

STRATEGY *for* STRUCTURES

Lessons in Community & Regional Economic Development

by Rob Greenwood

Community economic development practitioners have long been proponents of building capacity at the local level and of promoting partnerships amongst community-based organizations and between them and governments. There are many excellent examples of success in capacity building and partnership formation. All too often, however, successes are seen as idiosyncratic outcomes of the right conditions, with the right people in the right place at the right time happily coinciding.

Generalizing from these success stories is often considered a much more difficult proposition. As governments and communities continue to wrestle with the impacts of globalization, resource industry restructuring, and public and private sector institutional change, the demand for such lessons is increasing. For government policymakers, there is increasing recognition that capacity building and partnership development are necessary for successful economic development in this new environment. Success globally is contingent upon building competitive advantage at the local and regional levels. “Social cohesion” and “social capital” are key to building the networks and trust central to achieving innovation. Building community capacity and forging partnerships are prerequisites for success in the so-called “new economy.”

Even before the current changes in the economic environment forced a reconsideration of economic development policy, the limited success of government rural and regional development efforts made it clear that governments could not “do development to people.” Unless citizens, through their representative organizations, and local entrepreneurs and firms, take ownership of economic development, it is not

likely to happen. If it does, based upon top-down incentives programs or direct expenditures on job creation or infrastructure development, success is likely to be short-lived. Jobs and firms “bought” without local supplier linkages, lacking dependence on local management and labour expertise, and without integration into municipal and regional development plans will not be rooted in the web of supports that explain regional development.

Building on & harnessing local knowledge is key to development. Yet our centralization of political power & resources works in exactly the opposite direction.

This article presents some lessons forged over the last decade through research in Nordic, British, and North American regions across the North Atlantic Rim, and in the recent innovations in regional economic development being implemented in Newfoundland and Labrador. Every community and region must review its economic strengths and weaknesses in the light of external threats and opportunities, and de-

velop their own strategies to develop viable local economies. The right strategies are unlikely to occur without the right structures, however, and development practitioners at the community level and in governments are wise to be strategic when it comes to capacity building and partnership development.

THE POLITICS OF LOCAL DEVELOPMENT

Diagram 1 (see p. 18) is drawn from the work of Denzil Doyle on developing high-tech industrial districts. The distinction between where political will is greatest in wanting to develop a particular community, versus where political power is greatest, applies to any type of community development in the Canadian federation. That people can work to develop the community they call home, where they hope their children will be able to choose to raise their own families, is clearly relevant to their long-term, personal interests. Move to the regional or provincial level, and you can still have a commitment to place and a desire to develop the economy of the area, but it cannot be as focussed as at the local level. Move up to the national level, and the personal com-

mitment to a particular community or locality is even more remote.

There is no conspiracy here. Political and bureaucratic officials at the national level must work on behalf of the country as a whole. Individual MPs will work for their constituencies, but always within the constraints of the national policy and program design. Meanwhile, the resources to commit to economic development - financial and legislative - are greatest at the national level. There is a complete mis-match between where the will is greatest and the resources able to act on that will reside. It is no wonder so many community volunteers are frustrated by government!

That doesn't mean all resources should be devolved to the local level. National governments are best suited to some functions which have very direct impact on economic development, such as having enough clout to conduct trade negotiations, and the regional breadth to manage equalization programs to allow services and infrastructure to be equitably maintained across the country. We may not agree with the specifics of how these are being handled at any one time, but it is hard to imagine them being handled better in the absence of a national government.

Similarly, there are functions that provincial governments handle, such as education and training, which require sufficient

scale to maintain specialized institutions. The challenge is to get the right resources - financial and legislative - to the right level. The European Union calls this "subsidiarity": powers should only be in Brussels if they cannot be more effectively exercised at the national level. The same

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applies at the national and regional levels. The tradition of centralized powers in Canada is the exact opposite.

Diagram 2 (p. 19) extends this logic in terms of knowledge - a key issue in succeeding in the "knowledge-based" economy. Capital, resources, and markets are increasingly sourced through global production systems. Human capital - the expertise of management and labour, entrepreneurial spirit, community spirit and regional identity - are the basis of forging competitive advantage in specific regions in the new economy. Building on and harnessing local knowledge is key to development, yet our centralization of political power and resources works in exactly the opposite direction.

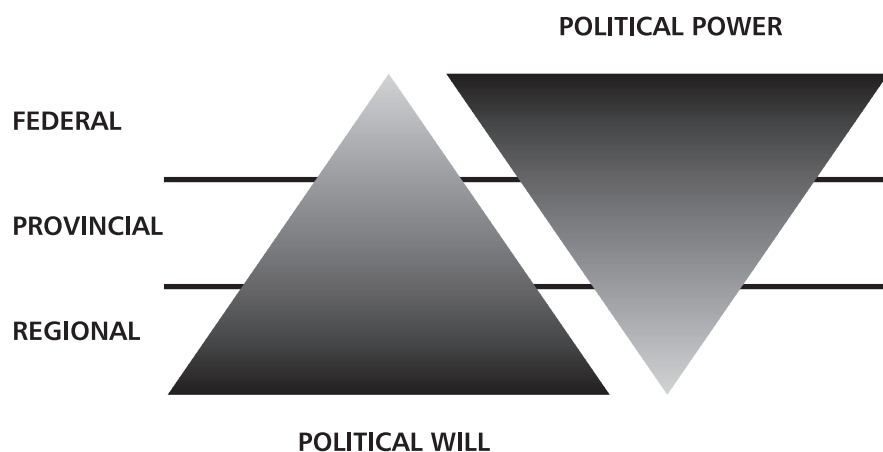
Again, this does not mean local and regional organizations should try to be expert in everything. The federal government's trade commissioner service could never be maintained by an individual province, yet alone a region or community. Access to specialized expertise in specific markets or technologies, maintained within the federal government, is an essential resource for successful local development efforts. Sectoral and business support specialists within provincial governments are the same. The challenge is to link the specialized knowledge within federal and provincial governments, with the local knowledge and commitment to local development so characteristic of local and regional organizations.

LOCAL STRUCTURES FOR DEVELOPMENT

Constitutional change in Canada is not likely to be greatly impacted by the requirements for regional development - although the chances of success would likely be greatly enhanced if it was! So if the current structures are poorly suited to the realities of the new economy and the requirements of community and regional development, what is to be done?

Efforts to build capacity and to form partnerships are a direct consequence of trying to address the contradictions highlighted by

DIAGRAM 1: POLITICAL POWER VS. POLITICAL WILL



diagrams 1 and 2. In this section, I shall discuss in detail six factors that my research and experience suggest must be considered in any effort to build - or adapt - the best structures for local and regional development:

- Fiscal Resources
- Human Resources (leadership, skilled staff, and community participation)
- Legal Authority
- Local Democratic Accountability/Legitimacy
- Geographic Area
- Time

The particular history, culture, human capacity and existing institutions of a region will qualify how these factors should be addressed in an area, but it is essential to factor them explicitly into development efforts. Building capacity is about building the capability to access these organizational resources and to adapt them to the needs and conditions of the area. Partnerships should be built by considering what the respective partners bring to the table in each of these areas. Doing so helps identify what local organizations need from government partners, but it also highlights the opposite. If governments wish to maximize the chances of success of development efforts by overcoming the organizational limitations of our existing structures - and increasingly they do - they need the strengths that local organizations bring to the table.

Fiscal Resources

When it comes to money, the source of power is clear – the federal government is in a league of its own. Compared to community organizations, provincial governments have access to significant financial resources, but unless you are Alberta or

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Ontario, provincial governments spend as much time trying to access the federal taxing power.

To truly build capacity, the power to raise revenues - from taxes and resource rents in particular - needs to be enhanced at the local and regional levels. Canada has much to learn from the strong local governments of the Nordic countries in this regard. In the absence of devolution of fiscal powers - don't count on the federal government giving in in this area unless there's no escape - the way in which funding is allocated to community and regional development is crucial.

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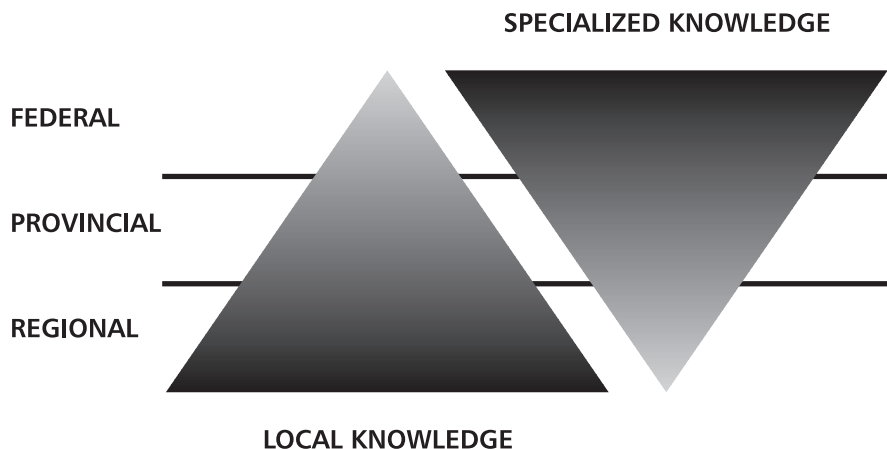
port for the third sector and the financial reality of building capacity. Running from project grant to project grant detracts from long-term development efforts and undermines the ability of local strategies to take priority over top-down funding criteria. Flexible funding provided on the basis of outcomes rather than inputs is a step in the right direction.

Human Resources

Without champions, nothing in community or regional development or business development happens. Governments need champions at the local level to provide the motive force for development efforts. Capacity-building efforts must focus on leadership development and where leaders exist communities and governments must harness them and celebrate their achievements. Leadership within government, both within the bureaucracy and by elected officials, must also be harnessed. It is very easy for community volunteers to dismiss "that bunch." Successful communities, just like successful businesses, learn to cultivate such leadership.

Skilled staff are also essential for successful development efforts. Volunteer burn-out is more pronounced when local organizations lack their own staff to carry the ball on the detailed work between meetings. In the increasingly complex and fluid

DIAGRAM 2: SPECIALIZED KNOWLEDGE VS. LOCAL KNOWLEDGE



environment of the new economy, it is also key that the staff of local organizations are well-trained and conversant with the latest development thinking. It is also key that they can match private sector and government professionals in understanding the principles, best practices (and jargon) of development. To get - and keep - such staff, local organizations must have the budgets and be willing to pay the salaries of professionals.

Community participation, finally, is the source of volunteer support as well as the moral support that convinces firms and governments that local organizations do represent their community or region. Having the money and the staff, without community support, will lead to good strategies that run aground when it comes to implementation. Nothing will scare off private sector or government support faster than seeing local representatives being opposed by the public they claim to represent.

Legal Authority

Another facet of building capacity that is highlighted by comparing Canadian communities with those in Nordic countries is the recognition in places like Norway and Iceland that local government should have powers to act on behalf of citizens. In Canada, municipalities are “creatures” of the provinces as set out in the constitution. Local government is always seen as the poor third cousin in the federal system. Yet, when municipalities fail to exercise their limited powers in municipal zoning or local taxation in way supportive of economic development business and higher levels of government are quick to complain. Local authority is a resource to be harnessed and few successful community development cases can be found which do not feature a critical role for local government. That is not by accident.

Local Democratic Accountability/Legitimacy

In a democratic political culture, the authority of the state is legitimized through democratic elections. Even where municipalities have little formal authority, by virtue of their election through universal franchise, they

have a claim to legitimacy of which higher levels of government are always aware. This is another resource that local organizations should recognize and harness. Partnerships within a region can pool these organizational attributes by identifying which groups or institutions bring which strengths to the table. Governments will respect partners who have access to these characteristics; they can be convinced to enhance the resources of those partnerships that show they have made the most of available local resources.

Geographic Area

Most Canadian municipalities are too small geographically to represent the labour market area or locality in which their citizens live their lives. Partnerships between municipalities are needed to maximize effectiveness in developing infrastructure, enhancing skills training, or supporting business development and entrepreneurship. American counties are key players in local development efforts for this reason.

In Canada, the federally-supported Community Futures program has provided an organizational means for neighbouring municipalities to work together. The Atlantic Provinces, Québec, and Saskatchewan have also supported locality-level development organizations for this reason. Where populations are dispersed and travel times and conditions are demanding, the upper limit on the size of such planning and development areas becomes the area within reach for volunteers to meet on a regular basis. Larger populations provide greater scale for economic development and service provision, but there are diminishing returns to local ownership and accountability when the geographic area becomes too large. As noted by economic geographers, “space matters.”


Time

Local and regional development, finally, take time. Fiscal and human resources, organizational structures and the development strategies implemented, require long-term commitments. Regular performance accountability measures are required to adjust approaches and ensure resources are being managed in the best way possible,

but this must be within long-term frameworks driven by strategic plans and priorities.

CONCLUSION

Applying these lessons only requires an open assessment of the organizational characteristics of a community or region. It should form part of the strategic planning process of any local development effort. Governments, whether they explicitly commit to capacity building and partnership development in their policy and programs, will not ignore these factors when identified and developed. There is nothing so practical as a good theory, and these lessons constitute a theory of organizing for development based on research and experience.

In a future edition of *Making Waves* I will outline how these factors have been instituted in Newfoundland and Labrador. There, the provincial and federal governments have negotiated 5-year performance contracts based upon strategic economic plans developed by Regional Economic Development Boards. The lessons from that process are unfolding, just as they are across the country, as hundreds of local development efforts experiment with what works for them. By distilling the key lessons, and communicating best practices, federal and provincial governments will be better able to adopt policies and programs, as well as identify where they should leave leadership to others. 

ROB GREENWOOD is Assistant Deputy Minister, Policy, Department of Economic and Co-operative Development in the Government of Saskatchewan. Contact him at (tel) 306-787-0900 and (e-mail) robert.greenwood@ecd.gov.sk.ca.