer, former Coordinator;
5. Hussar: Mr. Dan Taylor, former Board member;
6. Rockyford: Mr. Ken Wong, former Secretary;
7. Standard: Mr. Don Sundgaard, former Board member;
8. Trochu: Ms. Violet Haller, former Secretary.

APPENDIX III

COMMUNITY FUTURES PROGRAM

The Community Futures program unites the efforts of the federal government, the provinces, business, labour, and community groups to help individual Canadian and communities develop the skills needed to compete in a competitive market place and provide Canada with a highly trained work force.

The Community Futures program primarily helps communities hit by major layoffs and plant closures. It also assists communities faced with chronic unemployment and communities which, while struggling with economic decline, have some permanent growth and development opportunities.

Community Futures is an umbrella program encompassing five different program streams or options:

(a)Self-Employment Incentive Option
(b)Business Development Option
(c)Purchase of Institutional Training Option
(d)Relocation and Exploratory Assistance Option and
(e)Community Initiative Fund.

The Self-Employment Incentive Option provides funding for a year to encourage unemployed people to set up small businesses. They also receive business advice and training.

The Business Development Option permits the establishment of a Centre with the objective of supporting new and existing small firms in the community through loans, loan guarantees, equity investment and advisory services. Business Development Centres are answerable to the local Community Futures Committee.

The Purchase of Institutional Training Option is open to everyone, employed or not. What matters is that the training should lead to employment alternatives.

The Relocation and Exploratory Assistance Option recognizes that in some communities efforts to create new employment will not be sufficient. A permanent solution to unemployment may include relocating some people. Both individuals and groups of workers may receive assistance to explore job possibilities and to relocate to new jobs in other communities. Assistance to groups is made under joint agreements with industry, provinces and/or municipalities.

The Community Initiatives Fund is available to support exceptional projects and is subject to the following conditions:

- The proposal must relate directly to the Committee's plans for solving the unemployment problems of its community.
- The proposal must lead clearly and directly to the creation of permanent jobs at a sensible cost.
- There must be at least matching funds from other levels of government and/or the private sector.
- The proposal must be one that cannot be accommodated under any other federal or provincial program.

A local community futures committee must select all, any one, or any combination of these options. The selection process is done in the form of a feasibility study called an "Action Plan". This plan documents or prepares a case to support the need for each option.

The federal government provides administrative funds to assist communities in paying the costs associated with preparing the documentation -- hiring staff, providing office, vehicles, office equipment telephone, etc. The action planning process can take up to a year and the federal government has allocated up to $100,000 for those expenses. Not only is the budget for such expenses approved in advance by both the federal government officials and the local CF group, but the expenses are monitored monthly by both, and funds disbursed according to actual expenditures.

It should also be noted that there is a substantial difference between administrative and program funds. This can be best demonstrated using the Business Development Centre (BDC) option as an example. In this case, the federal government provides both administrative and program funds to enable the local group to deliver the BDC option:

Program Funds: Up to $250,000 per year for first 2 years, with the balance of $1,050,000 in the remaining 3 years, for total of $1.55 million over 5 years of funding. These funds are to be used to lend or invest in small business to a maximum of $75,000 per business (through equity purchases). The lending decisions are made by the locally appointed directors of the BDC.

<u>Administrative Funds:</u> The federal government provides administrative funds to the BDC so it can operate as a small investment bank. These administrative funds are <u>separate</u> from the program funds and are made available as follows:

Years 1, 2 and 3	Up to $150,000	per year
Year 4	110,000	
Year 5	75,000	
Total Admin. Funds	$635,000	over 5 years

It is expected that the BDC will gradually become self-sufficient, providing it has made wise business investment decisions. In other words, the federal government anticipates that the BDC will operate as a revolving fund and that, after five years, there will be sufficient returns on investment to fund administration and to continue its banking operations.

APPENDIX IV

BUSINESS WHICH HAVE BEEN ESTABLISHED OR EXPANDED
IN THE PROJECT COMMUNITIES
1976-1979

COMMUNITY	BUSINESS
Acme	- Brajo Construction Limited - Kents Appliances Sales & Service: AOC Assistance to build new showroom and service area - Restaurant (LDC project in 1975) - resold and now under new ownership - New body shop - Truck garage expansion to Bruce Hannah Truck Lines - Lorel Electric Ltd. - Acme Hardware (new ownership) - Colt Trailer Sales - D. Ferber Trucking Ltd. - Ferber Payroll Services - Prospect Construction - A & E Sheetmetal & Heating
Bassano	- 13,000-square-foot commercial building presently under construction by a Calgary developer - 3,000-square-foot commercial building (1,000 square feet leased to an optician) - Automotive supplies distributor - Paint and decorating store - Virginia's Fashions: ladies clothing (new building) - 20 unit motel - Trucking garage and gas bar - Hussar Credit Union: new building - McGregor Farm Machinery - Hillside Excavating - The Spectacle Shop - The Hair-um: hairdresser - Maple Leaf Cabinets: cabinets and building packages - Green, Flanagan & Maguire Agencies: insurance and real estate - Metcalf Fabric & Children's Wear - Jeep's Sports Shack - Elaine's Yarns and Notions - Douglas Bell, Lawyer - Farmstead Building Ltd.: provision of butler steel buildings

COMMUNITY	BUSINESS
Bassano (cont'd)	- Terry's Truck Repair: heavy-duty diesel mechanic and shop - Ray Clark Trenching - Lewis Mobile Service: mobile home hauling and escort service - Bassano Plumbing & Heating - Ye Olde Bassano Flower Shop - Global Thermo-Electric
Beiseker	- B A R Welding: Takeover and expansion of an existing business with AOC assistance - Commercial building currently being built by local contractor with 5000 square foot commercial lease space - Werechuk: plumbing and heating - TV Appliances Sales and Service - Royal Bank: new building built and old one given to senior citizens for drop-in center - Beauty salon - Hagels Sharp Shop - Fabric Shop - Beiseker Frosted Foods - meat processing plant proposed for 1978 construction - Rockyview Refrigeration - Mid Central Credit Union - Forrest Accounting Services - Allan's Electric - R.J. Hashizume, Lawyer
Carbon	- J.C. Permann Building Supplies: lumberyard and general contracting business - Carbon Decorating Services: drywalling and painting business - Bambee Automotive Limited: body shop - Jador's Draperies: custom-made drapes and fabric shop - Rolla Hildebrand: welding shop - Bill Horn Electric - Claire's Fashions - R. Henry, Painter - Ken's Woodworking: carpentry work - Tall Don's General Store (new ownership) - All-Fast Autobody (new ownership)

COMMUNITY	BUSINESS
Hussar	- Welding shop and mobile welding truck - Hugh's Oilfield Service - Carpentry and floor covering shop - Dundas Enterprises: bobcat, excavations - W & W Gravel Hauling - Rockyford Tire shop and mobile tire fixing to serve farming area - Jay-3 Enterprises: lumberyard and trailer blocks manufacturing - Accounting business - Commercial office space built: insurance agency, village office, and NIP office - Rockyford Meats: nutritive processing centre constructed with DREE funds - Farmer's Hardware (new ownership) - Castaway Travel Agency - Rockyford Meat Processors - Beauty salon
Standard	- Expansion of Massey Ferguson dealership - Hardware store opened by Standard Co-Op - Gas Bar - Western Clothing Manufacturing - Bert's Plumbing - Electrician
Trochu	- Meat processing plant built by Trochu Meat Processors, a group of farmers and local businessmen: assistance provided under DREE Nutritive Processing Grant - TV Sales and Service - Afternoon Delight: women's and children's clothing - Upholstery and Flower Shop - Community Voice (Newspaper) - Post Motel - Dairy bar - Ability Machine & Welding - Bank of Montreal (new building) - Treasury Branch - Campbell Rug & Upholstery Cleaning - Cranston Construction: heavy construction - C.L. Bookkeeping - Krystal Klear Plumbing - "Little" Pizzeria - Metamorphosis Beauty Salon - Naptan Home Furnishings - Scamp Upholstery - Trochu Fabric and Craft

APPENDIX V

IMPROVEMENTS TO WATER SUPPLY AND STORAGE FACILITIES
1976-1979

COMMUNITY	COMPLETED	SOURCES AND STORAGE
Acme	1977	2 wells, 60 gpm via 3-mile pipeline to 50,000-gallon reservoir
Bassano	1979	40-million gallon reservoir addition to existing 40 million gallons. Also 250,000-gallon reservoir
Beiseker	1978	Wells, new 300,000-gallon reservoir (existing reservoir held 50,000 gallons)
Carbon	1978	New 300,000-gallon reservoir (existing reservoir held 50,000 gallons). New supply line to subdivision
Hussar	1979	2-mile pipeline from new groundwater source
Rockyford	1979	Earthen reservoir with 10 million gallon capacity (existing reservoir held 50,000 gallons)
Standard	1979	3-mile pipeline from canal; 15 million-gallon earthen reservoir under construction
Trochu	1979	500,000-gallon reservoir and pumping facility - testing for additional groundwater supply

APPENDIX VI

IMPROVEMENTS TO SEWAGE DISPOSAL SYSTEM 1976-1979

NAME OF COMMUNITY	YEAR ENDED	TYPE OF SYSTEM	TYPE OF TREATMENT	DESIGN LIMIT PERSONS
Acme	1977	Gravity	Lagoon	1100
Beiseker	1976	Gravity (Lift Station)	Lagoon	600
Carbon	1977	Gravity (Lift Station)	Lagoon	1000
Hussar	1977	Gravity (Lift Station)	Lagoon	350
ID #7 (Rosedale)	1976		Aeration	400
Rockyford	1976	Gravity (Lift Station)	Lagoon	700
Standard	1977	Gravity	Lagoon	900
Trochu	1976	Gravity	Lagoon	1500

APPENDIX VII

PROJECTS UNDERTAKEN BY COMMUNITIES
INVOLVED IN NEIGHBOURHOOD IMPROVEMENT PROGRAM:
STAGE THREE FUNDING

COMMUNITY	ACTIVITY
Acme	- Community hall: renovations, recreation, additions, repairs - Swimming pool: improvements, repairs, replacements - United Church repairs - Curling rink: construction, purchase of machinery - Village office and garage construction
Beiseker	- Arena: construction, purchase of machinery - Tennis courts: construction - Creative playgrounds: purchase of equipment, landscaping - Memorial hall: renovations, purchase of equipment - Senior citizens' drop-in centre: renovations, repairs - Friendship Park meeting hall: improvements
Rockyford	- Sports shed: improvements, purchase of machinery - United Church: improvements - Tennis courts: improvements - Creative playgrounds: improvements, landscaping - Senior citizens' self-contained units: purchase of furnishings - Community hall: improvements - Rodeo corrals: improvements

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