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**Credit Unions
and
Community Economic Development**

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Centre for the Study of Co-operatives
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Credit Unions and Community Economic Development

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Community economic development or CED is a catch phrase for promoting business development that is rooted in and fully benefits the local community. It is related to broader questions of community survival, leadership, and capacity-building. Community economic development is very much the business of credit unions.

This report can be summed up in three points:

- Saskatchewan credit unions have pursued a number of activities that are related to community economic development;
- Credit unions have an interest in making a larger commitment to CED, because their future is tied to the future of their communities; and
- There are many practical ways for credit unions to become more active, including several ideas that have already been tested in other provinces and states.

It adds up to a new way of thinking, new structures, and new ways of meeting community needs.

Active in Community Economic Development

Many individual credit unions in Saskatchewan are involved in regional or local community economic development initiatives. These take many forms. The examples in this report are not exhaustive, but they serve to illustrate the styles of credit union involvement in Saskatchewan today.

Forming a Climate for CED

As strong, community-based organizations, credit unions can contribute—together with other regional or local organizations or individuals—to creating a climate favourable for community economic development.

This is achieved through networking, partnerships in committees and organizations, and educational events targeted on improving the capacity of individuals and organizations to undertake CED.

- *Sponsorship of Educational Events.* “Capacity-building” is an important part of community economic development. People need to learn about their community and about economic development in order to help shape a better future. Credit unions help by sponsoring educational activities.
- *Regional Economic Development Authorities (REDAs).* A REDA is a voluntary collaboration of municipalities, businesses, and institutions located in a geographically defined region, whose interests lie in fostering economic and community development activities in their region.
- *Local Chambers of Commerce and Economic Development Committees.* Credit unions are members of a local business community, and as such are represented on committees and organizations that represent and promote local economic development.

All of these collaborations and events help build community awareness and develop the organizational capacity to respond to change and to take advantage of opportunities. (*See the box on page three for specific examples.*)

In addition to employing their organizational resources, credit unions also mobilize their financial resources in various ways in support of CED.

Tying Credit Union Business into Community Economic Development

These CED activities are linked directly to the basic activities that credit unions pursue in their role as financial institutions—receiving deposits, placing loans and investments. In this context, CED means innovative lending of funds to individuals or businesses.

Commercial Lending. Being active, receptive, and aggressive in helping businesses get off the ground and expand can be part of a credit union’s business

and may be its most important contribution to community economic development.

Lending Partnerships with Business Development Corporations. Business Development Corporations, recently renamed Community Development Corporations, are federally funded regional CED organizations that provide loans and technical assistance to businesses in a region. They also undertake other CED activities.

Credit unions and Community Development Corporations work together in a number of parts of Saskatchewan to support projects where each partner provides a portion of business loans and shares a portion of the risk of lending to a new enterprise.

Small Business Loans Associations. Small Business Loans Associations (SBLAs) are local financial co-operatives or corporations that provide small, low-interest local-business loans. A few credit unions provide additional loans to businesses by taking first position on assets the borrower acquired with an SBLA loan. Credit union staff sometimes provide administration and accounting for SBLAs.

Community Bond Corporations. Community Bond Corporations are local or regional investment corporations that sell government-guaranteed community economic development bonds to invest in local businesses. Credit unions help in a variety of ways.

- *Estevan Credit Union* provided legis-

Networking for CED

- **Assiniboia Credit Union** sponsored a local forum on community survival.
- **Lafleche Credit Union** sponsored a local forum on community survival.
- **Prairie Centre Credit Union**, Rosetown, is a member of the REDA board — it is the only financial institution involved. The credit union sees the REDA as an opportunity to plan on a regional level and co-ordinate with other stakeholders. The local branch and committee structure of the credit union served as a model for the REDA's multistakeholder cooperation.
- **Prince Albert Credit Union's** general manager will be president of the Prince Albert Chamber of Commerce, and represent the chamber on the REDA board.
- **Estevan Credit Union's** staff have been involved in local economic development activities through the chamber of commerce and economic development committees.
- **Roblin Credit Union's** staff were involved in a local economic development committee.
- **Credit unions around Gull Lake** collaborated with Southwest Community Futures Corporation to organize a variety of diversification seminars in the region.
- **Credit unions around North Battleford** worked with Northwest Community Futures Corporation to hold business training seminars, business plan development seminars, home-based business conferences, and agriculture diversification and development workshops in the wider region.

These are only some of many examples.

tical support for promotion of a Community Bond program.

- *Prince Albert Credit Union* purchased a bond from a local community bond corporation.
- *Tisdale Credit Union* acted as noncommissioned sales agent for bonds.
- Watrous Credit Union acted as transfer agent for a community bonds issue.
- *Prairie Centre Credit Union*, Rosetown branch, invested in a local Community Bond.
- *Various credit unions* offered low-interest loans to local residents for bond purchases.

“Christmas Cash” Initiatives. Special loan programs provide members with consumer loans bearing attractive repayment conditions. The funds are to be used for purchases of local goods and services. The result is a boost to the community economy.

Waseca Credit Union’s Kris Kringle Kash was one such Christmas cash program. In 1991, fifty-seven credit unions made a total of 7,096 loans for \$7.79 million in “Christmas Cash.”

Community Development Accounts. One innovative idea is to set up special accounts, donated by local people and administered by the credit union, whose interest earnings are dedicated to supporting community economic development. Duck Lake branch of Prince Albert Credit Union has tried this approach (*See box below*).

Community Development Loans. Recognizing the benefits of CED to both the community and the credit union, credit unions may choose to offer loans at

Innovations in Credit Union CED

- **Community Development Accounts.** Special accounts, donated by local people and administered by the credit union, support community economic development.

Duck Lake branch of Prince Albert Credit Union received deposits from donors. Interest on these deposits is used by a community project committee to finance projects. The principal may be used to secure loans.

- **Community Development Loans.** One credit union is reported to be considering a special loan program for community economic development. Loans would be provided at prime rate, or possibly even at cost, for projects like a \$250,000 pig barn.

Ideas like these represent the leading edge in putting the traditional services of credit unions—deposits and loans—at the service of CED.

special conditions and rates for projects of importance to the local economy. One credit union is reported to be considering a special loan program for community economic development (*see box on page four*).

In these ways, credit unions around Saskatchewan have made a beginning at putting their financial resources and expertise into action for CED. But besides innovating in traditional kinds of services, credit unions can also show leadership in new community projects.

Initiating Community Economic Development

Some credit unions have initiated specific community economic development plans and processes alone, or in partnership with others. This means assuming or sharing active leadership on projects and committees. The primary purpose is to enhance the viability and sustainability of the local economy.

- *Business Creation.* The ultimate CED activity is to develop new local businesses that are rooted in the community from the beginning. Businesses that grow from local roots are less likely to leave and more likely to return benefits to the community. Sometimes new ventures need financing advice, or a building in which to start operations. Often a credit union is well-positioned to lead and co-ordinate local and regional business development projects.
- *Shop Locally Initiatives.* Credit unions can be leaders in educating the community about local economic facts—if people want a service available locally, they have to patronize it. Besides their own “Christmas Cash” schemes, credit unions take part in wider campaigns to promote local business. The payoff for credit unions is a healthier local economy that helps their own bottom line.
- *Business Attraction.* Sometimes one way to diversify an economy is to attract a business from somewhere else. Where this works, it is usually because of local leadership and planning. Credit unions are well-situated to help, due to their standing in the community, expertise, and financial resources.

If such strategies are successful, a more diversified local economy means more credit union members and customers. Examples of these strategies in Saskatchewan are given in the sidebar on page six.

The general impression is that credit unions are not as active as they could

be in playing a leadership role for CED. Perhaps there are other examples to add—or perhaps there is an opportunity here for credit unions to do more.

Community Involvement

Credit Unions assist and support other local organizations in concrete ways to carry out community projects. These projects have a “community development” focus—building capacity, resilience, and strength in the community—and not necessarily any direct economic component. The resources committed for these types of activities include financial resources, human resources, equipment, space, and more. The purpose of this community involvement is predominantly charitable, and does not yield a measurable return for the credit union or the local economy. However, such involvement strengthens the name and reputation of the credit union as a community leader. (*See the box on page eight for a list of activities.*)

Credit Union Central: Province-Wide Involvement in CED

Leadership, Research, and Education. Credit Union Central has helped focus the attention of credit unions on community economic development. Among its development strategies are two which commit Central to: develop an active and balanced approach to sustain economic and social development; and actively assist members of Saskat-

CED—Good Business

- **Bengough Credit Union** was involved in an economic development committee that raised shares for a hardware store. The credit union provided assistance to promote an economic development co-operative and distribute applications. Loans of up to \$1,000 were offered at prime for investors in the development co-op.
- **Northwest Credit Union**, Buffalo Narrows, initiated “rodeo” car sales. The success helped convince a dealership to set up a satellite office and provide local jobs.
- **Naicam Credit Union** helped reopen a community bakery by making available a building it had acquired as loan security, and by working with other organizations.
- **Biggar Credit Union** made a building available for a baking school organized by Prairie West Regional College.
- **Waseca Credit Union** was involved in a committee concerned about the degree of outshopping. It assisted in the formation of Highway 16 Shopping Club. Passport stamps are given to customers who shop locally, which qualify them for a draw offering prizes such as \$100 in cash, travel certificates, and so on.
- **Prince Albert Credit Union** opened a branch office in Duck Lake in response to requests by the local community. The new branch became a partner in working to revitalize the town.

These are only some examples.

chewan communities through their credit unions to undertake community development. In fulfilment of these strategies, Central has conducted research and training and compiled information on credit unions and community development.

Working with Others to Create a Climate for CED. Central helps the credit union system “network” with provincial-level CED organizations:

- *Canadian Co-operative Association* (CCA), Saskatchewan Region. One of CCA’s interests is co-op development.
- *Saskatchewan Council for Community Development* (SCCD). SCCD is a network of provincial organizations interested in community and economic development.
- *Saskatchewan Economic Developers Association* (SEDA). SEDA is a professional organization for economic developers.

Community Involvement. Credit Union Central assists provincial or regional organizations to carry out projects.

- *Enterprising Youth Project*—Central staff represent credit unions in the development of educational modules for rural, Aboriginal, and northern youth entrepreneurship.
- *Co-operative Youth Seminars*—Co-op Youth Seminars provide instruction in co-op principles, leadership, and communication. Central enables staff to participate.
- *Provincial and Regional Conferences*—Central assisted with the conference “Building Our Future: Economic Development and Co-operatives into the 21st Century” in Saskatoon. In 1993, Central contributed to the Northern Conference on Community Development, which explored opportunities and challenges for CED in the north.
- *Sponsorships of Community Events*—Central co-ordinates credit-union sponsorship of various community events, including exhibits at the Canadian Western Agribition, Saskatchewan Roughriders games, and other events.

Both local credit unions and Credit Union Central play roles in CED. There are also examples from other provinces (*see box on page ten*). These remind us that credit unions everywhere are inherently interested in the welfare of their communities and have good reasons to make larger commitments to community economic development.

Community Involvement and Leadership

The activities listed here are mostly not community economic development. They support CED, however, inasmuch as they fulfil three purposes:

- keep lines of communication open between the credit union and the community;
- develop community leadership, capacity for change, confidence, and identity; or
- enhance the credit union's reputation as a community leader — a reputation that can be put to good use in CED.

Educational Activities

Saskatchewan credit unions have promoted:

- **Discovery Boxes** — a cultural exchange program for schoolchildren in commemoration of the International Year of Indigenous People in 1993. Aboriginal and non-Aboriginal children learned from each other by filling a box with items that represented their lives and their communities; boxes were traded between communities and countries
- **Drug and Alcohol Awareness** — Moosomin Credit Union sponsored advocacy programs in schools against drug and alcohol abuse
- **Junior Achievement** — Yorkton Credit Union, Saskatoon Credit Union, and various others made a staff commitment to youth entrepreneurship educational programs incorporated as extracurricular activities in high schools
- **Youth and Financial Matters** — St. Mary's Credit Union, Saskatoon, is considering support (assistance in bookkeeping; setting up accounts) for a community association that is partnering with schools to set up recycling and landscaping co-ops
- **School Credit Unions** — Radville Credit Union helped set up a school savings credit union
- **Seniors' Education** — Saskatchewan Valley Credit Union, Rosthern, and Leoville Credit Union assisted seniors in filling out various forms for government benefits or programs

Sponsorships

Saskatchewan credit unions have sponsored:

- **A Community Gift Program** — gifts for members celebrating a marriage or an anniversary
- **Bursaries** — to graduating high school students
- **Sports Events** — rodeos, tournaments, track and field meets, Special Olympics. Prince Albert Credit Union sponsored the Saskatchewan Indian Summer Games with staff and funding
- **Community Events** — pow wows, pancake breakfasts, farmers' appreciation days, the Shrine Circus (brought to a community jointly by the credit union and the chamber of commerce)
- **Business Events** — trade fairs, business receptions
- **Community Organizations** — some credit unions allowed employees involved in community events to use credit-union resources for typing and meetings; some offered book-keeping services to nonprofit organizations
- **Special Events to Promote Co-ops** — for Credit Union Day and Co-op Week
- **Community Facilities** — credit unions made donations to building funds for community arenas, community halls, golf courses, and more
- **Community Displays** — credit unions offered space to display art, community announcements, and raffle items

Activities on Social Concerns

Saskatchewan credit unions have acted on:

- **Reducing Seniors' Isolation** — one credit union established a Golden Age Coffee Club; another helped set up visiting programs for the elderly
- **Financial Abuse of the Elderly** — credit union employees acted as resource people in information sessions
- **Unemployment** — one credit union sponsored a financial planner to consult with employees laid off by a local company

The above is only a partial list. Many credit unions have engaged in other activities not reported here.

Good Reasons to Make a Larger Commitment

Developing community businesses is the original purpose of credit unions. That's what they were created to do, by Schulze-Delitzsch and Raiffeisen in Germany, and by Desjardins in Québec. These founders of credit unions specified that the purpose of a credit union was to make loans “for productive purposes”—to help craftsmen buy their tools, to enable farmers to improve their farms, to assist anyone to go into business and earn a living.

Credit unions were brought to English Canada by the Antigonish Movement of the 1930s. They were to pool the small savings of poor people, and make loans—for example, to help one member buy a boat. That person would use the boat to earn the money to repay the loan—and the money would then be lent to others, each in turn, to solidify their livelihoods and ultimately benefit and develop the whole community.

In most of North America, credit unions specialized in consumer lending, not economic development. This served a useful purpose for wage-earners who had trouble handling large expenses, and for farmers who had to carry costs for a whole year until harvest time. Credit unions improved local economies by increasing the availability of small loans and reducing borrowing costs.

But where there is a need, credit unions still contain their original potential to be agents for *business* development. Today, as rural and northern and inner-city communities face challenges of survival, that need may be urgent.

Credit unions may have to adopt new structures and learn whole new ways of thinking. It would not be the first time. After all, there was a time when mortgage loans, especially farm mortgages, were considered too complex and too risky for credit unions. Even complex and apparently risky lines of business can succeed—provided the will, expertise, and appropriate structures are cultivated.

Community Development

Credit unions are not conventional financial institutions. The kind of development for which they are uniquely well-suited is not conventional economic development, but community economic development, which is based in and draws on the community's needs and resources, the same way a credit union does.

Credit Unions in Other Provinces

- **Seniors' Housing.** Pilot Mound Credit Union, Manitoba, finances housing for seniors. Tenants contribute to an equity fund; the credit union finances the balance at a guaranteed rate to keep monthly payments affordable.
- **Flamingo Fund.** Winnipeg's Assiniboine Credit Union rents out pink flamingos for 50¢ a day — the proceeds go to local charities.
- **Recycling.** In Winkler, Manitoba, the credit union paid for blue boxes, a truck, trailer, and promotion for a new recycling program.
- **Recycling and Youth Employment.** Calgary Credit Union helped fund a Green Step recycling program that provided employment and educational funding for young people to complete grade 12.
- **Green Financial Services.** Credit unions in the Greater Toronto Region are launching "green loans" for home energy audits, "green term deposits," where the interest differential goes to environmental projects, and "eco cards" for member discounts, as well as other environmental and community development projects.
- **Habitat for Humanity.** Manitoba credit unions helped build a house in Winnipeg; one credit union provided an eight-year, interest-free loan for a Habitat for Humanity family.
- **Community Centres.** Minnedosa Credit Union will match members' contributions to a new community hall, up to \$5,000 a year for five years.
- **Microloan Business.** Assiniboine Credit Union in Winnipeg started a lending program for the unemployed to start small businesses (tailoring, catering, child care). It also joined a community loan fund with Mennonite Central Committee and others.
- **Home-Buyers Club.** Assiniboine Credit Union collaborated with CMHC and a CED agency to assist people who could not afford a downpayment or obtain regular credit to buy homes.

CED begins with the broad concept of "community development," a phrase that is frequently misused.

Community development means much more than economic growth. Also, it applies to any kind of "community," whether rural or urban, geographic in nature, or social, religious, or ethnic. It is a process by which people are given the power to affect the course of social and economic change, following priorities they set according to community, democratic, and other values.

Community development has more to do with the concept of "sustainability" than the concept of "growth." Though it does not necessarily refer to projects that are economic in nature, in today's world—in view of globalization, decline of remote and resource-based communities, changing economic and occupational structures—the projects communities pursue will often be concerned with economic challenges.

Traditional economic development often has only a minimal focus on the community. The overriding goal is to create appropriate jobs and raise the income of residents. This model is referred to in the community development literature as *development in the community*. The “development” is of discrete enterprises that happen to be located “in” the community, but have few connections to it. In an extreme case, a business may bring in inputs and skills from outside, market its products outside, be owned and pay profits outside the community where it is located. The community itself—its skills, confidence, capabilities—is hardly affected, except for the jobs that are gained.

Gaining jobs from any kind of business may be desirable. Credit unions may have a role in financing traditional development, just as any financial institution might.

The unique advantage of credit unions is in a broader kind of development. This broader approach gives a community not just jobs but also the skills, capacity, and leadership to develop its own jobs from within on an ongoing basis.

In contrast to *development in the community*, community development, or *development of the community*, builds the community’s overall capacity to initiate and respond to change.

Community development cultivates local leadership and control. The essential success factor is local control in defining needs, identifying solutions, and evaluating results. Fundamental to this approach is community-based planning, which includes all of the community stakeholders—business, community groups, local government, and individuals. The notion of partnership is a central feature, and collaborative approaches to problem solving are necessary as prerequisites to strong partnerships.

*Developing community businesses
is the original purpose of credit unions.
Community development means much more
than economic growth.*

Co-operatives and Community Development

In Saskatchewan's history, the growth of credit unions and of the co-operative sector exemplifies a collaborative model for development. For decades, co-operatives have arisen where other institutions—investor-owned businesses, government—left a deficiency.

The process of developing and sustaining a co-operative involves, in miniature, the processes of developing and sustaining community spirit, identity, and relationships. Whether in forming a credit union or undertaking community development, people take the initiative to understand the problems they face and to find solutions. Community development and co-operatives—including credit unions—share a natural affinity.

*The growth of credit unions and co-operatives
exemplifies a collaborative model
for development.*

All community development strategies emphasize active instead of passive adaptation to change. Change may be undesirable and difficult to stop, but with new ideas, new knowledge, and new organization, people can shape the direction of change to favour the development of the kind of community they want.

Co-operatives have played important roles in resisting certain kinds of change, such as dehumanization of the poor and depopulation of rural areas, while furthering other kinds of change, like new businesses, new employment, new crops or techniques, and new markets. The goal is to choose, within the limits of the possible, the paths that best represent the community's values and vision.

This kind of development is a self-conscious and deliberate process. The community has to know what it wants. It has to have mechanisms to define what it wants, and to bring people together to do something about it.

In community development, it's not just the results that matter, but the process. The structure of the process shapes the outcome. Development whose purpose is to empower the community should put the community in control

from the very beginning. Outside agencies may have a key facilitating role, but community development, like a co-operative, works only when sustained by local vision and enthusiasm.

Similarly the capital structure of an enterprise influences what it does. If the purpose of forming an enterprise is to keep jobs and wealth in a community, it is unlikely that this will be served by vesting control in the hands of investors who live elsewhere and whose interest in maximizing their financial returns.

The success of co-operatives or of community development has often depended on the cohesion and vision of a community, which in turn, depends on culture, demographic composition, religion, leaders, historical development, and educational processes.

Community development is never a technical process carried out by business experts. It is a small-*p* political process carried out by education, persuasion, leadership, and followership.

Where community-development philosophy and approaches are applied to economic questions, we can refer to the process as community economic development (CED). In other words, CED is where business or job creation goes hand-in-hand with a long-term process of community planning, participation, and capacity-building.

Credit unions embody community economic development and can act as powerful bulwarks of their host communities. Co-operatives and credit unions have a greater capacity to influence their community environment than do most businesses. Their directors are typically community leaders; their memberships represent community networks; they are committed to education and improvement. In the economic sphere they administer pools of capital under democratic control that can be used according to local priorities, and they accumulate economic surpluses that are reinvested or redistributed back into the communities from which they came.

In the long term, the benefit returns to co-ops and their members, because they depend on the vitality of the community for their own success.

The Role of Co-operatives in the Local Economy

Co-operatives exist in Saskatchewan because people in communities learned to think in new ways, in order to develop and preserve the things that mattered

to them. Many people attach a value to their community that cannot be measured in the market. Their commitment or collective choice is embodied (among other ways) in their support for co-ops and credit unions.

Credit union development in Saskatchewan exemplifies the role of co-operatives in innovation to overcome adversity. A lack of financial services on the prairies during the Depression led to the establishment of the co-operative financial sector. During the 1930s, the number of bank branches in Saskatchewan declined by 40 percent. Banks were also accused of setting high interest rates and operating conservative loan policies.

Community needs persuaded co-operators and community leaders to abandon their long-held reservations about credit unions. For decades, credit unions had been considered too risky for ordinary people to operate. But when the need was great enough, ways were found to build locally based, responsive financial institutions.

The first credit union incorporated in Saskatchewan was the Regina Hebrew Savings and Credit Union of 1937, which helped resettle Jewish refugees from Europe. This credit union embodied a unique mandate of community service, collective action, and development.

The first rural credit union was organized in Lafleche in 1938 with the explicit goal of keeping local money at work to build the local economy. Its small start was typical of early credit unions: twelve members and \$52.50 in assets. Often CED starts small.

Today the credit union system in Saskatchewan has something like 400,000 members, 350 outlets, and \$5 billion in assets. This financial strength is recirculated and reinvested in Saskatchewan communities through credit union activities, and represents a wellspring of economic resources under the democratic control of Saskatchewan people.

When *Saskatchewan Business* magazine listed the twenty “hottest” financial services companies in Saskatchewan in January-February 1995, eleven—more than half—were credit unions. Altogether sixteen of twenty were mutuals or co-operatives.

If credit unions do not support CED, what other financial institutions will do so?

No matter how much they change, credit unions tend to keep their roots in local communities. The reason is simple: that’s where their owners are. Unlike an investor-owned firm, a credit union can’t usually pick up and leave. Credit

unions are in the community for the long haul—so they have an interest in the community’s future.

Why CED Makes Good Management Sense

What is the real “business of business?” Does business hold responsibility to stakeholders beyond its shareholders, employees, and customers? Is there a more direct role that business can play within its community?

Many businesses today have recognized that they have more stakeholders than those who normally attend a shareholders’ meeting. Such businesses are consciously including community representatives in planning activities and in evaluating results.

Business has found that there is benefit in being environmentally friendly, in developing and adhering to ethical codes of behaviour, and in accepting responsibilities to employees and communities for job creation.

Research has demonstrated that, for banks, participation in community development initiatives has a direct payback. Increased economic activity at the retail, wholesale, and farm levels is linked directly to the lending policies of commercial banks. In turn, heightened activity increases the financial well-being of the commercial banks, strengthening their capacity to originate loans. Thus, community economies and commercial banks are interdependent.

What makes sense for commercial banks has to make twice as much sense for credit unions. It is not only their business volume and bottom line that benefit from a stronger economy, but also—in a direct and real way—their members and owners.

When Saskatchewan Business magazine listed the twenty “hottest” financial services companies in Saskatchewan, more than half were credit unions.

Why Should Credit Unions Do More?

In 1988, Credit Union Central of Ontario considered the idea of “community development lending programs.” While this did not lead to practical

results, the reasons identified then for why credit unions should be active in community development were valid and persuasive. They still are today:

1. *Public and member education.* Credit unions have a co-operative orientation and structure that differentiates them from other institutions. By taking an active role in helping communities help themselves, the movement can clearly demonstrate “the credit union difference” to members and the general public.
2. *Market niche.* Community-based organizations could be a specialized market with certain characteristics, social values, and service needs. Credit unions, as community-based financial institutions, are ideally suited to meet the financial needs.
3. *Economic/social trends.* Communities start to realize that what outside investors bring in, outside investors can take away. In the process of examining how communities can tap their own resources to help meet local needs, credit unions will be identified as potential leaders and supporters of strategies that make communities more self-reliant.
4. *Compatible values.* Community-based organizations and credit unions should share compatible values: democratic control, co-operative enterprise, and mutual self-help.

These statements are reinforced by comments made in Saskatchewan in 1995 by individuals in government, regional organizations such as REDAs and Community Development Corporations, and local organizations like Small Business Loan Associations.

These individuals, and even some within credit unions, express the opinion that credit unions in Saskatchewan are not participating in CED activities as much as they could. Common to all responses on the question of the role of credit unions was a plea to credit unions to increase the scope and degree of their involvement in CED activities

If these comments are any indication, there is a need to be met in Saskatchewan today, and a niche for credit unions to fill.

*Credit unions have all the resources
and all the reasons
to become more active in CED.*

It would be wrong to assume that others want to shift the burden or risk of CED onto credit unions. Rather, other CED organizations value, and want communities to have the benefit of, specific characteristics of credit unions that complement the capabilities of other organizations:

- Credit unions are financial institutions with a vast experience in lending activities.
- Credit unions have a support and information infrastructure—exemplified in Credit Union Central—as well as a lobbying power unsurpassed by any other agents in the CED field.
- Credit unions have the closest and most direct ties with the individual residents of communities, which furthers trust and confidence.
- Credit unions enjoy “name recognition,” a reputation that encourages individuals, community groups, or businesses to turn to the local credit union or branch first before approaching any other CED organization.

Credit unions have all the resources and all the reasons to become more active in CED. Credit unions, through their structure and presence in Saskatchewan communities, are already partners in CED, albeit mostly “silent partners” at the present time.

Of course, there are barriers to greater activity.

One barrier results from credit unions having made only a limited commitment to commercial lending in the past. This means that today they may lack the expertise or “comfort level” needed to engage in CED-oriented lending.

Another barrier is the lack of a culture supportive of CED. While credit unions have, in various cases, been active in trying to create a community climate for development, many also need to cultivate such a climate *within their own organizations*. Community economic development is a way of thinking not at all incompatible with sound management and solid financial results—but it has its own principles and it has to be done properly. CED may dictate the selection of different investment criteria or alternate approaches to risk-taking—and this means a change in organizational culture.

While local credit unions may contain structural and attitudinal barriers to active community economic development, one must also ask whether the structure of the provincial system may not also contain barriers. Do Credit Union Central and the Credit Union Deposit Guarantee Corporation follow policies that not only allow, but encourage, credit unions to engage in CED?

Few credit unions will reorient themselves without support and leadership from their central institutions.

Where there are barriers, there are also ways around and over them. How can credit unions become more active in CED? The section below presents some initial ideas and concepts for consideration.

Ways to Become More Active

One of the principles of community economic development must surely be that there are different solutions for different communities.

Communities and credit unions will vary in interests, abilities, and needs. For this reason, what is needed is not a cookie-cutter approach but rather diversity and a spirit of experimentation.

Instead of recommending one particular answer for everyone, the following describes a range of overlapping possibilities with varying emphases and degrees of commitment by credit unions.

Human Resource Development: CED as an Attitude

The first thing for a Saskatchewan credit union to do, if it wishes to be more active in community economic development, is to develop its ability to act as a leader, partner, and facilitator in CED processes and projects.

This means that board, management, and staff of the credit union should assess their capabilities and increase their awareness of their special role as a community-based financial organization.

The following “awareness areas” might be of relevance:

- thorough understanding of co-operative approaches and practices, of “what is special about a credit union”;
- a thorough evaluation of capabilities and knowledge resident in the credit union (board, staff, members);
- knowledge of local community groups, leaders, issues, and their inter-relations;
- a realistic assessment of community sustainability and viability, with leadership and initiative to address particular areas of concern;
- sharpening of skills needed to assess opportunities for credit union involvement in CED projects;
- knowledge of the wider CED infrastructure (regional, provincial),

such as REDAs, regional and community development corporations, and so on;

- emphasis on involving members, community residents, and local businesses in CED initiatives; and
- informing the community about the features and roles of their credit union as a member-owned and community-based organization.

Credit unions need to foster the attitude that “it’s okay to talk to the credit union about issues other than deposits and RRSPs.” That might lower the barriers to approaching the credit union for assistance and advice.

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Networking: CED as a Shared Responsibility

Organizational partnerships, multistakeholder approaches, and good communication are the essence of community economic development. Credit unions lay the foundation for community improvement when they foster connections and collaboration.

Networking with other credit unions involved in CED is essential. Exchanging good ideas and success stories will help determine what might work in your community. Saskatchewan credit unions can teach each other—and can learn from and teach credit unions in other provinces and countries, too. Electronic bulletin boards, newsletters, regional credit union forums, and referral services are ways to facilitate information exchange.

Other community-based organizations involved in CED want partnerships with credit unions. REDAs, Community Bonds organizations, Community Development Corporations, and Small Business Loan Associations have expressed desires for closer co-operation and partnership with credit unions.

Areas of co-operation could include the following:

- involvement in the REDA or Community Futures Development Corporation;
- becoming a long-term partner with other CED groups in small or large business-development projects;

- assisting communities, in coordination with other CED groups, in conducting strategic planning;
- facilitating information exchange between communities related to unique projects;
- involvement in community sponsorship of “Entrepreneurship as an Option” seminars;
- other educational activities such as personal budgeting seminars, home improvement workshops, or money management classes with youth; and
- human services: financing temporary shelters; restoring an old school building for day care or senior citizens; other community services and projects.

One thing credit unions can contribute to such partnerships is stability. Credit unions are going to be in Saskatchewan communities for a long time. REDAs, development corporations, and so on are driven by different levels of government. They depend on policies that could prove transitory. The longevity and deep community roots of credit unions give them a special importance in collaborations.

*Money is not always the biggest barrier
to economic development.*

Co-operative Development Councils

Other co-operatives within the local region are also appropriate partners for CED networking by credit unions. Such networking could be informal, or it could be formalized in an institution like a co-operative council.

A co-operative development council develops the community’s capacity for change in several ways:

- bringing together different co-operatives and different kinds of co-operatives within an area;
- providing a forum to talk about development possibilities and prospects;
- offering a framework to share services and cosponsor events;
- acting to spur the community to generate new ideas; and

- offering a “first point of contact” for local people with concerns and ideas—and one that helps steer people with ideas toward the co-op model.

Such councils usually have a special interest in developing new co-operatives, among other kinds of businesses.

The council approach is epitomized by co-operatives in the Évangeline district of Prince Edward Island. There the co-operative council held kitchen meetings to brainstorm about development ideas, and assisted groups of local people to set up more than a dozen new enterprises in the form of co-operatives. These helped diversify the local economy in tourism and services, crafts, and manufacturing. Today co-operative councils are being widely set up in Atlantic Canada.

Putting Nonfinancial Resources and Expertise at the Service of CED

Money is not always the biggest barrier to economic development. Capital is one ingredient that combines with a good idea, a group of dedicated people, a solid business plan, and market connections to make a successful business.

Credit unions should not lose sight of the important nonfinancial resources they possess. Credit union officials combine a knowledge of the community with knowledge of business and finance—a highly useful combination. Such resources could be made available in a variety of ways:

- working with interested groups of people to develop and refine project ideas;
- providing active advice about business plan development;
- offering technical consulting services to groups interested in developing an enterprise; and/or
- assisting such groups in approaching potential partners, suppliers, and clients.

Such assistance might be offered as an organizational contribution to CED, as part of a partnership involving investment or loans, or on a fee-for-service basis where clients can afford to pay.

Credit unions should only enter into such services where they are not otherwise available from a REDA or a regional or community development corporation.

Becoming More Active in Commercial Lending

A credit union's business is business. At least, businesses could be credit union clients and customers more often than they have been in the past. Here are some comments from other CED organizations in Saskatchewan about what credit unions could do to become more active:

- Be more aggressive in seeking out business clients.
- Examine and remove barriers for small business to obtain loans and lines-of-credit from CUs.
- Address the failure of traditional and national banking institutions to support local small businesses.

In some cases, it may not be enough simply to "be more aggressive." One barrier may be the need to develop centres of expertise in community business lending. Another consideration is the need to manage risk. There are basically three strategies: to develop expertise internally and "do it yourself"; to work with other partners in your local community to share risks and expertise; or, to form partnerships with other credit unions to handle commercial loan portfolios.

- Larger or more aggressive credit unions could consider "going it alone" and develop their own, expanded commercial lending programs.
- Credit unions with fewer resources, or who wish to be cautious, could share risks regarding business loans with other CED agencies in the community. Credit unions could co-operate more frequently with Small Business Loan Associations on business lending.
- Following the principle of "co-operation among co-ops," credit unions could investigate regional sharing of expertise and adopting of common policies or approaches with other credit unions.

These three strategies could make a contribution to CED even within the limitations of traditional financial services and products for businesses. A second and related question is whether credit unions can develop and offer new products and services designed specifically for CED.

Providing New Financial Tools

A variety of tools might assist in business startups and expansions, or in self-employment and home-based businesses in the community.

- There is more potential for credit unions to support and reinforce

community bonds programs. Community bonds agencies suggest that more credit unions could invest in bonds issues, and more could provide low-interest loans to individuals buying bonds.

- Credit unions could facilitate “Community Development Deposits” or “Community Investment Certificates” at lower-than-market interest rates from individuals or organizations who want to contribute part of the interest to specific CED projects.
- Credit unions could issue “Community Development Shares” to raise capital for the credit union to invest in an affiliate community development corporation. Capital and dividends would flow through directly between the investors and the development corporation.
- Credit unions could offer “Community Development Loans” to for-profit or nonprofit enterprises at favourable conditions: lower interest rates, repayment schedules reflecting the seasonal nature of project cash-flows, or taking guarantees from community members as the exclusive security (rather than assets).
- There is an opportunity to fill a niche with more widely available loans for new and innovative small-scale, home-based businesses in the community.
- The above products or services could be developed in collaboration with other CED-oriented lending institutions, such as Community Development Corporations or Small Business Loan Associations.

Beyond offering new kinds of products through existing institutions, a further possibility is to create new credit-union-based institutions for CED: venture capital funds, specialized business development credit unions, or community development credit unions—models that already exist in other parts of North America.

*There are basically three strategies
for being more actively involved
in commercial lending.*

**New Structures:
Credit-Union-Based Venture Capital Funds**

An example of a venture capital fund created by credit unions is La Société d'Investissement du Mouvement Acadien Ltée (SIMA), founded in 1990 with contributions of \$1.6 million from Credit Union Central of New Brunswick and \$1 million from the Government of New Brunswick. The fund is incorporated as a co-operative with *caisses populaires* and Credit Union Central as members. A vice-president of the central has responsibility over the fund.

SIMA was created to take equity positions—purchase shares—in businesses on the Acadian peninsula. It does not provide loans. A portion of the original contributions is dedicated to an operating fund to pay the salary of one staff member, while Credit Union Central does the administration and accounting.

SIMA's mandate is to finance all types of businesses that show strong prospects for survival. *Caisses populaires* refer projects to the fund. The fund's earnings are limited to dividends paid by the businesses in which investments are placed, and recapture of investment if and when shares are sold by the fund. The latter has not yet occurred, and as a result the fund has been nearly depleted. SIMA has invested in ten projects, some of which seem promising, while others are still struggling.

The Acadian example shows that it is possible to set up a venture fund as a second-tier or mixed co-operative, but that the funds may be quickly exhausted and that projects have to be closely scrutinized for viability.

**New Structures:
Specialized Business-Development Credit Unions**

Some striking CED successes in Canada are by credit unions that have taken on business development as their primary mandate.

Such credit unions share a number of features:

- they specialize in business development within a defined community, often not solely a geographic community but one defined by social characteristics;
- they cultivate close ties with their community, ties that provide intimate knowledge of the community and help establish partnerships;

- they concentrate on specific kinds of projects in which they have expertise and connections; and
- they work intensively with their clients, providing not just financing, but a variety of services and assistance.

The existing cases are all primary credit unions that collect deposits from individual as well as organizational members.

La Caisse d'Économie de Travailleuses et Travailleurs de Québec (Working People's Credit Union of Québec City) is one such success. It is a credit cooperative within the Desjardins system, with a distinct mandate. It was founded due to disillusionment with existing *caisses populaires*, which did not respond to development needs. The Caisse d'Économie dedicates itself to communitarian projects, "entrepreneurship that strives to achieve justice, that tries to settle the problem of poverty... and which seeks to answer human needs." It emphasizes project assistance and technical assistance, becoming involved in projects others find too risky—for example, where the people launching the business can put up only minimal capital of their own.

By accompanying project groups to meetings, helping them work out proposals and plans, and linking them up with partners, the Caisse d'Économie helps get the projects off the ground. Its main focuses have been housing co-operatives, worker co-operatives, and cultural enterprises.

*Successes were achieved
by specialization, by knowing clients
and their communities inside-out,
and by working with them intensively.*

The Caisse d'Économie has had striking financial success. Its rate of profitability has exceeded the average for the Desjardins system. Its default rate has been remarkably low. These successes were achieved by specialization in certain kinds of projects, by knowing clients and their communities inside-out, and by working with them intensively. Well-developed networks of community contacts bring the *caisse* intimate knowledge of community circumstances, and religious and community organizations make low-interest deposits to fight poverty.

Other examples are provided by women's credit unions, such as the Ottawa Women's Credit Union, and groups like WomenFutures in British Columbia, which operates a development fund for women entrepreneurs.

What these agencies have in common is that they succeed in lines of business others consider risky. They do so by managing risk not through conventional policies on security and guarantees, but by cultivating an intimate knowledge of each business group and its circumstances, and by working intensively with the people involved. This appears to enable the credit union to make sound judgements about the viability of projects, and beyond that to be an active partner helping *make* sure each project succeeds.

These lessons are relevant not only to new credit unions, but to existing ones wanting to branch out into new lines of business.

New Structures: Community Development Credit Unions

Community development credit unions (CDCUs) are community organizations in the United States that serve and are accountable to a membership that lives or is threatened with economic insecurity.

The keys to the CDCU model are:

- low-income membership and target community; and
- sponsoring organizations who help make development happen.

CDCUs define their mission as providing a community-owned alternative to conventional banks, reinvestment to keep funds in the community, economic development, and community ownership and involvement.

They are sponsored by an existing organization to obtain a credit union charter. The sponsors provide material assistance such as space, staff time, deposits, or grants, as well as lending credibility and legitimacy. Sponsorship may come from a single organization or a combination of churches; community action agencies; neighbourhood, housing, small-business, or civic groups; coalitions of concerned individuals; corporations; or unions. These sponsors may be organizational members of the CDCU. With their help, it undertakes one or more of a range of actions:

- financial assistance to low-income members;
- help for worker-owned businesses;
- linked-deposit programs;

- lending to co-operatives;
- financing of small business incubators; and/or
- financial and technical assistance to co-operatives and nonprofit organizations.

The strength of this model is that it is a means for established co-operatives and community organizations to get a new development co-operative up and running for the neediest communities. The CDCU model also facilitates community coalitions and social development.

*CED Initiators,
Willing Participants,
or Passive Observers—*

*Which one of these
describes your credit union?
Which one of these
does your community need?*

**New Structures:
A Multifunctional Development Agency**

Because business development is a complex process involving many ingredients, the most effective development strategies may be those that co-ordinate different kinds of support services. In the examples above, this co-ordination is achieved by networking among organizations. An alternative is to develop a single comprehensive agency. The mandate for such an agency would be something like the following:

- to offer a full range of development services, including assistance, to groups in formulating ideas, feasibility studies, business and strategic planning, financing, marketing, and approaching partners;
- to work with groups from an early stage, helping fund and develop their exploration of ideas (rather than supporting or funding only predefined project proposals); and

- to work intensively with clients through to the day their business is operational, and beyond.

In this case, equity or loan capital would be available from or through an agency that also provided a full range of consulting, technical, and other services. Given the scope of what is required, it is unlikely such a development agency could be set up on less than a provincial scale.

Conclusion: First Steps as a System

Credit unions are unlikely to reorient themselves toward community economic development without clear signals from their central organizations. Many options described above could be pursued by individual credit unions, but in practice, system-wide encouragement and leadership are desirable.

Credit Union Central has made a beginning by research and education around community development.

Consistent with a bottom-up approach, local credit unions could keep the ball rolling by identifying what more they need from the central institutions of the credit union system—what resources, policies, or services—in order to help them be more active in CED.

The key decisions will not be made by Credit Union Central but by local credit unions. Each credit union faces a decision as to whether it will be an active initiator of CED projects, a willing participant in projects driven by others, or merely an observer:

- *Initiators* will actively promote and undertake projects, taking a lead role with high risk and high payoffs. Today few credit unions are in this category.
- *Participants* or facilitators will be team players without playing the lead role. They may promote “shop locally” campaigns, sit on economic development boards, share loans and risks with other CED agencies, or offer community development deposits and loans.
- *Observers* are the passive ones. They will conduct only the typical business of a credit union

The questions for each credit union are: Which one of these are you? And which one of these does your community need?

Summary Chart: Roles in Community Economic Development (CED)

Agent and Role	Examples of CED Activities	Networking & Partnerships	Human Resources	Financial Contributions	Other Infrastructure	Loans	Local or Regional Job Creation
Individual Credit Unions							
Forming a Climate for CED	REDA	•	•				
	Chamber of Commerce/Ec.Dev.Cttee Educational Events	•	•	•			
Tying Credit Union Business into CED	Christmas Cash		•			•	•
	Business Development Centre Community Bonds Donors' Accounts	•	•			•	•
Practicing CED	Shop Locally		•				•
	Business Attraction Business Creation		•		•		•
Community Involvement	Education		•				
	Sponsorship Project Donations Social Causes		•	•	•		•
Credit Union Central							
Forming a Climate for CED	Active Membership in CCA	•	•	•			
	Active Membership in SCCD Active Membership in SEDA	•	•	•			
	Education — Youth Programs Sponsorship of Regional and Provincial Conferences		•	•			•

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