

Profile of Excellence in Community Economic Development

Potato Soup: A Down-Maine Recipe for Success

Featuring Coastal Enterprises, Inc.
Winner of a *Prize for Excellence in
Community Economic Development*

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School of Community Economic Development
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By
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Southern
New Hampshire
University

School of Community Economic Development

About the School of Community Economic Development

Based in New Hampshire, the School of Community Economic Development (SCED) at Southern New Hampshire University is internationally recognized as a leader in community-economic-development education and training, applied research, and the development of innovative community-finance policy and practice initiatives. *SCED's mission is to advance the creation of just economies and sustainable communities.*

Founded in 1982, SCED offers a variety of advanced degree and training programs at its main campus in New Hampshire, as well as in collaboration with partners in Los Angeles, Tanzania, southern Africa and the Philippines. SCED has educated more than 2,500 community-development practitioners from more than 100 countries. Graduates build affordable housing, run community-development financial institutions, promote microenterprise programs, and develop commercial projects and small businesses in low-income communities.

SCED is also home to the:

- **Applied Research Center (ARC)**, which provides support to professionals and policymakers through research, colloquia, institutes and publications;
- **Center for Community Economic Development and Disability**, which leverages resources, infrastructure and expertise in the service of people living with disabilities; and
- **Financial Innovations Roundtable**, which develops ideas that link conventional and nontraditional lenders, investors and markets to provide increased access to capital and financial services in low-income communities.

In 2007, SCED received a New England Higher Education Excellence Award—the Robert J. McKenna Award—presented annually to an outstanding academic program by the New England Board of Higher Education. For more information about SCED, visit www.snhu.edu/ced.

About the Author

G. David Miller has worked as a development practitioner for more than 40 years, having designed and managed projects in North Africa, Lebanon, Egypt, Israel, Palestine and throughout Sub-Saharan Africa.

Early in his career, Miller served the Peace Corps as a volunteer in Morocco, as director of training in Afghanistan and as acting director in Tunisia. He then moved to the U.S. Agency for International Development (USAID), where he managed a multimillion-dollar program supporting nongovernmental organization (NGO) activity throughout the Middle East, as well as USAID's first microcredit program (in Lebanon, 1982).

Before joining SCED in 1986, where he founded and managed the school's international program, Miller was deputy vice president for programs at Save the Children. He is now professor emeritus at SCED and serves as a consultant to the school.

Through the years, Miller has written extensively on best practices in community-based economic development. His interest in the subject led him to serve on the board of several NGOs as well as to become a visiting fellow at the Thomas J. Watson Jr. Institute for International Studies at Brown University, where he researched the subject of *scaling-up*—how civic organizations grow in size and scope.

Miller and his wife Susan live in Point Reyes, California. They have recently created the Susan and David Miller CED Leadership Award at SCED, designed to strengthen leadership talent in and thereby ensure the sustainability of community-economic-development organizations that have demonstrated excellence in the established principles of best practice in community economic development.

With Thanks to the F.B. Heron Foundation

Funding for the *Prize for Excellence in Community Economic Development* is provided by the F.B. Heron Foundation, a private philanthropic institution based in New York City that makes grants to and investments in organizations with a track record of building wealth in low-income communities in the U.S. *Heron's mission is helping people and communities to help themselves.* For more information, visit www.fbheron.org.





The staff of Coastal Enterprises, Inc. during a retreat at Sebasco Estates near its headquarters in Wiscasset, Maine

Coastal Enterprises, Inc., A Profile of Excellence

Community economic development—or CED as it is known—is a relatively new approach to creating social change. With CED, people who might typically be found at the margins of society—passive recipients of programs and policies developed by others—are thrust into leading roles. When CED and its principles of impact, scale, sustainability, participation, transparency and inclusiveness are at play, ordinary people come together to create institutions that have the power to demand and expect responsiveness, effectiveness and change.

There was a time when the state of Maine had little infrastructure to help grow its economy, and create jobs for people and places left out of the economic mainstream; a time when the state was dependent on outside-owned corporate interests, military contracts and transfer payments. Since its founding in 1977, Coastal Enterprises, Inc. (CEI) has helped to change all that. Now a nationally renowned leader in the CED movement, CEI touches every economic and social sector, and reaches communities throughout New England and beyond. But what makes CEI special is its willingness to try new ways of engaging the people and organizations it serves. CEI's story is about ordinary people waking up to the news that they are the ones calling the shots.

SCED is pleased to award a *Prize for Excellence in Community Economic Development* to CEI. A panel of SCED faculty and staff has selected CEI for this honor because the organization offers many excellent examples of the various methodologies, practices and struggles adopted by the CED movement in organizations across North America during the past quarter century.

Congratulations to CEI and the people, the communities and the investors the organization has partnered with for their accomplishments.

Michael Swack, Ph.D.

Dean, School of Community Economic Development
Southern New Hampshire University

A nationally renowned leader in the community economic development movement, CEI touches every economic and social sector, and it reaches communities throughout New England and beyond.

Prologue

This is a story about radical economic and social transformation, and the human struggle to overcome poverty. The story involves hundreds of millions of dollars as well as dozens of communities scattered across a region larger than France, Germany and Italy combined. The story is not as riveting as a Scorsese film that keeps you on the edge of your seat. Perhaps if it took place in a developing country rather than staid New England, we could throw in a hint of conspiracy. But alas, there are no bad guys, no scandals, no corruption, just endless meetings and training programs.

Our story is about the power of community economic development (CED). It's also about community development corporations (CDCs), community development finance institutions (CDFIs) and a number of innovative investment schemes that a host of federal agencies, banks and dedicated bureaucrats oversee. Mainly the players are distinguished on these pages by the barely discernable differences in their acronyms.

And yet CEI's story is quite remarkable. It spans three decades. It involves refugees from war-torn lands—Somalia, Sudan and Guatemala—who have moved to some of the most neglected towns in one of the most inhospitable climates in the U.S. to start a new life. The story describes the remarkable social and economic innovations that have transformed the lives of thousands of people. It is a story of promise and creativity at a time when such stories are at a premium.

Our Story Begins in Portland, Maine

There are few things travelers can rely on these days. But one thing you can be fairly certain of is that Amtrak will be late. And so it was on this April day when we traveled to Portland, Maine, to visit with Ron Phillips, president of Coastal Enterprises, Inc. (CEI), a CDC with a staff of 85 and a long list of affiliated organizations operating throughout the state of Maine.

A quick cab ride brought us from the train station to the end of a fish pier and an imposing pre-fab building with a prominent sign "Marine Trade Center." From its perch on the second floor, CEI has a control-tower view of the entire port: with piers, fishing boats, store houses and a fish auction house in the foreground and the ocean beyond. We were lucky to grab a few hours with Phillips, who traveled an hour from CEI headquarters in Wiscasset to tell us about CEI.

Phillips is a man of middle years with the build of a bantam-weight boxer. Originally from Massachusetts, he has devoted most of his professional life to the single purpose of starting and growing CEI, one of the larger community-based economic



Ron Phillips, president of CEI

development entities in the U.S. But that's not exactly what he set out to do. After graduating from Union Theological Seminary in New York City, Phillips spent a few years working on domestic and international economic-development issues at the National Council of Churches and the Interfaith Center for Corporate Responsibility in New York City. In 1974, Phillips and his young family moved to Maine, his wife's home state, where he intended to serve people and communities as a parish minister dedicated to social and economic justice. That goal soon turned into an organizing role to establish a CDC along the Maine coast. And as Phillips says, he has "never looked back."



First, Some Background

A CDC is a nonprofit corporation with a community leadership base that works primarily in affordable housing production and job creation for local residents. CDCs are formed by residents, small-business owners, congregations and other stakeholders concerned with revitalizing a low- or moderate-income community. Jobs are often created through small- or microbusiness lending or commercial development projects. Housing programs usually make good use of a number of tax and lending schemes that encourage home ownership.

A focus on housing and job creation has differentiated CDCs from other types of nonprofits, but there isn't a law that restricts activities to these two sectors. Some CDCs also provide a variety of cultural and social services within their communities. As Phillips points out: "Many CDCs have actually established arts programs, cultural centers, theater and the like in order to elevate the identities of minorities that had been suffocated and shaped by racism. Early advocates of CED would often say a precondition of community development is cultural and individual self-esteem and aspirations for a full life."

About CEI

Although CEI was founded in 1977, Phillips marks its beginning two years later, the year it made its first major investment—successfully raising and investing \$300,000 in Boothbay Region Fish and Cold Storage, a community-owned processing business. Since then, CEI has been providing financing and support for the development of job-creating small businesses, natural-resource industries, community facilities and affordable housing, cumulatively investing and leveraging more than \$1.4 billion primarily in rural Maine.

The Office of Equal Opportunity launched CDCs in the late '60s and early '70s during the "War on Poverty." According to a survey carried out by the National Congress for Community Economic Development in 1999, there were an estimated 3,600 CDCs across the U.S. in that year. By investing billions of dollars in housing, small businesses, community loan funds and social services for nearly 40 years, CDCs have dramatically altered our social and physical landscape. All told, it is estimated that CDCs have produced 247,000 private-sector jobs and 550,000 units of affordable housing.

Through the years, CEI has scaled-up in size and services, not only in the amount of capital it leverages, but also in terms of its reach. *Reach* refers to the numbers and varieties of people and communities touched over a vast region. For CEI, reach includes newly arrived Latinos and Somalis as well as long-time farmers and fishermen. While CEI's primary market is in Maine, in recent years the organization has expanded several of its financing programs to northern New England, upstate New York and beyond. Reach also refers to the sectors CEI has engaged in, from housing and community facilities to fishing and agriculture. To make sure that sustainable institutions are in place to carry this effort forward, CEI also has a presence in the arenas of policy development, education, training and advocacy.

CEI's mission statement easily could be adopted by the entire CED movement and yet has the laconic tone of a Maine fisherman: ***To help create economically and environmentally healthy communities in which all people, especially those with low incomes, can reach their full potential.*** That phrase nicely sums up the \$370 million portfolio of invested and committed capital currently under CEI's management.

Funding for CEI comes from a large portfolio of private and public sources, including the Ford Foundation, which in the early '90s helped the organization on a growth

trajectory to achieve larger scale and impact. Other sources include the MacArthur Foundation, the Lilly Endowment, the Kellogg Foundation, the Surdna Foundation, the F.B. Heron Foundation, the Betterment Fund, the Annie E. Casey Foundation, Catholic and Protestant religious institutions, corporations and financial institutions, as well as a number of state and federal agencies, including the U.S. Small Business Administration (SBA), the U.S. Department of Agriculture, the U.S. Department of Health and Human Services and the U.S. Department of the Treasury. In addition, through its for-profit venture capital subsidiaries, banks, foundations and individuals also support CEI by becoming investors in various startup or expanding small business enterprises.

CEI acts as a financial intermediary in the management of the funds it raises to make loans and equity investments in small enterprises and emerging industry sectors, social services and housing. CEI provides gap financing, typically in concert with banks, owner equity and other sources of capital. Overall, CEI has mobilized the financing of 1,800 business ventures and housing projects, created or sustained more than 22,000 jobs and provided business counseling to 24,000 aspiring and existing entrepreneurs. In the area of child care, CEI has provided loans and technical assistance to support centers and family providers that serve more than 4,500 kids.

In December 2006, CEI's net assets were more than \$20 million. If you include noncontrolling investments of partners in venture capital deals, that number is closer to \$39 million. And if you look at the total financial picture of CEI's reach, you will see that while CEI loaned and cumulatively invested \$286.7 million, the organization was able to combine its investment with capital from banks and other private and public partners for a total of \$1.4 billion in financing. For every dollar CEI has put in, an additional \$4 in investment has been leveraged.

The Triple Bottom Line

These statistics, however, tell only part of the story. There is another kind of leveraging going on here; one that is only beginning to appear in the annual reports of foundations, development organizations and some green businesses. In the CED world, it's called the "triple bottom line." CED practitioners consider it a long-overdue recognition by business and government of the important role communities play in the growth of new markets and new industries, as well as the importance of environmental stewardship, an area of increasing concern as we grapple with the challenge of climate change.

The triple bottom line refers to three key returns on investment expected of any corporation, public or private. CEI calls this "the three Es:"

1. **Economy**—the project's viability and financial return;
2. **Equity**—the social benefits, such as creating sustainable livelihoods; and
3. **Environment**—the ecological impact of the service or investment.

As you will see in the examples that follow, CEI has proven that business, government and community can share a common vision and work together to achieve common goals in an atmosphere of mutual respect. Simply put, CEI is the catalyst that makes all this happen.

The Landscape

While for many, Maine is a lifestyle state that attracts a certain mind-set of self-sufficiency, its people and culture have been honed from a long history of textile mills, farms and fisheries economies. Its dramatic environment of vast woods, craggy mountains, nor'easter weather and rocky coastline come together with a rich and quirky history of storytelling and creative ingenuity—as well as an entrepreneurial spirit.

Take a look at a map of Maine and you will see that it resembles a 19th century colonial map of Africa. There are large spaces of terra incognita known as the unorganized territories. *Moody's Industrial Manual*, 1979, reports the holdings of the Great Northern logging company to be 2.1 million acres. Census tracts fail to reflect the numbers of moose and bear who reside there and represent, by far, the area's largest interest group. The good news is that even though moose and bears don't vote, environmental laws are increasingly changing in their favor. The bad news is that the days of big growth in logging and paper production jobs are over. Though to some extent these industries have repositioned themselves to compete in global markets, Maine now searches for new enterprises, nature-tourism, and entrepreneurial niche markets to replace the once natural resource-

dependent livelihood that was its revenue base for generations.

In addition to logging, Maine once depended on its cod fisheries. For those who remember when fish was the inexpensive protein alternative, the frightening collapse of the cod fisheries of the Grand Banks was one of the early wake-up calls about the fragility of our environment. For hundreds of local fishermen, this phenomenon was about more than the environment; it changed their entire way of life.

And let us not forget the potato farmers of Aroostook County. A 1940 report titled *Aroostook: Potato Capital of America* counted more than 6,000 potato farmers. A recent study indicates that only 586 remain. This dramatic change is attributed to increased competition in Western states and Canada. After blueberries and lobsters, potatoes are Maine's third greatest cash crop. They are also a staple of the local diet. If you're ever in Freeport, be sure to sample the Maine Baked Potato Soup at the State O' Maine Bar and Grill. Maine potatoes are baked, pureed, and combined with milk, butter and cream. The mixture is heated and chives are added. It currently sells for \$3.15.

While these boutique crops continue to be economic mainstays of what is primarily a rural state, modest population growth and the shrinking of traditional industries have increased the demand for sustainable livelihoods. But it does not appear likely that Toyota or General Electric and their high-paying jobs with good benefits are about to move in.

Using Government Dollars to Leverage Significant Resources

CEI's capacity to carry out large-scale development projects can be found in its structure as a CDFI. The Department of the Treasury created the CDFI Fund in the 1990s to promote economic revitalization and community development. A certified CDFI is a specialized financial institution that works in market niches that are underserved by traditional financial institutions.

To become CDFI-certified, an organization, usually a CDC, applies to the CDFI Fund. The CDFI Fund is a mechanism that channels core funding from Congress directly to low-income neighborhoods through CDCs. As a CDFI-certified organization, CEI uses federal funds to create public/private partnerships. It reaches out to private organizations, particularly religious institutions and individuals, to match government money.

CEI has become one of the leading certified CDFIs engaged in development finance, in part by taking full advantage of recently added incentives through the New Markets Tax Credit (NMTC) program. Established by Congress in December 2000, the NMTC program is designed to induce private investment in

underserved rural and urban regions. Investors receive a credit against federal income taxes for making qualified equity investments in designated community development entities (CDEs). Substantially all of the qualified equity investment, in turn, must be used by the CDE to provide investments in low-income communities. This is a major carrot for encouraging private investors to take a bit more risk and invest in poor neighborhoods and rural regions.

To participate in the NMTC program, in 2004, CEI created a for-profit subsidiary called CEI Capital Management LLC (CCML). Through CCML, potential investors can take advantage of attractive rates of return *and* qualified local businesses have access to development funds at reasonable rates. CEI uses this tool to meet its goal of attracting capital to low-income areas.

While it is licensed to manage NMTC transactions anywhere in the U.S., CEI currently manages funds in Maine, New Hampshire, Vermont, western Massachusetts and upstate New York with primarily a rural focus. To date, CEI has been awarded \$249 million of investment capacity through the NMTC program, stimulating

economic growth and job creation in specifically targeted lower-income communities as well as providing new markets for businesses.

CEI has utilized more than \$191 million in this capacity in 18 projects, triggering total private capital investment in low-income communities of more than \$702 million. These projects directly build on CEI's values, its triple-bottom-line criteria and its rural-development goals in three areas of investment:

- **Rural natural-resource-based business investments.** CEI makes large loans (more than \$2 million) to operating companies that utilize sustainably managed natural resources as key assets in their businesses. The businesses are usually in rural areas—working forests, pulp and paper companies, renewable energy ventures, recreational tourism companies, as well as waterfront and marine businesses and supporting industries. CEI has committed to a national scope of investment in this category only.
- **High community-impact business and real estate investments.** CEI makes large loans (more than \$2 million) to operating companies and real estate projects with compelling triple-bottom-line features, including the use of renewable energy sources, energy conservation and “green building” design. This is a comprehensive category featuring triple-bottom-line criteria for use in CEI's core market of rural New England and upstate New York.
- **Small and medium enterprise (SME) revolving loan funds.** CEI makes loans of between \$100,000 and \$2 million primarily to operating companies of all types that provide the majority of employment in rural

While the NMTC program is fairly new, it is proving to be a powerful community-development tool. With sophisticated “transaction” capacity and trending to large deals (\$2 million minimum and, in many cases, much more), the NMTC program has mobilized \$18.5 billion in development capital (based on a direct federal income tax credit of 39 percent) since the program was established in 2000. In addition to helping underserved communities attract smart capital to fund good projects on favorable terms, the NMTC program is allowing investors to book new business with enhanced returns.

To qualify for NMTC program funding, projects must be in designated low-income areas (prequalified census tracts or specially approved target areas). Tax credits can be structured in a variety of ways to best meet the needs of the investors (banks and private equity), borrowers (project) and the sponsor (in this case, CEI). Broad eligibility guidelines encourage applications from virtually any for-profit or nonprofit real estate project or operating business that is engaged in social and economic development.

areas, with an emphasis on helping community banks gain access to the NMTC program.

This is a core market activity only.

In one example that cuts across the three areas, some two million acres of valuable and pristine “Northern Woods” timberlands—nearly 10 percent of the Northeast bioregion of 26 million acres stretching from the Adirondacks to northern Maine—is under sustainable management due, to a large extent, to NMTC-program financing by CEI. CEI provides seed capital for new businesses that draw upon the local human and natural resources of the area. CEI also offers the business-development services that make these programs grow and fit into the larger economy of the region. This NMTC program investment demonstrates how CEI has pursued programs of fully integrated development that give life to the idea of the triple bottom line.

CEI Projects Come in All Sizes

All you have to do is look at examples of projects financed and managed by CEI to see how far the organization has come since its first major investment in 1979.

In addition to the Northern Woods project described above, CEI has brokered a number of other large deals made possible by NMTC legislation. One of the most successful concerned the paper and pulp mills of Great Northern Paper Company (GNP) of Millinocket and East Millinocket.

When GNP was on the verge of declaring bankruptcy in 2002, more than 1,130 people stood to lose their jobs. This is a big deal almost anywhere. But for a small town in rural Maine, bankruptcy would have meant the end of the community.

CEI participated in negotiations led by The Nature Conservancy (TNC) involving the purchase of a \$50 million

mortgage on GNP land held by John Hancock Financial Services. The deal resulted in retiring a \$14 million debt and refinancing the balance at less than half the rate of the retired note, thereby providing substantial breathing room to a new owner that acquired the assets of GNP. In return, 41,000 acres in the Debsconeag Lakes wilderness area was transferred to TNC and a conservation easement was placed on 200,000 acres of forestland around Mount Katahdin, offering guaranteed public access, recreational uses, sustainable forestry and no future development. In addition to helping to preserve a portion of the historic paper and pulp economy, the plan helped to protect the environment and revive the livelihoods for many in the Millinocket region.

CEI's portfolio also includes hundreds of smaller business and community initiatives that have sparked or reawakened Maine's entrepreneurial spirit. In these examples, people are looking for more than a job in a big company. They want to create a lifestyle in which they can sustain themselves. From the beginning, CEI knew that in order to make the new economy work, the organization had to develop a well-integrated set of services that would support the desires of constituent communities.

Enter three CEI programs designed to build small businesses:

- Women's Business Center (WBC);
- StartSmart; and
- Maine Small Business Development Center (Maine SBDC).

From the more densely populated communities in the southern part of the state to the rural Downeast coast and beyond, these programs work in partnership with the SBA, the Maine Department of Economic and Community Development, the University of Southern Maine, Catholic

Charities, the federal Office of Refugee Resettlement and the William Randolph Hearst Foundations.

Women's Business Center (WBC)

Women-owned businesses account for 42 percent of all small businesses in Maine, making them a growing and vital part of the state's economy. The WBC plays a distinct role in Maine's small-business market, offering an array of business and technology services as well as Web-based products for business training and education—even helping women create Web sites for their products. (To check one out, visit the Web site for Connie's Clay of Fundy at www.clayoffundy.com.)

StartSmart

With language barriers, cultural issues, lack of transportation, and difficulty transferring education and skills from their native countries to the U.S., refugees and immigrants often find it challenging to obtain full-time jobs with sustainable wages. While starting a business is challenging for most, it can be even more daunting for this population, which often faces language and cultural obstacles.

CEI created StartSmart to help refugees and immigrants who aspire to own and operate a business. Families have been supported in areas such as creating specialty food markets



StartSmart client Shukri Abasheikh behind the counter in her Lewiston store

for the Muslim communities now emerging in Portland and Lewiston, or for “halal” or Islam-acceptable foods; restaurants such as Asmara’s, an Eritrean gourmet restaurant; interpreter services; and a variety of family-owned enterprises. An online directory lists the scores of entrepreneurs whom StartSmart has helped, from the owners of catering companies and hair salons to home improvement enterprises and gas stations.

Maine Small Business Development Center (Maine SBDC)

For the Maine SBDC program, CEI delivers business assistance in an eight-and-a-half county area. The Maine SBDC at CEI offers management assistance at no cost to potential and existing business owners and managers. It also offers counseling as well as seminars in business startup/acquisition, sources of credit and financing, marketing and sales, market research, government procurement, accounting, record keeping and cash flow analysis, operations, personnel management, loan packaging, business liquidation/sale, international trade, and various other business issues.

Just talk to Richard Casey and you’ll understand that these programs actually work. Casey lives in Bingham, population 856. After losing his job in the wood and paper industry about seven years ago, Casey began looking for funds to start his own unfinished pine furniture company. CEI helped him pull together a loan package with local banks and other economic-development agencies. Casey converted a vacant mill into a manufacturing plant, purchased equipment and began operations. When his company later struggled with low margins and inefficient production, CEI arranged for extensive training in lean manufacturing. The training

helped Casey realize he’d have to remake the company in order to survive. The local Maine SBDC helped Casey plan for change and better his chances of finding an investor. It took three years, some hard choices and the efforts of many, but AM Wood Designs now boasts a line of cedar gazebos, benches and chairs, and employs 13 full-time and three part-time people.

Creating Sustainable Communities

The International Fund for Agricultural Development (IFAD), a United Nations organization, approaches development in a way that encourages “sustainable livelihoods” or, in U.N. parlance, “SL.” The SL framework is another way of looking at how people live their lives. It is created in the belief that, if we look at the world in new ways, we will discover new paths to where we want to go. SL places people, particularly the rural poor, at the center of a web of inter-related influences that affect how people create a livelihood for themselves and their households. Even the notion of placing people with limited resources at the center of a web of influences, rather than on the periphery, is revolutionary.

What sets this developmental approach apart is the framework, which is built using local resources and the livelihood assets people have access to—natural resources, technologies, skills, knowledge and capacity, health, access to education, sources of credit, and networks of social support. The extent of people’s access to these assets is strongly influenced by how well people are insulated from economic, political or technological pressures. Access also depends on how protected people are from unanticipated events, such as epidemics, natural disasters and civil strife; how prepared they are to manage market and seasonal fluctuations, such as inflation and

deflation; as well as how well positioned they are to take advantage of production and employment opportunities. The way people gain access to assets—i.e., their actual livelihood strategies—also can be affected by prevailing local social, institutional and political customs and practices.

In rural Maine, these customs and practices vary widely. Using an SL focus, CEI has been working with many communities—ranging from Maine’s original American Indian tribes to coastal fishermen and recently arrived immigrant Somalis—to develop their livelihood strategies. Here is just a sampling of projects:

- Youthbuild, based in Lewiston, is a CEI-sponsored program that works with young adults who have dropped out of high school and have little or no work experience. Participants learn carpentry and other building skills, and attend daily GED, or high school equivalency, classes. To gain practical experience, participants work on housing rehabilitation projects that benefit the local community.
- Using a mix of its own capital and Community Development Block Grant (CDBG) funds, CEI helped the Hodgdon Yachts Manufacturing Company in East Boothbay compete for and eventually win a \$1 million contract with the U.S. Navy to build a composite high-speed prototype vessel. Hodgdon Yachts has 76 employees.
- CEI partnered with Calais Federal Savings & Loan Association to provide financing for the purchase of the historic Clark Perry House in Machias by the Beehive Design Collective. Formed in 2000, this nonprofit group of artists and

community organizers produces posters, fabric banners and other graphic materials that are used as visual teaching tools on international issues, such as social justice and the impact of globalization on Latin America.

- CEI is a partner with Mountain Counties Heritage (MCH), Western Mountains Alliance (WMA) and the Maine Center for Economic Policy (MECEP) in a multiyear effort focused on Maine's four western counties. When shoe manufacturer G.H. Bass left Wilton, it turned a 300,000-square-foot distribution building over to the town. The owners of Nichols Custom Welding, Inc., a local business with deep community roots, sought to redevelop the facility as manufacturing and commercial space to provide new jobs for a skilled, but underemployed, work force. CEI and its partners helped develop the business plan and mobilize the capital to make the project happen.
- In partnership with the American Lung Association of Maine, the Jebediah Foundation and a local environmental attorney, CEI studied the feasibility of developing small-scale wind projects of three to 12 turbines and is now testing the feasibility of installing a windmill to provide energy to a new school being built in Thorndike.

A common thread through all these projects is the mix of money coming from banks, foundations and corporations, larded with an array of government funds, such as CDBG cash from the Department of Housing and Urban Development (HUD). CDBG legislation was conceived at the height of the anti-poverty programs when the federal government tried to circumvent

state governments that were blocking anti-poverty money from reaching poor, minority communities. This policy has gone a long way in creating a power base at the grass roots that is capable of leveraging state and corporate money. The policy's success stories have made it desirable for politicians and investors to rub shoulders with local people at ribbon-cutting ceremonies for new community-based ventures. CEI understands the effectiveness of mixing government and private monies in bringing together all elements of a community.

Developing Affordable Housing

When it comes to building affordable housing stock, CEI understands it takes more than bricks and mortar, and hammers and nails. For low-income people, it also takes financing schemes; technical assistance to deal with the maze of building codes and zoning laws; education and counseling around money management issues; and advocacy, negotiation and mediation training to deal with banks and local authorities.

CEI has continually worked to establish legal rights and greater financial advantages for many people at the entry level of home ownership. CEI has been involved in a variety of housing projects, such as:

- Developing a low-income housing tax credit project for mental health clients in Portland, Belfast and Orono;
- Sponsoring a housing tax credit project of 14 new single-family homes in Damariscotta;
- Converting a 1880s elementary school in Lewiston into 27 units of housing for seniors with very low incomes. Several of the project's first residents attended school in the historic building when they were children; and



Breaking ground for affordable housing in Lincoln County, the least affordable place in Maine to buy a home

- Transforming a 35,000-square-foot former furniture warehouse into a mixed-use property consisting of commercial office space and eight unique apartments in Lewiston.

CEI also has designed two interesting ways to help low-income people buy a home. One is a lease-purchase program that assists people with incomes at or below 80 percent of area median who are not eligible for a bank loan. CEI buys the house of the family's choice and leases it back until the family is able to obtain a mortgage. This program addresses many of the most common obstacles to home ownership: people with insufficient savings for a down payment, people who have bad credit because of previous financial difficulties, those who cannot provide proof of a steady income or those who are temporarily over-extended with current financial obligations. The other program, for those who qualify, is a matched savings account held by a partner financial institution. To encourage people to save for a down payment, CEI matches every dollar deposited up to \$4,000.

Sponsoring Education and Training Programs

Owning a home can require as much knowledge and skill as owning a small business. Without basic business savvy, the intricacies of the financial markets and tax liabilities can often get people into trouble. That's why

So much of what CEI delivers to its stakeholders is shaped by what is known among CED practitioners as “good governance.” For there to be good governance, there is a judicious mix of responsiveness by government institutions along with transparency in the way decisions are made and laws are formed—all of which are designed to support social and economic ends. Good governance is where government, business and the NGO world converge. Since its early days, CEI has worked in close partnership with government institutions at the local, state and federal levels. Unfortunately, this kind of collaboration between development organizations and government is more the exception than the rule.

CEI offers a series of training sessions on financial literacy as well as setting goals and priorities. CEI knows that access to information on how to buy a home, develop a budget, make home improvements, and access services such as low-income heating and energy assistance means people have a greater chance to be able to buy and hold on to a home.

Providing Protection from Predatory Lending Practices

Homeownership in Maine is very high, reaching 73 percent by 2006. After several generations of ownership, many families have substantial equity in their homes. Yet Maine has the highest median age in the country and is in the bottom half in median income. That makes many of Maine’s low-income communities targets for predatory lending practices—saddling low-income people with excessive fees, above-market interest rates and products they don’t need.

To substantiate these problems, in 2006, CEI published a report in partnership with the Center for Responsible Lending to examine the “persistence of abusive lending in the sub-prime mortgage market.” According to the report: “Many Mainers are house and land-rich, but cash poor. These facts, combined with declining economies—particularly in rural regions—and escalating housing prices in many parts of the state,

provide conditions for predatory lending practices to flourish and strip equity from borrowers and their communities.”

Report in hand, CEI set out to change Maine’s laws that govern—or should govern—the home mortgage industry. A bipartisan bill initiated by the current House Speaker Glen Cummings, *An Act to Protect Homeowners from Predatory Mortgage Lenders*, is expected to pass the Maine State Legislature this June. But passage of one of the best sets of laws in the nation—and during a time when the sub-prime market overall has imploded, threatening many families now in homes with expensive mortgages—has come only after two and a half years of dedication and focus on CEI’s part to lead this effort.

With technical support from the Center for Responsible Lending in North Carolina (a national support group for state grass-roots coalitions), CEI formed a coalition, hired a lobbying firm and dedicated staff to ensure what should be a successful outcome. In reflecting on the role of CDCs and CDFIs in taking on major policy initiatives, Phillips notes that “our work is not just about investment; rather, investment gets us to the table to leverage policies that will have a broad impact on opportunity for people and places left out of the economic mainstream.”

All across the U.S., local groups such as CEI are partnering with local legal organizations to offer programs that help prevent homebuyers from falling into the trap of predatory lending. In Maine, that organization is Pine Tree Legal Assistance. The resulting programs provide guidance to people regarding the legal issues that are traditional areas of concern for homebuyers. Also, a statewide civil legal service program helps people of limited means without any other legal resources available to them.

Partner Organizations

There is an important footnote to the story of CEI’s housing programs that is connected to the theme of leveraging. CEI has managed to leverage its own funds and the funds of the state of Maine with loans, grants and investments from an interesting mix of government agencies, private sector investment funds and foundations. This list includes a number of well-known institutions: HUD, the U.S. Department of Agriculture, the Maine State Housing Authority, Fannie Mae, the Federal Home Loan Bank of Boston and the Ford Foundation.

The list also includes three lesser-known entities that play a pivotal role in community-based economic development: The F.B. Heron Foundation, a private foundation that makes grants to and invests in organizations with a track record of building wealth within low-income communities; the Calvert Social Investment Foundation, committed to triple-bottom-line investing; and the Local Initiatives Support Corporation (LISC), a national community-building organization that provides grants, loans and equity investments to CDCs for neighborhood redevelopment.

Investing in Maine's Staple Industries

Even though there has been significant job loss in fishing, forestry and farming, these industries continue to be important staples of Maine's economy. CEI has worked extensively with these industries since its founding. By investing in community-based, natural resource enterprises, such as fish processing plants, forestry cooperatives and farmers' markets, CEI has demonstrated its facility with the triple-bottom-line approach in natural resource industries.

In the early days, CEI's focus was mainly to create economic opportunity and employment. In recent years, however, the issue of environmental impact on Maine's natural resources has grown in importance, recently gaining status equal to the other two Es. This is what CEI says about its investment in its natural resource industries:

"We invest because we value the resources and because, as a society, we have a lot to lose if we don't. Entire communities, industries, family incomes and even cultural diversity will wither without targeted investment and preservation. Skyrocketing land values are forcing farmers, fishermen and small woodlot owners to sell. Meanwhile, depleted resources, regulation and foreign competition can drive many out of business."

Fishing

In the fisheries industry alone, CEI has mobilized more than \$60 million in 200 enterprises. When Maine Lobster Outlet, a lobster wholesale business located in southern York County, was in need of a new facility, CEI stepped in to fill a financing gap, allowing the \$1.75 million construction project to move forward. The deal made economic sense for the growing lobster business and meant the addition of 13 full-time jobs. On the environmental front, moving into a new space enabled the business to purchase energy-efficient equipment, including a pump that recycles water through a state-of-the-art filtration device.

As waterfront property gets sold for vacation homes along Maine's 5,300-mile shoreline, fewer than 25 miles remain as working waterfront. These 25 miles support 10,300 harvesters and 26,000 fishing-related jobs, which generate \$740 million in income each year. Fishermen and shore businesses from York to Eastport are finding it increasingly difficult to do business because they can no longer access the clam flats or find storage or places to repair traps. CEI was a driving force in forming the Maine Working Waterfront Coalition (WWC), a statewide group of industry associations, nonprofits, state agencies and concerned citizens on a mission to protect marine infrastructure and access to the water. In the past three years, the WWC has developed a public policy agenda that has engaged municipalities, lawmakers, businesses, land trusts and others seeking to protect this asset.

CEI has made more than 200 loans to commercial fishermen and other marine-related businesses. That \$14 million has leveraged an

additional \$46 million and created more than 1,600 full- and part-time jobs. In recent years, borrowers have been required to participate in research in the marine sciences or in environmental action projects for the term of their loan. This is another kind of creative leveraging dreamed up by Phillips and his colleagues.

- Don Morrison started Morrison's Maine Course—a seafood processing and wholesale business on Portland's waterfront—in his kitchen. Morrison used CEI financing to expand his operation and purchase the necessary equipment to flash freeze his stove-top-ready lobster stew and clam chowder. Morrison purchased an energy-efficient ice machine, estimated to save more than \$1,000 in energy costs over its anticipated lifetime. Chef Morrison's lobster stew comes frozen direct to your home anywhere in the U.S. at the reasonable price of \$18.95 a pint. Word has it that Morrison has a hard time meeting demand.
- Coast of Maine Organic Products, Inc. in Marion Township uses waste products from the fishing and blueberry industries to make premium organic compost for gardeners. Coast of Maine came to CEI for help financing a front-end loader. As its market has grown, the company has expanded from its original compost product to several different varieties of compost, mulch and fertilizer. Take a look at the order form and you may think you're ordering gourmet coffee: "Fundy Blend is the ideal top-dressing for roses and perennials. We combine some

of our limited supply of very old, humified birch and maple bark with partially humified hemlock bark and a very rich compost made of kelp solids and sphagnum moss peat. The result is an almost black humus that is rich in organic matter with all the added benefits of both compost and help.”

- Six lobster boats that span the Maine coast have participated in a juvenile lobster study with the Gulf of Maine Lobster Foundation. For each haul, the fishermen record the latitude/longitude of the traps, total number of lobsters trapped and gender. Fishermen mark the egg-bearing females with a V-notch and measure the carapace length using a slot gauge. The information collected will contribute toward stock assessment.
- Evan Young of Acadia Cultured Mussels LLC in Hancock used CEI financing to purchase a mussel raft, seed and equipment. In addition to repaying the loan, Evan provides weekly samples from his shellfish rafts in Bernard and Blue Hill to the Maine Marine Biotoxin Monitoring Program. The samples are tested for paralytic shellfish poisoning to determine closed areas and ultimately to protect public health.

And then there’s the Portland Fish Exchange. Established with the support of CEI, the exchange was the first of its kind in the U.S. Fresh fish and seafood are unloaded from fishing vessels daily and displayed for wholesale buyers (restaurants, processors, fish stores) to help make purchasing decisions. The auction is conducted at midday, nearly guaranteeing top price for Maine’s fishermen.

Hugh Chisholm: A Man Ahead of His Time

CEI is not the first to bring socially responsible investing to Maine’s forestry industry.

In 1882, industrialist Hugh Chisholm recognized that the large waterfalls of Rumford had the potential to produce the power to manufacture paper. The first paper mill began operation in 1893, drawing people, money and logs to the 177-foot falls on the Androscoggin River.

Wishing to avoid the stacked slums of Lowell and Lawrence, Massachusetts, in 1900, Chisholm commissioned Cass Gilbert to plan a 30-acre site in his company town, instructing the prominent architect to “build of brick and stone and slate, and we will provide not merely for a house, but for comfort, elegance and social gratification.” Chisholm founded the Rumford Realty Company to build the oval-shaped development, its entrance marked by an imposing granite gateway. With attractive lawns and broad, tree-lined streets, all maintenance was provided by his company, the Oxford Paper Company. Tenants paid rent of \$9 per month, plus \$1 per month to the Rumford Falls Power Company, also belonging to Chisholm.

In his day, Chisholm was considered an enlightened developer. His business practices were worker friendly, eco-friendly and profitable. Rumford became a thriving town; many beautiful Victorian houses remain today. There is one key element, however, that sets Chisholm apart from CEI: He owned the whole show with little sharing of the assets. Eventually the forestry industry fell on hard times and, when Oxford Paper faded, so did Rumford. There may be truth in the old saw that you can’t take it with you. Many big New England industries such as textiles, lumber and fisheries departed and left little behind.

Forests

With nearly 90 percent of Maine’s lands forested, it is no surprise that timber-based businesses have long been a part of the Maine economy. To help maintain this industry, CEI has loaned more than \$3 million to 70 Maine-based small-business forestry enterprises—independent loggers, lumber mills and furniture makers—in an effort to make them more viable. This investment has leveraged another \$10 million in funds. CEI has also provided counseling services to nearly 270 timber-related business owners. Richard Casey’s furniture business described earlier is just one example.

As with fisheries, the underlying goal of CEI is to rebuild the forestry sector and make it sustainable. CEI is committed to supporting the long-term

economic use of forest resources and to promote sustainable forest practices. It provides direct financing and counseling to new and growing forest-products businesses, it develops value chains by brokering and developing the third-party certified wood market, and it brokers outside investments into large-scale forestland transactions.

Investments in more efficient equipment and time-saving technologies, creation of new products and other value-added strategies such as green certification, and creative use of byproducts are some of the ways Maine’s forest products companies are staying competitive. All of these efforts must be pursued within a sustainability context to ensure that they remain a strong part of Maine’s economy.

Farm Fresh

Every summer Monday afternoon in a park in downtown Lewiston, you will find six to 12 vendors selling vegetables, flowers and specialty foods. The vendors aren't traditional Maine farmers named Bob or Luther. Rather, they are from Honduras, Costa Rica, Mexico, Sudan and Somalia with names like Jose and Fatima. They are also part of CEI's New Americans for Sustainable Agriculture Program (NASAP).

Thousands of Somalis and Sudanese have come to Maine because of its small-town feel, low crime rate and lack of racial tension. In larger U.S. cities, Somalis have experienced difficulties with established African-American populations. Somali elders chose Maine after visiting several other states. "We always go where the rain is going to fall," said Omar Hamed, a nomadic herdsman, in a *Portland Press Herald* article in 2002.

But the interesting part of this story is that CEI was ready for them. Without missing a beat, CEI has engaged the entire community. Lewiston mobilized an economic/social/cultural response to this radically new situation as it unfolded. CEI worked with this town that had been undergoing serious economic strains and massive out-migration. Instead of treating the Somalis as a problem, the leaders of Lewiston eventually began to recognize the new population as a potential asset. The town may have gotten off to a rocky start when the mayor wrote a public letter asking the Somalis to leave, but all that is largely forgotten now that the economy is turning around.

As one of the more interesting programs CEI offers, NASAP was developed to help "new" refugee and immigrant farmers develop technical and business skills as well as find

land for growing and markets for selling their products. The program provides information, training, tools and resources to recently resettled refugee farmers and immigrant farm workers. Its goal is to help them "build successful Maine farms that are consistent with their cultural and lifestyle aspirations." The NASAP Farmers' Market is one of the few farmers' markets in Maine equipped to accept food stamps. At the market, NASAP farmers sell produce from the training garden to primarily low-income consumers. NASAP is working with partners to establish a year-round public market in Lewiston and, to make this happen, has received funding from Heifer International, Maine Initiatives, Maine Community Foundation and three separate U.S. Department of Agriculture programs.

Let us not forget that this is rural Maine. People like Ibrahim Dahab do not come to mind when we think of Maine. Dahab is from Sudan. He has been working with NASAP to start a market for halal-butchered lambs and goats to sell to the Sudanese and Somali community around Lewiston and in neighboring cities. In order to raise animals for meat, he needed to have land, capital, training, a source for buying animals, a way to transport them and a way to slaughter them. NASAP has been able to offer him assistance in addressing each of these critical steps of his enterprise.

NASAP is only one small part of the CEI agricultural strategy. The Farms for the Future (FFF) program is the large umbrella under which CEI supports a vast array of farm enterprises. Administered by CEI, FFF is a program of the Maine Department of Agriculture, Food and Rural Resources. It helps farmers develop a business plan that looks at the entire process—from preparing

the soil for new crops to taking produce to market. Once approved, the farmer is awarded a grant of up to 25 percent of the cost for taking on the new plan. The FFF program has engaged specialists from the University of Maine Cooperative Extension, Maine Small Business Development Center, and other agricultural and business service organizations. FFF has involved market researchers, and brought in accountants and financial advisors to develop financial records and projections. FFF has been responsible for bringing many new Maine niche products to stores in Boston and all along the eastern seaboard.

CEI: Walking the Talk

In 2006, CEI produced a 42-page document titled *Measuring Impact in Practice*, which demonstrates how CEI is conforming to an increasing array of measurement standards from public and private funders, making use of feedback systems, coordination, data systems, social information systems, and internal and external evaluators to determine the impact of its programs. The report includes numbers of people served, changes in income levels, quality of life indices and numbers of business startups. A chat with some of the key actors in the organization and in the communities obviated the need to read numbers in the report.

In many important ways, CEI is a measure of the standards it sets for its programs. With a staff of 85 spread across 10 sites, CEI has created a sound management structure and a fiscal base that ensures it is a nice place to work. Its organizational structure is flat with considerable opportunity for collegial exchange. Walking around the office with Phillips on the day we visited the Portland

office, we sensed a kind of camaraderie and buzz that one associates with a political campaign headquarters. Everyone was ready to push their chairs away from their computers and talk about the issues they were involved in. There are people meeting, charts on the walls and markers screeching across flip charts. And yet the mood is calm. People cradle mugs of hot coffee more for their warmth than for the need to gulp down the caffeine.

In order to operate smoothly, an organization has to be highly participatory in a fashion that affords its members both a sense of ownership of the outcomes and an engagement in the decision-making and management processes that achieve those outcomes. The sense that this is happening at CEI is pronounced. Everything seems to be under control. To the credit of its leadership, nothing indicated where that control was coming from. As Phillips drove us back to the train station that afternoon, we sensed his confidence that he didn't have to rush back to the office.

With scale, high-level participation, transparency, inclusiveness and sustainability, CEI embodies excellence in CED practice.

CEI: An Organization of Excellence

There are four dimensions to taking an organization or a program to **scale**: geographically, organizationally, politically and programmatically. To scale-up is to reach out horizontally to a variety of communities in a broad landscape and bring them together with a program mix that serves many of their interests. Scale-up also is to reach up vertically and bring together a coalition of actors in the policy and financial arenas to support the growth of programs.

Doing this requires the construction of a flexible, well managed and responsive organization prepared to be entrepreneurial, recognize new opportunities and handle unanticipated consequences. Not only has CEI gone to scale, but it has developed a well-integrated portfolio of programs—some of which reach all over New England—mobilizing strong political and financial engagement, engaging a host of actors from every sector and being managed by organizations with assured capacities. These factors reflect CEI's drive to achieve scale in an unparalleled fashion.

At CEI, economic and management strategies have been put in place to make each venture **sustainable**. Not only has the due diligence been carried out for each of the investments that has brought together a mix of public and private, business and nonprofit capital, but considerable training and technical assistance have been added to the mix to ensure success. This strategy has paid off with the influx of new populations finding livelihoods in pockets of Maine that have suffered years of loss and economic stagnation. As Somali Omar Hamed said, "We always go where the rain is going to fall."

All the new organizational structures that CEI has put in place with local government offices and community-based organizations, both formal and informal, have gone a long way to ensure a high degree of **participation**. With the new member groups making sure that a fair share of the general benefits accrue to the entire community, Oxford Paper Company's Hugh Chisholm and the Rumford Realty Company will surely be remembered as a quaint form of beneficence from an age gone by.

The **transparency** of all this reflects the old Maine saying: "The latchstring is always out." People are not invited just to walk in, they are required to. No financial program is available without initial participation in training and information sessions. Loans and grants are offered. But there is a hitch. There are research and public awareness programs that participants must become involved in. A quick look at the calendar for May shows a meeting or workshop scheduled somewhere in Maine nearly everyday. There are reporting systems, feedback loops, meetings and workshops galore. The project *Mapping the Working Coast* is just one example where CEI is encouraging folks to talk on the record.

Finally, there is an interesting kind of **inclusiveness** happening that involves people such as the immigrant Latino or African families at the farmers' markets; or Richard Casey and his employees in Bingham who make fences and pergolas; or the owners of the Hodgdon Yachts who make mock-ups for the U.S. Navy; or the politicians waiting to cut another ribbon. There is a kind of confidence they will meet at the State O' Maine Bar and Grill in Freeport when they drop in for Maine Baked Potato Soup some blustery winter night. You will still find the farmers, the fishermen and the small businesspeople sitting there. In some ways, this is a story of how nothing has really changed in Maine. And yet when you look again, you will see that the entire community has undergone a complete social revelation.

Conclusion

In our conversation, Phillips invoked the verse of the seventh century Greek poet Archilochus about the hedgehog and the fox: *the fox knows many things, but the hedgehog knows but one big thing*. Hedgehogs' lives embody a single, central vision of reality according to which they feel, breathe, experience and think. In short, they are system addicts. Foxes live centrifugal lives, pursuing many divergent ends and, generally, possess a sense of reality that prevents them from formulating a definite grand system. For them, life is too complex to be squeezed into any unitary scheme.

For Phillips, CEI seeks to combine the virtues of both, integrating the multifaceted and comprehensive community-based development program (the fox) blended with the undying and indefatigable tenacity and single-purpose of the hedgehog. "This," he says, "is CEI in a nutshell."

In many ways, CEI is more movement than organization. The sum of its parts is greater than what we can see in any organizational chart. What it produces is not something that can be effectively measured in units of output. Its shape and impact in many ways are intangibles. CEI often can better be described in terms of the people and

organizations it works with. It often cannot take credit for the changes that have happened in these people's lives, the improvements in their livelihoods, or the better quality of their housing conditions, their job or their environment. The people themselves must take the credit. And Ron Phillips and his colleagues would not have it any other way. Nevertheless, most of the people of Maine and beyond would agree that without CEI, their lives would look quite different.

Glossary

CCML	CEI Capital Management LLC	MCH	Mountain Counties Heritage
CDBG	Community Development Block Grant	MECEP	Maine Center for Economic Policy
CDC	Community Development Corporation	NASAP	New Americans for Sustainable Agriculture Program
CDE	Community Development Entity	NGO	Nongovernmental Organization
CDFI	Community Development Financial Institution	NMTC	New Markets Tax Credit
CED	Community Economic Development	SBA	U.S. Small Business Administration
CEI	Coastal Enterprises, Inc.	SL	Sustainable Livelihoods
GNP	Great Northern Paper Company	SME	Small and Medium Enterprise
FFF	Farms for the Future	TNC	The Nature Conservancy
HUD	Housing and Urban Development	USAID	U.S. Agency for International Development
IFAD	International Fund for Agricultural Development	WBC	Women's Business Center
LISC	Local Initiatives Support Corporation	WMA	Western Mountains Alliance
Maine SBDC	Maine Small Business Development Center	WWC	Working Waterfront Coalition

The Case for Community Economic Development

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The failure of the traditional nation-state to deliver on its promise of socioeconomic inclusion and full participation in public life for all its citizens is a well-known fact that cuts across the richest and poorest regions of the world. Disaffected peoples, communities and groups, out of a feeling of frustration, have for many decades turned to violence and self-destruction. Others have engaged in political struggles that have translated into significant civil rights advances, particularly in Western societies. Through these different manifestations, these trends have forced the need to rethink concepts of citizenship, nationalism, the welfare state, and the traditional articulation between the national state and the growth of entitlements for citizens.

As a result of these struggles and of the persistence of violence and poverty in every corner of the world, the importance of equality and full social and political inclusion in citizenship has grown, become more visible and become less constrained by borders of the nation-state. In this context, the concept of community has become increasingly important and, in fact, crucial as a source of identity and—more importantly—as the place where the reinvention of citizenship is coming about.

In the international development arena, these trends have combined with a changing paradigm in the dynamics of international giving to developing countries. During the 1970s and 1980s, there was a strong emphasis on international nongovernmental

organizations (NGOs), shaped by their organizational and financial origins, and very much driven by relief and project approaches. Since the 1990s, the paradigm has started to shift toward the growing realization that local ownership, empowerment and donor coordination are key elements to achieve real, sustainable development results.

Local resource mobilization and community participation have become increasingly important for local initiatives not to depend on the fluctuations of international donors—but also to ensure long-term impact in terms of the improvement of the quality of life of the people involved. In sum, community and local ownership and empowerment must be at the center as the most effective means to promote positive social change. And this is what community economic development (CED) is all about.

In the U.S., the history of CED is rooted in the civil rights era, through the convergence of civil rights, political empowerment and community organizing movements in the 1960s. There are CED practices to be found in many different fields: work-force development initiatives to cooperatives, savings and financial literacy programs, affordable housing, and youth business skills development. All seek to promote an improvement in the social and economic conditions of the community.

The field of CED has changed over time: From an initial approach that focused mostly on deficiencies and economic needs, CED practice has gradually added an asset-based approach. This development comes from the realization that addressing poverty requires the creation of wealth. Community development corporations (CDCs) are in the U.S. an example of this approach and constitute a quintessential manifestation of grass-

roots action in CED: They are nonprofit organizations that tend to originate locally from the efforts of residents who are determined to revitalize their neighborhoods or to address different issues that affect the community.

CDCs have become increasingly popular, with estimates of more than 3,500 currently in existence. More than 90 percent of the country's CDCs are involved in housing construction and, in fact, are one of the prime vehicles for delivering housing to low-income households.

Increasingly, CDCs face emerging challenges of greater competition, diverging priorities of funders and high staff turnover. And then there is the potential displacement of low-income tenants as the monetary value of neighborhoods increase—the result of the work of CDCs. Some CDCs correctly see their role as encompassing more than the production of physical infrastructure, as it seems that only by virtue of offering a comprehensive CED strategy that CDCs truly can bring long-term benefits not only to the space but to the people using it.

Principles of CED Excellence

The practice of CED is built upon six principles that serve to shape and inform the essential criteria for excellence:

1. **Field-tested practices.** The program, activity or strategy has been shown to work effectively, to produce successful outcomes and to be replicable. There must be subjective and objective data sources that support the claims to effectiveness and replicability.
2. **Sustainability.** An economic strategy is in place that ensures the ongoing survival of the program through a mix of revenue generating mechanisms.

3. **Participation.** Members of community groups are given an opportunity to be engaged in decision-making and policy formation, and to receive a fair share of the general benefits accruing to the community (e.g., having input, membership, owning equity).
4. **Transparency.** Information for the functioning and survival of community institutions is made available and shared through the use of training, education, and the open and free use of media (e.g., through the support of training of trainers, information technologies, electronic media, and monitoring and evaluation systems).
5. **Scale.** A conscious effort is made to bring programs to a level of self-sufficiency and effectiveness by providing financial, organizational and policymaking strategies intended to create, maintain and extend locally run community institutions (e.g., through the promulgation of good planning, management, financial, organizational and business practices).
6. **Inclusiveness.** Programs are open to all members of a community. There are compelling reasons why rich and poor, men and women, minorities and power elites choose to come together to build strong communities. Targeting exclusively the poor and identifying them as “in need” serves to stigmatize and isolate those less fortunate. In fact, recognizing the whole community as the owner and controller of assets rather than carriers of needs encourages its diverse membership to think in terms of what they mutually can bring to the effort rather than what they individually can take away.

Recognizing Best Practices

Best practices can be found throughout the landscape of CED:

- **In projects:** Best practices can be found in the way a project is designed—from the original building of consensus of the community and conducting the feasibility studies, through implementation, and until the project reaches the final touches at completion.
- **In organizations:** Best practices can be found in the way an NGO, a community organization, a neighborhood group or a network of organizations is designed—either the way it responds to the interests of a community or a number of communities; the way it is managed; the construction of its board; the way it frames and meets its mission; or the way it scales-up to serve a wider audience, take on new functions and responsibilities, or respond to new opportunities or pressures.
- **In programs:** Best practices can also be found in the way a program is run within a community, a particular private organization or a government agency serving a community—either the manner by which it sustains itself, the way it grows or the way it demonstrates an innovative solution to a problem.

The CED Vision

Restoring the sense of local control is at the heart of the ideas that inform the CED practice. This approach links economic and social development through the creation of institutions that improve the life chances and opportunities of community residents.

CED is indigenous, and community residents take the lead in

articulating goals, policies and operations. CED’s social component attempts to ensure that all members of a community have access to resources they need to ensure their well-being. In sum, CED can be defined as action by people locally to create economic opportunities and enhance social conditions in their communities on a sustainable and inclusive basis.

Specific CED strategies vary considerably. They may promote job creation, housing development, business development and entrepreneurship, cooperative development, training, or technical assistance. CED activities bring together a wide range of constituencies, including community leaders, planners, community organizers, business owners, bankers and investors.

Over the long term, the goal should—of course—be that CED practice becomes a mentality that cuts across every aspect of a community-focused organization, more than a feature that sometimes appears in specific projects or programs. The moment that every aspect of the organization’s work occurs with a “CED state of mind”—that’s a moment when we can argue the organization has reached greater degrees of excellence. In this context, excellence is to be understood as an essential and distinguishing attribute of consistent and continuously improving high quality, which is a result of the CED mind-set. At this stage, the organization has become highly effective, and the impact of its projects and programs has become deeper and more sustainable. In these organizations, social and economic effects are not questions or unattainable goals drawn in an improbable horizon but a reality that we can observe with our own eyes.



School of Community Economic Development