

CRAFTING SUSTAINABLE DEVELOPMENT

A Case Study of Maine's
Coastal Enterprises, Inc.

by Carla Dickstein,
Diane Branscomb,
John Piotti,
& Elizabeth Sheehan

Since 1977, Coastal Enterprises, Inc. (CEI) has operated in the state of Maine as a community development corporation to help people and communities, particularly those with low incomes, achieve an equitable standard of living, working, and learning. Our primary strategy for realizing our mission is providing financing and technical assistance for small businesses, social service facilities (such as affordable daycare and assisted living) and affordable housing. With over US\$55 million in cumulative investment and assistance to over 9,000 enterprises and projects, and additional financial leverage of \$178 million, CEI has grown and changed to meet the needs of the state's rural population.

A cannery worker in Maine prepares herring for the export market. Under the terms of a CEI loan, the cannery committed to increase entry-level wages, set aside 50% of job openings for low-income people, & participate in a waste water assessment.

We have gained national recognition for our innovative strategies to stimulate employment and local ownership for low-income people and communities. CEI loan and investment funds, comprising both grants and program-related investments from the government, major foundations, and other sources, currently total more than \$26 million with a \$12.1-million fund balance.

Until the mid-1990s, however, CEI did not discuss its goals, project selection criteria, or accomplishments in terms of “sustainable development.” We began defining our work in these terms only after serious reflection on the role we as community economic development (CED) practitioners should play in the implementation of sustainability.

Explicitly and fully integrating sustainable development with CED practice does not come easily. The concept of sustainable development explicitly raises preservation of natural resources and the environment to an equal status with the other goals of the development process. The debate over sustainable development and its implementation forces CED practitioners like CEI to redefine our systems of operation, partners, and points of intervention.

CED practitioners, CEI staff included, may nevertheless argue with good cause that we have always been in the business of sustainable development. Our field has lived up to a historic commitment to building economically sustainable communities and acting as the conscience for social justice and equity for marginalized groups. We have a great deal to bring to the clarification of what sustainability is, as well as how it is achieved.

Thus, over the past 7-8 years, CEI has not “begun to practice sustainable development;” rather, we have waded very deliberately into the sustainability debate. “Sustainability” has been defined and redefined and planning processes have generated a vast number of sustainability indicators. Far less common are concrete examples of how to undertake development which meets these goals. To start closing that gap, CEI has test-driven a broader definition of sustainability, inventing or remodelling strategies and structures to

help constituents improve their ways of life environmentally, as well as economically and institutionally.

It would be premature to evaluate these initiatives strictly in terms of jobs created, businesses launched or expanded, and regional quality of life. Very significant, however, has been the effect of these endeavours on CEI institutionally and professionally. Conversely, CEI has brought to the sustainability issue its insights into implementing projects through a concrete, systematic methodology, which incrementally become the means by which an admirable value system turns into a general way of living and working.

3-DIMENSIONAL SUSTAINABILITY

The term sustainable development originates from a concern to balance the needs of people and the natural environment in development decision-making. Until recently the environment was considered a free resource to be used as a sink for the wastes that development creates. The World Commission on Environment and Development, better known as the Brundtland Commission, enunciated in 1987 what has become a standard definition of sustainable development: “meeting the needs of the current generation without compromising the ability or opportunity for future generations to meet their needs.”

But consider the questions inherent in the Brundtland definition of sustainability. Quite apart from the relativity of “needs” to time, place, and person, the ability of people to meet basic physical needs depends very much on the distribution of financial and natural resources. As many CED practitioners have discovered, people who cannot secure adequate food, shelter, education, and health are unlikely to be concerned about preserving the environment. To fulfill even basic needs in one community raises huge issues of the distribution and redistribution of existing resources. Sustaining ecological systems requires sustaining human systems.

Institution-building is another element of sustainable development that CED prac-

tice emphasizes. More precisely, truly sustainable development requires

- institutions and public policies capable of implementing sustainable practices over the long run.
- broad participation of people in the institutions and policy decisions that affect their lives.

CED puts the values of equity, social justice, and grassroots empowerment squarely on the table as part of any sustainable development effort. Without them, there can be neither economic nor institutional sustainability to undergird initiatives which are environmentally responsible.

A RECORD OF SUSTAINABLE DEVELOPMENT

Sustainable development (in the economic sense of the word) has been a vital part of CEI’s agenda since the organization’s inception. CEI’s development projects provide opportunities for low-income people to acquire resources, jobs, and assets, to improve their lives, and to preserve their communities.

Entrepreneurs applying for financing to start or expand small businesses are screened on the basis of their capacity to provide good-quality jobs to people with low incomes, displaced workers, or those on public assistance. Loan recipients also sign an Employment Training Agreement (ETAG) which commits them to use CEI as a first source to locate and screen applicants for entry-level job opportunities.

In order to make communities more sustainable, we have targetted locally-owned small businesses (including microenterprises) and particularly those adding value to existing natural resource or manufacturing industries. CEI screens manufacturing projects and investments to avoid the most obvious non-sustainable practices, like low-wage jobs and environmentally unsafe workplaces. Apart from these practices, however, CEI has not screened specifically for environmentally sustainable practices or products in the manufacturing sector.

To realize meaningful economic or environmental benefits, however, the organizations that support sustainable develop-

ment must themselves survive over the long run. CEI has long had concern for this institutional sustainability - both our own and that of the CED movement. From the beginning, we approached grantsmanship with a goal of building CEI's assets as well as those of the individuals and businesses we served. We incorporated revolving loan funds and equity investments into our programs in order to build the internal resources of the organization. That ability to bring capital to the table made us a player in Maine's economic development arena.

An important part of our strategy to build a sustainable institution is to take an active role in national and state policy. We have parlayed our practitioner experience in the policy arena to acquire necessary resources for CEI as well as for the field as a whole and to create a policy environment that supports the people and businesses we assist. As a result, we have successfully accessed over \$20 million in federal grants for our own programs and helped create over \$700 million for the field as a whole. Our experience in small-business lending was the model for a \$10-million state bond to capitalize regional revolving loan funds across the state.

At the state level, significantly, we have been less able to build such a network of inter-institutional co-operation. It has been difficult to find organizations similar in scale or development perspective (as opposed to the "trickle-down" approach) to launch a co-operative lobbying effort. We have experienced more competition than co-operation from other economic development organizations.

ENVIRONMENTAL SUSTAINABILITY - A SECTOR APPROACH

Since 1993, CEI has expressly endeavoured to develop a practical framework for achieving sustainability in all three senses - economic, institutional, and environmental. Three initiatives we have taken to explore this possibility - the Green Fund, the Fisheries Project, and the Maine Farms Project - we later describe in some detail.

All three projects exemplify a "sector approach" to development - an approach which

we have found more effective in business development and job creation than targeting a specific community or region (a common practice among community development organizations).

A principal question in a targeted sector strategy is, "Where can we add the most value?" We base a decision to enter a sector largely on signs of economic opportunity, the sector's importance to rural communities, and the talent and institutional capacity in the sector relative to our own strengths. Specifically we look for:

- potential for new products and markets.
- the existing capacity, limits, and reproduction of the natural resource base.
- community infrastructure.
- skills and knowledge in the sector.
- potential partners.
- institutional capacity and vision.

Obviously, the more informed and involved we are in a particular sector, the better able we are to design an intervention which moves towards all three dimensions of sustainability. To determine if, how, and where to act, we have come to systematically analyze a sector according to its "production continuum" (see Table 1). The continuum obliges us to interpret economic activity and its repercussions in terms of a "life cycle," from the basic constituents, through processing, to the final distribution of products, benefits, and wastes. By means of this overview of a sector, we have found it easier to create viable businesses and communities and prevent pollution.

Nonetheless, we do not select a point of entry on the basis of a comprehensive analysis of sustainability. We do as much background research as we can to understand economic forces, environmental and regulatory issues, and the community and social development context. The research is done through key leaders and organizations in the industry as well as secondary industry data sources. Often we organize advisory groups made up of various stakeholders. However, we do not usually elicit general citizen representation for sector initiatives.

The following are the sustainability criteria that we have developed for our selection and design of projects. The first three

Table 1: the Production Continuum

<p>Pre-Production</p> <ul style="list-style-type: none"> ■ Raw materials ■ Manufactured inputs ■ Energy ■ Labour skills, distance to work ■ Management skills, distance to work ■ Financing (availability & cost) ■ Consequences of input production (waste, environmental impacts) ■ Training of workers <p>Production</p> <ul style="list-style-type: none"> ■ Ownership (Is it locally controlled? Does it matter?) ■ Scale of operation (large or small) ■ Sourcing decisions ■ Efficient processing ■ Product packaging ■ Processing wastes ■ Environmental impacts <p>Post-Production</p> <ul style="list-style-type: none"> ■ Markets and distance to markets ■ Product pricing (who can afford it?) ■ Product use (primary and secondary) ■ Company reuse & refurbishment of products ■ Product wastes ■ Distribution of profits ■ Reinvestment in firm ■ Payback to workers (wages, benefits) ■ Payback to community (taxes, other)

(added value, equitable distribution, and local ownership) have traditionally formed the cornerstones of CEI's screening:

- Added value. The project creates potential for more income and economic value to accrue to local communities.
- Equitable distribution. The project generates increased economic activity that benefits Maine people and communities, especially those with low incomes.
- Local ownership. Because of the project, economic activity is more likely to stay in local communities.
- Available local products. The project provides goods and services for local needs and basic necessities.
- Low environmental impact. The project reduces wastes, energy costs, and pollution, and conserves natural resources. Here, the preference is for prevention

rather than remediation, and for substitution of new materials for toxic or scarce resources.

- Institutional capacity. Existing businesses, trade organizations, or other support groups can help implement and sustain the project.
- Economic risk. The project has viable markets and entrepreneurs; the scale of the project itself is viable.
- Environmental risk. The project has little or no potential to create unintended environmental impacts.

Our sector projects use an array of tools, which, if common in the work of community development corporations, are rarely all present under one roof.

Gap financing consists of subordinated debt for small and microenterprises, and small-scale equity investments through a for-profit venture capital subsidiary. *Technical assistance* is extended to businesses in the form of management training, marketing, credit, and strategic planning. *Market development* is undertaken, including market research, organizing, and education, as well as the testing of new products. *Targeted job development* links people with low incomes and public assistance recipients to jobs created by the businesses we finance. CEI *builds new institutions* as needed to help develop markets and co-operative relationships among businesses, such as trade organizations. Our *policy development* creates resources and a favourable regulatory environment to support our work.

The three projects which follow are illustrative of the overlap of environmental, community, and economic components of sustainability, and the challenges this poses to CED practice. The Green Fund was our first initiative that explicitly attempted to position CEI in the growing discussion of sustainable development. The Fisheries and Maine Farms projects came out of a need to assist rural communities facing declining fishing stocks and loss of family farms.

THE GREEN FUND

In 1993, CEI undertook a market scan of environmental industries in Maine to find

a sector that could offer substitute markets, products, and jobs for declining defense industries, but could also have a positive environmental impact. We confined our research to firms that produced or sold products, or provided services involving the following:

- the conservation of energy or the provision of energy from alternative sources
- the conservation of natural resources or industrial materials
- the reduction or prevention of pollution
- the disposal or recycling of wastes and hazardous materials
- the restoration of the environment

Maine, in theory, has a comparative advantage for developing environmental industries. The state's strong environmental regulations have created markets for environmental goods and services. CEI's loan portfolio already included over \$1.5 million of credit extended to firms meeting the above criteria - due to the implementation of our job-creation criteria, not to any deliberate environmental screen or corporate interest in ecology.

Our research clarified that environmental industries are not really a sector in themselves, but transcend standard industrial codes. Environmental industries cover the spectrum from those dealing with remediation and cleanup - "end-of-the-pipeline" solutions - to those involved with pollution prevention and waste reduction. Federal policy was moving towards an emphasis on prevention and the projected growth of the industry was in prevention.

Most of Maine's environmental industries were service firms undertaking remediation, but already facing saturated domestic markets. For CEI, the challenge was to encourage environmental technologies and the manufacture of substitute "green" materials and products that would create jobs suitable for people with low incomes and on public assistance.

In the course of the study, we developed a greater interest in the businesses that *generated* environmental problems. These firms represented the market for the goods and services produced. Many small firms facing the state's Toxic Use Reduction Act or the Clean Air Act did not

have access to the resources or financing they needed to make obligatory changes in process or equipment.

In other words, there were not only financial barriers to the *supply* of environmental products and services but also to the *demand* for those goods and services. If these businesses could not, or would not, purchase environmental products and services, then it would not matter what was produced.

On the basis of this research, CEI in 1995 launched the Green Fund to provide technical assistance and gap financing to support the growth of environmental industries. The fund also was to help small firms move towards more sustainable practices as defined by the new environmental regulations.

We hoped this push/pull approach to green lending would foster the market for green products and services and at the same time encourage pollution prevention (P²). Participation in policy development was the third leg of the strategy. It was clear that policy and the regulatory environment drove the industry's growth.

P² Lending

P² offered below-market financing at 7% interest and technical assistance to companies needing to comply with federal and state environmental regulations. The program included training programs on upcoming regulatory changes.

Internally, the Green Fund advocated for the businesses with CEI's loan department and assisted in the due diligence for internal project development. Our working hypothesis was that a combination of marketing, technical assistance, advocacy, and relatively cheap credit (independent of CEI's normal job-creation screen) would encourage small companies to take steps towards pollution prevention and compliance with environmental regulations.

P² had multiple partners. The Maine Department of Environmental Protection was the sponsoring agency and an enthusiastic participant in developing the project. The U.S. Environmental Protection Agency provided the funding. The Maine Small Business Development Center network assisted with client referrals and delivery of

some regional training. The Center for Technology Transfer's Environmentally Conscious Manufacturing Project based in Portland provided engineering and process information.

While the technical assistance and training components of the project were familiar to CEI, the lending portion of the project stretched our boundaries. CEI's previous lending practice had linked financing to targeted job generation for low-income workers. P² had no job creation criterion and could actually result in job cuts. Many internal discussions ensued over the de-linking process and the appropriateness of assisting companies that might not meet our traditional jobs screen. Issues of both market positioning and social justice were raised and settled before agreement was reached to proceed on a trial basis.

As things have worked out, only three P² loans, representing a total of \$75,000 have been made. State and federal agencies did not make a priority of enforcing regulations for the small companies that CEI targeted. So, despite a general interest in recycling and energy assessments, few businesses were interested in P² finance. They would not incur debt for an item that may or may not affect the bottom line.

The credit which was extended went in every case to companies undergoing expansions. They would have made the investment without the reduced financing because it was cost effective to replace existing equipment with new, efficient, energy-saving systems.

Nonetheless, the project generated a great deal of interest in furthering low-impact, green business behaviours. Since reviewing P² results, we have received funding for another demonstration project. It also aims to encourage businesses seeking financing to move towards pollution prevention. But rather than finance P² investments, we are financing normal business purposes *on the condition* that the borrower participate in some type of an environmental audit (e.g., waste, toxic reduction, energy). This "GreenTag" agreement does not require that the company actually make improvements. We are interested in

whether the information from the audit will lead them to make any changes.

Institutional Impacts

The Green Fund has enabled CEI to contribute to institutional change at several levels. CEI established new partnerships and gained credibility for its knowledge in the environmental business arena. Because of our efforts to experiment with P² financing mechanisms, we received the 1997 Governor's Award for Pollution Prevention.

We have become an active player among the businesses and nonprofit organizations promoting environmental industries and green businesses. We are a board member of a young industry association, the Maine Environmental Industry Council, and provide technical support for the Center for Environmental Enterprise, a business incubator for young companies. Both are sources for our deal flow. We wrote an environmental industries report for the Maine Chamber and Business Alliance that became part of their sector strategy for state economic development policy and contributed to the State's initiative to support environmental industries.

The environmental industry is starting to demonstrate that it can play both a significant economic and P² role and has started to move down both paths with the support of the appropriate state agencies. Business opportunity drives the partnership forming between economic, scientific, and regulatory forces. Time is needed for a formerly unorganized industry to develop a critical mass and begin working effectively as an association and with state-level entities.

We have had an impact on other business assistance providers statewide. A Green Fund co-ordinator, who worked in our Small Business Development Center, was the technical liaison to the SBDC network across the state on environmental/green business issues. When our co-ordinator left two years ago, however, we did not have sufficient funding to replace her, and CEI activity in the environmental network has declined. (We hope to refund that position in the next fiscal year.)

Perhaps the biggest impact has been the increased capacity of CEI staff to think of

Green Fund Investments

Apart from P², the Green Fund has made 15 investments in environmental and green industries, totalling over \$400,000 in disbursements. Heli Ltd., a manufacturer of custom motorcycle handlebars, received \$17,000 to purchase and install a powder-coating system. Not only did this eliminate solvents attributable to their previous spray painting process, it removed a major bottleneck and quadrupled production. The key sustainability criterion was low environmental impact, although the new system is likely to reduce costs and create jobs. Katahdin Analytical Services, Inc., an environmental laboratory outside of Portland, received a \$100,000 expansion loan. The loan enabled the owners to buy two laboratories in Maine and New Hampshire from a Minnesota firm and consolidate all 38 jobs into one laboratory in Maine. The company projected 15 new jobs, half of them targeted to people with low incomes. The sustainability criteria were lowering environmental impact, local control, and job creation.

CEI is currently focussing on the renewable energy segment of environmental industries. We are looking to create a market for renewables (e.g., consumer education about green options, or the 30% renewable portfolio standard for power generators) by supporting niche markets and participating in public policy initiatives related to utility deregulation.

programs that are not solely focussed on job-related or equity impacts. There have been more frequent staff discussions about the environmental effects of everyday business development activities and increased sensitivity to green behaviours, especially recycling. Although there is still not a systematic evaluation of CEI's activities within the context of sustainable development, different departments have agreed to work jointly where green behaviours will stabilize a business and where growth and green might coexist.

THE FISHERIES PROJECT

CEI owes its existence to the fishing industry. It was founded to improve the economic prospects of Maine's fishermen and coastal communities. CEI's original con-

stituents were fishermen, clam diggers, and aquaculturists.

In 1994 we again focussed on the fishing industry because of the "crisis" of diminishing groundfish. Between 1976 and 1987, New England groundfish landings declined by 65%; 3-400 groundfishing jobs in Maine and as many as 5,000 other jobs supported by the industry were endangered. A lawsuit brought by the the Conservation Law Foundation had driven the New England Fisheries Management Council to develop a faster and more stringent stock rebuilding plan for the groundfishery.

When catch limits were tightened, people thought that prices would rise as supply went down. Instead, an abundant supply of imported groundfish kept prices low - while costs for the U.S. fishing industry continued to rise. (Adding to the problem were

federal policies intended to help the American fishing industry compete with foreign fleets. These tax incentives, loan guarantees, and grants instead helped to over-capitalize the domestic industry.) Between 1993 and 1995, groundfish landings declined 38% in Maine. The regulations are in effect weeding out marginal operators. Fishermen who decide to stay must find ways to cut costs, add value to their catch, and/or diversify into new products and markets.

This situation encapsulates the apparent contradiction between the three types of sustainability. How is a resource to be rebuilt without decimating one of New England's oldest industries? What constitutes the best available science for determining the distribution of a public resource - fish? A balance had to be struck between restoring groundfish stocks and maintaining the core of Maine's valuable industry - the wholesale/processing sector and markets.

In this urgent context CEI developed its Fisheries Project to promote the sustainable development of Maine's marine resources, while maximizing the economic and social benefits which the use of these resources returned to the state's coastal communities. To finance the project, CEI raised \$350,000 in foundation money and \$1.5 million in revolving loan funds from a State grant that passed through funds from the U.S. Economic Development Administration and from CEI's matching funds.

Financing

The centerpiece of CEI's Fisheries Project is the revolving loan fund. It offers fixed-rate financing from \$5,000-150,000 for harvesters, processors, shoreside suppliers, new marine-related enterprises, and diversification projects benefiting displaced fishermen. The lending criteria targeted experienced fishermen and businesses impacted by the new regulations.

Initially the fund moved very slowly. People were uncertain about pending regulations. Long deliberations over the management plan made it difficult for fishing businesses to plan, let alone consider taking on additional debt. The slower pace also reflected the nature of the financing criteria. The industry advisory group wanted the fund to as-



The Cape Shark Project was one example of our market development efforts. The Project tested whether spiny-dogfish or "cape shark" offered a viable alternative to Maine's groundfishing industry. With the endorsement of statewide fishing organizations, CEI tested the feasibility of on-board processing and the local market for fresh fillets. This pilot project accomplished several things: a set of safety and quality control protocols for on-board processing, and the introduction of the cape shark product to the market (including high-end restaurants and Midwestern consumers). The project established a small local market, but the volume and price were not sufficient to attract harvesters and generate a steady supply.

sist businesses prepared to take on new debt for a future-oriented strategy, like diversification or conversion. Money was not available for refinancing or restructuring existing debt load.

One of the best examples of a sustainable development investment has been Coast of Maine Organic Products Inc. Coast of Maine's manufacture of organic compost solved a waste problem for other fishing and aquaculture businesses, created a high value-added export product, and is projected to provide jobs in a distressed coastal community.

As of the end of 1998, CEI's fisheries loan fund portfolio had grown to \$6.3 million dollars in 81 marine ventures. These companies support 495 jobs and are projected to create 120 new jobs.

Research

CEI's research has aimed to diversify the fishery and to use marine resources more efficiently. To those ends, CEI has explored new markets for local products and non-traditional species; it has found opportunities for reducing, transforming, and/or adding value to marine waste; and it has helped develop marine-based biotech and seaweed companies.

The groundwork for this lay as much in building trust as it did in crunching and running numbers. We dedicated the first year of this aspect of the Fisheries Project to learning the landscape and sector issues. Staff worked closely with key industry groups and businesses to surface potential projects. We interviewed local fishermen about opportunities for diversification. We showed up at a lot of meetings. We also participated in other, community-driven projects in order to counter-balance our sector focus, and formed partnerships with a wide variety of organizations with a stake in the fishery: fishing associations, related businesses, state agencies, colleges and community foundations, economic development organizations, and local environmental groups.

Policy Development

CEI has found that the most significant contributions it can make to fisheries policy development is not in lobbying or policy recommendations. That field is already well covered. Rather, value lies in promoting the

industry's participation in generating the data on which management and policy decisions are based. CEI's Fisheries Project pioneered a new approach to financing marine ventures with an innovative mechanism for data gathering called a Fishtag. The Fishtag enlists a commitment on the part of the harvester to contribute scarce biological information toward a better understanding and management of the resource.

THE MAINE FARMS PROJECT

The Maine Farms Project is CEI's most recent attempt to help small-scale agriculture prosper while preserving farmland as a vital resource for both rural communities and the state's tourist industry. Here, our key sustainability criteria have been to preserve farming communities and farming family income, to increase sustainable farming practices, and to create local sources of food.

The Maine Farm Project's primary focus has been small farms in western Waldo County, a distressed dairy-farm region of Maine. Twenty years ago that area's

economy was almost entirely agricultural, dairy farms pre-eminently. From 1978-92, the number of farms in the county declined from 470 to 339 and the total value of farm product fell by nearly half. Things have become worse since.

Public policies have contributed to this demise. The subsidization of highway construction and water supplies to western states have put the family farms at a competitive disadvantage. Environmental regulations requiring manure pits and other remedial measures have cleaned up many farms, but closed others. Many farmers are heavily invested in equipment and facilities inappropriate for sustainable practices. They also have little access to the markets needed to get a good return from sustainably grown products.

A small core of organic farms and specialty processors exists, but has difficulty accessing markets, and does little to add higher value to their product. Unlike other parts of Maine, another industry (like tourism) has not emerged in Waldo County to replace agriculture.



Coast of Maine Organic converts the seafood industry's costly waste disposal problem into a revenue generating by-product. The company processes marine waste into a premium-priced 100% organic soil amendment. The revolving loan fund initially assisted the entrepreneur (who is not a fisherman) with grant applications and a loan to fund a market study, and later provided working capital to open new regional markets. Coast of Maine Organic expects to employ 20 people by 2001. The company's employment and training agreement (ETAG) earmarks at least half those jobs to low-income people.

CEI created its Maine Farms Project in 1995 to help move the industry closer to sustainable practices and to do the things that, although beyond the capacity of individual businesses, would make these practices economically viable.

Farmers' co-operatives were not attempted. In the late 1970s and early '80s, we burnt our fingers trying to launch producer co-operatives (notably the Kennebec Valley Growers Co-operative). This time we emphasized

- flexible production networks.
- co-operative marketing organized by a third party.
- innovative community compacts.

With a planning grant from the U.S. Department of Agriculture, CEI staff worked with local farmers, businesses, and community residents to identify promising co-operative activities. (Again, the goal was to develop new activities in the target region, not to think through all facets of sustainable agriculture or even to identify critical policy issues or industry trends.) To be selected for implementation, a project had to:

- advance sustainable agriculture.
- possess economic viability.
- respond to industry needs.
- provide a service the industry cannot provide by itself.
- fit the opportunities within western Waldo County.
- be practical to pursue.
- have potential as a model for replication.

Community Markets

Currently, western Waldo County does not supply many of its own food needs. Many residents go elsewhere to shop. However, there is a growing consumer interest in buy-

ing organic produce and local produce wherever possible. Large supermarkets are not reluctant to work with farmers but demand that produce be in the form they want (e.g., graded, in standard crates, with uniform pricing code stickers). It is easier to create links between local producers and consumers through smaller, community-based markets.

That is the origin of one initiative launched by the Farm Project. "Community Market" is a designation that is applied to



A community market operation in Unity, Maine. A program of the Maine Farms Project, Community Markets encourage local stores to purchase & promote Maine foods (particularly, local food) from area farms.

any store that follows certain purchasing, pricing, display, and education policies which promote Maine food and particularly local foods.

In 1998, CEI introduced the Community Market program as a pilot project involving eight farms and two stores in downtown Unity, Maine, a major market center with a struggling downtown core. The Maine Farms Project provides the markets with information and services, including advice on store layout, advertising copy, point of purchase materials, and co-ordinated access to Maine and local products.

The markets are a sales vehicle for small local farms and processors, but also con-

tribute to a broader downtown revitalization strategy. The assumption is that fresh local food (such as produce and baked goods) will draw people who will then take advantage of other stores and services in the downtown area. The concept is to get the entire business community supporting a strong local food system for their own self-interest. The Town of Unity has been awarded a Community Development Block Grant for a related downtown revitalization project that will promote the linkages.

The project has had its difficulties. It respects the realities of the market, but recognizes that market forces on their own will not bring about community markets. But it is no easy task to work hands-on with a community and the interests and hidden agendas of multiple stakeholders. There is also a chicken-or-egg problem of supply. Some would-be farmers or processors are reluctant to gear up production until the market proves a success.

Despite the problems, the pilot expanded to four stores and 23 farms in the 1999 growing season. Participating stores have seen marked increases in produce sales, and the

majority of farms have increased their incomes by at least 25%. The program is also changing local consumer habits. Local people without options for shopping elsewhere are buying fresher, more nutritious produce. Other local people are doing more of their food shopping locally because they can get better produce there. The participating retailers are very pleased, and the program may soon expand to include local restaurants.

Food Policy Councils

Another aspect of the Maine Farms Project are Food Policy Councils. Comprising farmers, retailers, consumers, food pan-

tries, and other interests in the local food system, these councils link issues of food security (hunger and malnutrition) to issues of sustainable agriculture and the consumption of local food. In Unity, the council has become particularly concerned with institutional changes in the way local farmers, retailers, and food assistance operations inter-relate. A key outcome has been the council's focus on state policy as a critical leverage point to support local farms and help farmers modernize their production.

LESSONS LEARNED

Table 2 (see page 22) summarizes the performance of several CEI projects in terms of our sustainability criteria.

1. Development Approach

In the past, CEI's most successful initiatives have been ones that supported existing entrepreneurs with identified markets - a "bottom-up" approach, as it were. As we move towards sustainable development practices, however, market development becomes more difficult.

Entrepreneurs trying to make it in remote, resource-dependent communities are often unable to locate markets for value-added products, or they and other producers must first attain some "critical mass" in order to access new markets.

Although both the Fisheries Project and the Green Fund rely on CEI's standard financing and business technical assistance tools to respond to market demands, both have also engaged in some market development work. The Fisheries Project has tackled new product niches and the Green Fund has endeavoured to create consumer demand for the environmental industry.

But proactive market development initiatives are high risk. They incur high upfront learning costs and can be an expensive approach to development if a number of market initiatives fail. Nor, once CEI has identified promising markets, is it a given that someone will champion them and make them a reality.

2. Information-Gathering & Market Identification

Alternative products or market strategies are often trail-blazers. No proven model exists for them. To discover them requires people to look at business opportunities in an entirely new way. Few small business owners have the time and/or training to do so.

Nevertheless, identifying practical alternatives requires a thorough understanding of what is possible within that industry. The generalists who see some of the broader sustainable opportunities need the practicality of the specialists who make a living in the target industry.

A detailed and holistic understanding of specific communities can be as important as knowledge about a single industry sector. This is especially true in the natural resource sectors. In the case of the community markets, it is detailed knowledge of potential linkages and synergies within farming towns which has made all the difference.

3. Partnerships

Sector initiatives require a variety of public and private sector partners. All three CEI projects involve actively working with industry, state, community, and, in some cases, academic partners in the initial research and project identification as well as in building new networks and institutions to serve the sectors.

Our partners draw us closer to local problems and opportunities. We learn other viewpoints that are critical to our understanding of all the dimensions of sustainability. We increase our ability to undertake valuable programming. It is a process of educating the community and being educated by the community - "gaining membership."

Partnering also comes with costs. Coordination takes more time. Philosophical differences can be a hindrance. Among the businesses with which we work we have found much apprehension about sustainability and mistrust of advocacy groups. Efforts must be made to convey a

different message about "sustainable economic development" to businesses and the broader community. We have also been able to direct people's attention to the aspects of sustainability with which they are already familiar: using fewer inputs and serving local markets are part and parcel of the traditional value of self-reliance.

4. Due Diligence

Due diligence in the investment process is not easy, particularly in terms of the quality of scientific knowledge about a technology or an environmental impact. There are many shades of green. Whatever the shade, verification requires access to reliable information which is difficult to come by.

New, non-traditional species like whelks, hagfish, and sea cucumbers are a risky area for financing, for example. We do a great deal of due diligence on the resource and market issues, but never have sufficient information. Often an outline of regulations is in place, but no "management plan" and no real assessment of the scope and scale of the new species. To incorporate an environmental impact study in every due diligence process is hard to imagine, given the small loans applications that we process.

The scope of products and technologies that we need to assess transcend one person's knowledge - even a staff member with a strong scientific and business background. Good due diligence requires constant education, networking, and partnerships.

5. Financing as a Lever for Sustainable Behaviour

The Fisheries Project and the Green Fund use financing to exact "paybacks" from participating businesses in the form of more sustainable business practices. The Employment Training Agreement (ETAG) model also shows that financing can prod different behaviour from businesses - if that behaviour is economically viable and non-threatening.

New initiatives are planned for both the Green Fund (to get more waste and energy audits and greater reduction) and for

fisheries loans (for data collection and eventual management plans). We hope small businesses will perceive these innovations as helpful rather than burdensome.

6. Policy

Public policy and the limitations of those policies have a major impact on sustainable development practice. A consistent policy environment is critical to the viability of

some environmental products or technologies. Incentives (e.g., R&D funding) get things rolling. Regulations create standards or prohibit certain practices (e.g., emission of pollutants). Disincentives (like green taxes) force different behaviour.

By the same token, a lack of regulation or enforcement can undermine those markets. Regulatory uncertainty and policy fickleness can and do deter investment. Finally, public policy can have unintended

consequences, like the impact of federal highway subsidies on markets for local farmers.

Clearly, part of sustainable practice is understanding policy, if not influencing it. The tension is that practitioners' credibility in policy comes from tangible work on the ground. Even if practitioners come together to create a policy think-tank or to share a lobbyist, considerable time and resources are required.

Table 2: Sustainability Criteria

PROJECT	ADDED VALUE	EQUITABLE DISTRIBUTION	LOCAL OWNERSHIP	AVAILABLE LOCAL PRODUCTS	LOW ENVIRONMENTAL IMPACT	INSTITUTIONAL CAPACITY	RISKS
Green Fund							
P2	Adds value to manufacturing process if it reduces costs	It may increase efficiency and income locally. Helps preserve jobs	✓		Reduces pollution & wastes	State & nonprofit partners	Lack of sufficient financial & regulatory incentives
Environmental industries	Adds value in manufacturing or services	Increases local income	✓	✓	Reduces pollution & wastes	Existing environmental businesses. Growing trade organization	Subject to environmental policies & enforcement
Fisheries Project							
Cape Shark	At boat level	Fish revenues for midcoast Maine	✓	Local Markets	Reduces waste & transport	Harvester & trade association interest	No management plan in place. Overfishing
Fish wastes	Commercial by-product	More revenue for processor	✓	✓	Reduces waste	Local processors	
Promoting local markets		Increases supply of local nutritional fish to food banks	✓	✓	Reduces transport costs Reduces bycatch waste	Portland Public Market. Fishing industry partners	
Maine Farms							
Community markets	Marketing enhances viability of local value-added products	Increases income of processors, growers. Enhances economic base of town	✓	✓	Reduces transport costs	Supermarket. Town & business community support	Not sufficient local supply
Food Policy Councils		Food security, especially for people with low incomes	✓	✓	Reduces transport costs	Farmers, retailers, consumers & food pantries	

IMPLICATIONS FOR CEI & THE CED FIELD

In the last few years, like CEI, more CED practitioners have started to incorporate environmental sustainability explicitly into their work. Bethel New Life in Chicago has partnered with Argonne Laboratories to undertake brownfield development, to create recycling industries, and to train inner-city residents in these industries. In the Pacific Northwest, Ecotrust has partnered with Chicago's South Shore Bank to develop a bank that will finance indigenous, value-added industries that pass its environmental as well as financial screens for investment returns. First Nations, a national Native American development organization based in Virginia, measures successful development according to a balance of internal personal and spiritual goals and economic, environmental, civic, and cultural goals.

Nonetheless, a comprehensive view of sustainability has a long way to go in the mainstream CED movement. Significantly, at a conference sponsored by the National Congress for Community Economic Development in 1997, the panel on sustainable development only addressed social equity issues: asset development, local ownership, housing, and jobs. No-one mentioned the concept of environmental sustainability.

This is unfortunate, for CED has much to gain from the mind-set which environmental sustainability entails. CED practitioners tend to intervene at the margins, looking for niches of opportunities to make a difference. These opportunities usually derive from failures in an existing system, to be corrected by a social subsidy or institutional change. As skillful as CED practitioners have become in doing deals, packaging complex resources, and responding to multiple goals, they are not as good at making systemic changes in communities. Rarely do practitioners engage in active project or political work that affects the dominant institutions and systems in which CED operates.

Sustainable development forces a systems perspective upon CED proponents. It expands the concept of equity by forcing

us to consider development that is compatible across nations, generations, and even species. It challenges us to reconsider the extent to which CED can achieve its multiple goals within existing economic, social, and value systems. It also obliges us to take very, very seriously the policy context of our success, or the lack thereof.

It is apparent from CEI's experience of sustainable practice that our present economic system is not designed to incorporate social or environmental externalities into resource allocation decisions. Public policy uses carrots and sticks such as incentives, regulation, and sanctions to make the system respond. Without sufficient political will and the desire to incorporate the values of sustainable development into decision-making, it is doubtful these tools are sufficient to meet the challenge.


These are the basic structures and institutions that currently frame and limit sustainable practice. The issues of at what level to intervene, whether to focus on short-term basic needs or systemic changes, and whether one sustainability goal compromises another will continually beset us. Sustainable practice is a balancing act of specific projects and involvement in policy. Maintaining a like balance deserves the attention of the CED field as a whole.

That said, global sustainability is unlikely to be achieved due to some sudden, systemic sea-change. More likely, it will emerge from an accumulation of specific local and industry advances and all the creative technical and institutional means devised to solve specific problems and conflicts. Hands-on engagement in sustainable development practice is what leads to a better understanding of what it is and what it could be.

That sort of commitment to (and record of) hands-on, systematic engagement and incremental learning and discovery is CED's great strength. CED emerges from the messiness of the details. CED practitioners venture into the morass of real life in order to create tangible results. Unlike many individuals and groups, they know what it takes to implement a concrete project. In their understanding of the synergy of principle and practice, CED practi-

tioners can make major contributions to the sustainability debate.

CEI has consciously chosen the risks of incrementalism over the risks of immobility. We recognize that we will never know everything but must move ahead and learn from our practice, nonetheless.

Making the linkages among economic, social, and environmental systems more transparent is good and is likely to expose and create synergies for developing complementary sustainable projects. The escalating costs of current unsustainable practices to individuals, businesses, and communities will eventually force CED practitioners to redefine the scope of the systems in which they operate. This in turn will create a new dialogue within the field and with its partners and will inform a more enlightened theory of practice. 

CARLA DICKSTEIN is a senior program officer for research and development at Coastal Enterprises, Inc. (CEI). Diane Branscomb is formerly co-ordinator of the Green Fund. John Piotti is director of the Maine Farms Project. Elizabeth Sheehan is director of the Fisheries Project. Contact them at Coastal Enterprises Inc., P.O. Box 268, Wiscasset, ME 04578, 207-882-7552, www.ceimaine.org. All photos courtesy of CEI. This article condenses and updates the 1997 Richard Schramm Paper on Community Development, *Sustainable Development in Practice: A Case Study of Coastal Enterprises, Inc.'s Experience*, with permission of Lincoln Filene Center, Tufts University, Medford, MA 02155.