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Author: Lars Larsson, Tony Fuller & Carolyn Pletsch

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Business and Community Approaches to Rural Development: Comparing Government-to-Local Approaches

Lars Larsson

Centre for Regional Science
Umeå University
Sweden

lars.larsson@cerum.umu.se

Tony Fuller

School of Environmental Design & Rural Development
University of Guelph
Guelph, Ontario, Canada

tfuller@uoguelph.ca

Carolyn Pletsch

Centre for Families, Work & Well Being
University of Guelph
Guelph, Ontario, Canada

cpletsch@uoguelph.ca

Abstract

The Canadian Community Futures Program and the European Union program for rural development, LEADER, are similar in their ambitions to boost rural development at community level through state intervention. Each program offers universal coverage, external funding and a set of regulations to be adjusted to local circumstances through local action. Economic development and an increased local capacity to act are important ambitions. When comparing the two programs differences become evident. The Community Futures focus on short term business development through revolving loans, counseling and community projects, whereas LEADER have a mid- to long term perspective in creating development oriented networks through project funding. In evaluating and learning from these programs, this paper argues that mainly core objectives (economic and employment outputs) are measured and accounted for whereas outcomes such as community performance, leadership development, community cohesion, confidence building and youth engagement often are neglected. The latter are of greater importance for the continued pursuit of establishing learning communities.

Keywords: rural development, community economic development, rural governance, Community Futures, LEADER

1.0 Introduction

Much has been written about the many approaches to rural development as well as the collective failure to make much impression on the problems of community decline and relative deprivation in remote and rural areas. No doubt these global assessments are generally true, but they obscure the fact that many communities

have benefitted substantially from interventions to improve conditions, whether through health, education, employment or institution-building strategies (see e.g. Brox, 2006; Glesbydgsverket, 2001; Moseley, 2003; Wiberg, Jansson, & Lundmark, 2002). In the past decade, for example, a focus on governance has seen benefits in a variety of international rural arenas, although the results are not often measurable in poverty reduction or employment terms. Questions arise: are we asking the wrong questions of our rural development efforts, are we measuring the outcomes at the wrong scale or with poor indicators, or are we indeed on the wrong track altogether?

This paper takes the basic position that we have been asking both the wrong questions at the wrong scale and that we are using limited indicators to measure rural development outcomes. It argues this position from an empirical standpoint, using evidence from two major government interventions to bring about local economic development in (remote) rural areas in western industrialized nations. Integral to this discussion is the constructed dichotomy between business development and community development approaches to rural development.

Business development, as delivered by the Community Futures Program (CFP) in Canada initiates economic activity through four lines of support¹ and counts mainly loans (access to capital) and jobs created and retained as measures of performance. Community development is delivered by the LEADER program² in the European Union (EU), which together with the nation states initiates community development activities with the expectation that economic benefits will be derived. Both programs generate a number of multipliers and socio-economic spin-offs, but these are not systematically reported or recorded and remain the ‘known truths’ of only those who work at the local level (Fuller, 2008; Larsson, 2000). It is in this sense that we do a disservice to such programs, as only ‘core’ objectives are evaluated and the secondary benefits such as capacity building and tertiary effects such as community cohesion are minimized or ignored. Presumably it is because such benefits are difficult to measure in an uncontested way. It can be hypothesized that the core objectives are generally government-owned while the secondary and tertiary objectives are more likely to be community-owned. While few would disagree that the core objectives are of prime importance, there is considerable disagreement about the importance of the secondary and tertiary outcomes; hence their relegation to peripheral status as the drivers of development.

Business development (BD) and community development (CD) as approaches to local economic improvement can be placed for comparative analysis at opposite ends of the local economic development spectrum. They represent two government ‘entry points’ in the process of local economic development. The Canadian CFP operates a comprehensive revolving loans program targeted to local business and entrepreneurs, and provides a small amount of regular funding for community development activities. The beneficiaries are largely local business people in the private sector. This we call the business development model.

The LEADER-style rural development programs in Europe are for the most part under national agricultural administrations and from the start it was used mainly to

¹ The four lines of business support are: fostering strategic community planning and socio-economic development; providing business services; providing access to capital; and supporting community-based projects and special initiatives.

² LEADER is the acronym for “Liaison entre actions de développement de l’économie rurale”; links between actions for the development of the rural economy.

affect agricultural development, albeit with community development principles and procedures. Beneficiaries of project funding are from the public, private and third sectors, often in collaborative arrangements. We call this the community development model.

A number of research issues can thus be identified, of which two are discussed in this paper:

- How is local development in rural areas delivered in the two programs from a business–community development point of view?
- What kinds of outcomes are produced, and what attention do the ‘non-core’ objectives get in program assessments?

These and related questions are discussed comparing the two programs in Canada and Europe, with a geographical emphasis on Ontario and Sweden. This provides a strong comparative dimension to the argument. Within the CFP and LEADER there are many examples of area programs that employ both BD and CD strategies in their work; these will not be outlined specifically, but will be used to amplify the arguments on both sides. Most of the findings presented here are based on previous empirical studies of the two programs by the authors (Fuller, 2008; Fuller, Larsson, & Pletsch, 2010; Fuller & Pletsch, 2003; Fuller & Pletsch, 2005; Larsson, 2000, 2002, 2009; Larsson & Montell, 2006; Waldenström & Larsson, 2011).

When referring to LEADER here, it is as a programming model where the basic ideas have remained roughly the same since program initiation. In some cases specific reference is made to one of the four consecutive versions of the program – LEADER I (1990-1993), LEADER II (1994-1999), Leader+ (2000-2006) and LEADER within the EU Rural Development Program (2007-2013). Sweden entered the EU in 1995 and consequently started with LEADER II.

What follows next is a brief discussion of the policy context for both programs, after which the two development models are described and analyzed as are program outputs and outcomes. Finally, some concluding remarks are put forward.

2.0 The Policy Context: CFP and LEADER

Both programs were born out of the willingness of central governments to commit resources to remote rural areas on both continents, to slow rural out-migration and improve employment and living conditions through a ‘place-based approach’ to planning (Barca, 2009; OECD, 2006; Ray, 2000). In Canada, the program gave priority to disadvantaged rural areas and initially had an employment emphasis. The Canadian Jobs Strategy and its range of programming options recognized the need for more locally sensitive, accessible and targeted responses to the uneven impact of technological change and economic development across the country. This was changed to the local stimulation of self-employment through small business advice and start-up loans to applicants who were unable to secure commercial bank loans. After being targeted to remote rural areas, the CFP was extended after 15 years to all parts of rural Canada and economic development took on many different forms depending on local and regional economies and social and environmental conditions.

In the late 1980s, Europe embarked on an active interest in rural development (European Commission, 1988). Promoting rural development was seen as one way

to defray the costs of the agricultural subsidy programs, especially as it had been demonstrated that farm family incomes were substantially improved when farm household members held off-farm jobs (Brun & Fuller, 1991; Bryden, Bell, Gilliatt, Hawkins, & MacKinnon, 1992). The provision of jobs in rural areas was therefore considered important for the farm sector. It had also been shown that pluriactivity had many small but locally significant ‘community’ benefits (Bryden & Fuller, 1988). In Europe then, the LEADER program, although adopted differentially across member states, started with a rural development focus through grants for stimulating innovative and integrated (i.e. cross-sector) local community activity for the promotion of economic development (Bryden, 2006; European Commission, 1999).

The first rounds of LEADER (I & II) targeted priority regions from an economic and social cohesion point of view, and became part of a nested set of territorial programs (e.g. Objectives 1, 5b, and 6, Interreg³). The present LEADER has developed into universal rural coverage, in Sweden and other EU member states. LEADER programming has been fairly similar for the entire EU; however, its material focus shifted due to regional specificities. In Sweden and Ireland, for example, the emphasis was on community development (Westholm, Moseley, & Stenlås, 1999), while in the south of Europe emphasis remained on drawing labor out of small-scale agriculture (Cavazzani & Moseley, 2001).

However, the establishment of LEADER was, together with new environmental programming, seen as taking resources away from direct agricultural support. In Canada, a similar reaction was witnessed when the Ontario Ministry of Agriculture and Food added ‘Rural Affairs’ to its name (Ontario Ministry of Agriculture, Food and Rural Affairs). Although the budget for Rural Affairs was very small compared to the annual agriculture and food budgets, the program came under attack from the agricultural lobby such that the Rural Affairs division was later removed and placed in another ministry.⁴ The same was true regarding rural development in Europe and led, at least in part, to the failure of the 1996 Cork Declaration, and its intention to influence the EU Agenda 2000 in terms of agricultural and rural development policies (Cork Declaration, 1996; Saraceno, 1996).

The political culture of the 1990s, when both programs were in their infancy, was to move towards neo-liberal thinking such that various forms of social programming were gradually replaced with direct investment incentives to business. Both CFP and LEADER were able to withstand this swing towards the ‘economic rationality’ argument by adding ‘economic’ to their mandates, emphasizing business outcomes and demonstrating economic benefits at the community level (European Commission, 1999, 2003). The built-in flexibility of both programs, criticized by some governments at the outset (Bryden, 2006), enabled both programs to survive the demands of economic imperatives and to cater to program delivery in diverse rural landscapes. Generally speaking the two programs are considered successful, one of the reasons being the territorial approach which places responsibility to promote local development in the hands of

³ Objective 1: economic equalization between EU regions, Objective 5b: for structural change in rural regions, Objective 6: for extremely sparsely populated (arctic) regions, Interreg: promotion of cross-border co-operation between regions; for the programming period 1994-1999.

⁴ Rural Affairs was later returned to the Ontario Ministry of Agriculture and Food.

local groups and community leaders.⁵ When setting up the programs, only marginalized or rural areas with distinct disadvantages were eligible, such as Objective 1 areas with less than 75% of EU average GDP in LEADER I. Both programs are now available for any rural area. As a consequence there are more than 2,100 LEADER areas in the EU in 2011 (European Network for Rural Development, n.d.). In Canada, the program delivery mechanism grew from twin sources (Community Futures Committees and Business Development Corporations) amounting to 270 Community Futures Development Corporations (CFDCs) in 2010 (Community Futures Network of Canada, n.d.). While both the CFP and LEADER became small ‘rural’ versions of national and supra-national economic development policy, they also represented the growth of third-sector governance in rural areas, an important trend in ‘neo-liberal’ times. This maneuver reflects the ‘flexibility’ of the two programs in shifting the optics of their image from a more social goal to an economic and business focus.

Both programs, seen as experiments at their outset, not only survived the changes in policy thinking but actually thrived and drew positive political attention. None of the programs were expected to survive beyond their ‘pilot’ years, but neither was transferred directly to the provinces or member states as is often the case with centrally tested programs. Ultimately however, LEADER principles became part of the Rural Development Program (RDP) common to all member states in the EU in 2007 (European Council, 2005) and Canada transferred its Northern programs to the Territorial governments in the far north. The CFP has also been normalized into Canadian regional development agencies and for all intents and purposes is part of the regular programming of the federal government of Canada.

It is mainly in this respect these two programs are considered to be successful. They have been evolving over time into widely accepted approaches to promote development in rural areas. As will be shown they receive positive accounts among local development actors as well as among top level political actors. Neither of the programs provides the final answer as to how rural economic development should be established and nurtured, but they complement other actions and tend to include new groups of actors in decision making and action for rural betterment. However, both programs are questioned and contested as will be shown later.

3.0 Two Development Models

The link between policy and outcome is partly the result of program structure. Although there are both vertical and horizontal organizational structures in both programs, it is the local or ‘horizontal’ programming level that is important here (Fuller & Pletsch, 2005). Combining cross-sector interests through community representatives on a Board of Directors is the governance model adopted in both programs, with the baseline objective to *enhance capacities to act*. Individuals, businesses and community groups are empowered to act through the provision of grants and loans that will manage and develop economic activity. For comparative purposes, an overview of similarities and differences between the two programs in Ontario and Sweden respectively is presented below.⁶

⁵ For further reading on the territorial policy approach, see e.g. Barca, 2009; OECD, 2006.

⁶ For a more comprehensive description, see Fuller et al., 2010.

Similarities between the CFP and LEADER programs include:

- Rural economic development objectives
- A place-based and integrated approach through targeting of multi-community rural areas (as opposed to sector policies and single communities)
- Programming within a multi-tier public administration (CFP: state, province, municipality; and LEADER: EU, state, region, municipality)
- Universal coverage of rural areas: 61 program areas in Ontario and 63 program areas in Sweden in 2010
- Community led through local boards – Community Futures Development Corporations (CFDCs) and Local Action Groups (LAGs)
- Setup of new multi-community program areas (often neither strictly local nor regional, in an administrative sense)
- Setup of local delivery mechanism (offices, professional staff)

These structural similarities allow for comparisons of differences between the two programs. In Table 1, some important differences between the two programs are presented.

Table 1. *Differences between CFP in Ontario and the EU LEADER program in Sweden*

Community Futures Program	LEADER
Reporting and funding cycle of one to three years, for Community Future Development Corporations, (CFDCs).	Program periods for LEADER, now 2007-2013, follow EU long-term budgets. From 2007 part of the EU RDP; LAG strategic planning should reflect regional circumstances
Program administration by regional development agencies; in Ontario by Industry Canada through The Federal Economic Development Initiative for Northern Ontario (FedNor), a business unit of Industry Canada	Program administration by the Swedish Board of Agriculture and Regional Agencies
Funding provided by the Canadian government	Projects funded through co-financing – European Commission, member states and/or regional and local authorities, apart from mandatory private funding provided by the project promoter
Several development incentives available: <ul style="list-style-type: none"> • strategic community planning and implementation • business services including counseling • access to capital and investment funds • supporting community projects and special initiatives 	Investment in development processes through project funding according to aims and objectives in local strategic plans
Somewhat <i>ad hoc</i> program evaluations according to the business cycles of Industry Canada.	Systematic evaluations – ex ante, mid-term and post program; ongoing evaluation; mandatory evaluation at LAG level

The CFP has changed over time along with the program history described above. It has a more ‘organic’ genealogy, through which programs have merged and developed into the CFP of today. The program was made permanent with funding cycles that used to follow annual budgeting from Industry Canada. Funding cycles were prolonged in many ‘low risk’ cases to three years which allows for increased long-term planning in CFDCs. In effect this amounts to ‘core funding’ and allows program staff and volunteers to focus on program delivery, rather than devoting disproportionate amounts of time and resources to fundraising, which is the ‘Achilles’ heel’ of many rural organizations in Canada.

LEADER has during its existence been subject to changes in project intervention objectives from one EU long-term budget to the next, whereas the program structure has been fairly constant. From a Swedish point of view LEADER II guidelines stated local adaptation of six measures (European Commission, 1994), which then was followed by having the choice to adhere to one of four thematic approaches for LAG strategic plans in Leader+ (European Commission, 2000). At present, local adjustment to thematic priorities in the EU RDP, mainly on economic diversification and quality of life, guides LAG strategic planning (European Council, 2005). The mainstreaming of LEADER into agricultural programming and the universal coverage of LEADER brought demands for co-ordination with other EU and national programs. A number of concerns are being raised among Swedish LEADER staff and board members, particularly on the perceived sectoralization of LEADER into an old-style agricultural policy mechanism (Waldenström et al., 2011). To what extent this represents the co-opting of an innovative program remains to be seen.

CFP funding is provided by the Canadian government in the form of non-repayable contributions to CFDCs to offset general operating costs and to establish and support Investment Funds. Although there is no systematic allocation for community projects, many CFDCs devote a small part of their budget for community activity. When applying for LEADER funding, it is necessary to attract support other than EU money. Any project needs to be co-financed by the state (including municipal funding) through various agencies and actors, as well as by private funding. This funding can also be in the form of in-kind contributions, either as salaried (firms, organizations) or voluntary work. In this regard the partnership principle is institutionalized and co-operation is always at hand when LEADER funding is provided. The ‘greasing of the wheels’ of community development is a vital role played by both LEADER and the CFP, yet only intermittent tracking of these activities is done as it is considered outside the mainstream purpose of creating or sustaining jobs and establishing businesses. The building of the ethos of collaboration and the practice of operating partnerships are two vital elements of mobilizing community resources for job and business creation.

The differences in program setup in Ontario and Sweden, especially funding, create different strategic planning approaches. In CFP, the CFDCs have their strategic plans to guide actions. The plan is revised on a needs basis, and allows for everyday work to adapt to local circumstances. Planning in LEADER has been increasingly vertically integrated (Bryden, 2006) and is at present a fairly coherent process in Sweden. Strategic plans are prerequisites to the granting of LAG status; these plans correlate with regional programming which in turn applies to national policy and finally to RDP objectives (Regeringskansliet, 2008). There is a programming period time limit, which from the start increases the importance of

fulfilling the planned objectives. All funding decisions in the end have to be connected to a specific strategic plan of action. The fulfillment of objectives is further increased through the extensive system of evaluations.

In Ontario, evaluations are undertaken when needed for program renewal or in-line with internal Industry Canada program reviews as determined by the Treasury Board of Canada. As with most centrally required audits and evaluations, the regional and local collection of data for statistical assessments is not an easy task and is sometimes shortchanged. It is in this way that the secondary goals and objectives of these programs become marginalized and sometimes lost, especially when social and community impact data is difficult and time-consuming to collect. For example, very little is known about projects that fail, and whether those engaged in a local project or business have in fact actually developed leadership or entrepreneurial skills (Fuller, 2008).

The role of evaluations by Industry Canada in reviewing the CFP has informed government, but not the participating community units (Industry Canada, 2008).

4.0 Rural Development Promotion

Once rural policy is put in place, either as CFP or LEADER, the actual delivery of development support is initiated. The supporting structure is set up in both programs as a local board with responsibilities for guiding and implementing the program in the area at hand. Hired staff delivers program services through provision of counseling, networking, training, funding, etc. This is the local organization promoting rural development. Even though similarities exist in the setup of each program, in the everyday activities the two approaches differ, mainly in regard to their emphasis on business or community development.

4.1 CFP: Business Development

The local organization in the CFP is the Community Futures Development Corporation (CFDC). The CFDC is governed by a Board of Directors which is made up of local volunteers. The composition of most boards reflects the basic structure of the area, its geography and economic interests. The boards are mandated to direct the operations of the corporation through managers and staff. Directors are recruited mainly through informal means. As the board positions are volunteer, the emphasis on informal recruitment is understandable in that it helps reassure potential members that the position is both creditable and rewarding. A negative side effect is that this personal network approach narrows the 'pool' to those already known to the existing board. CFDC boards and their recruiting networks have tended to be mainly male.

Most CFDC boards undertake two kinds of activities at their board meetings: loan investment decisions and discussions of community economic development. Usually, boards are not engaged in the day-to-day business of the corporation. However, in some cases CFDCs have created opportunities for the board to be more engaged, for example through promoting their CFDC in the local community and being involved in mentoring programs for summer students.

Even though the services or interventions provided can be the same in each CFDC, many of the local boards tend to focus more on lending to local business and less on community economic development activities.

LEADER: Community Development

Since the program's inception in Sweden, establishing a Local Action Group (LAG) has been subject to evaluation using certain criteria (Glesbygdverket, 1996, 2001). At present establishing a LAG is a highly formalized exercise. Swedish LEADER regulations state a number of criteria that are mandatory to fulfill when establishing a LAG: at least 50% of board members from the private or third sector, gender balance (40-60), no territorial overlap of LAGs, 10,000-100,000 inhabitants in the area, and a compressed time schedule for LAG incorporation and hiring of managing directors. Other criteria relate to the quality of the strategic plan and possibilities for plans to become realized. Criteria of specific importance are innovation, integration of measures and actions in the RDP, transnational and cross-regional cooperation, a bottom-up approach in establishing partnerships and the LAG, private and public sector influence, cohesion between the area needs assessment and proposed actions and, finally, concordance with EU and national objectives in RDP. If bidding competition arises from LAGs covering the same territory, the quality of plans in ensuring RDP objectives will be decisive resulting in only one LAG in any given rural area (Regeringskansliet, 2008). The LEADER program has become deeply institutionalized and mainstreamed into regular programming.

LAGs and/or partnerships have one main function apart from ensuring efficient management of 'corporate affairs': to evaluate and decide on project applications. Evidence from previous LEADER programs indicates that early stages in LAG operations are formative. Beginning to define tasks, functions and procedures entails thorough discussions about how the applications of the project relate to strategic plans. Over time a common discursive understanding develops within LAGs, and project applications can more readily be evaluated based on planning criteria (Larsson, 2000). This is an indication of the 'capacity to act' and an expression of the building of capacity. Actions identified in plans become well-known to LAG members and staff, and discussions go beyond assessing the contents and quality of projects in relation to strategic plan objectives.

4.3 Additional Points of Comparison

First, the basic operational structure is very similar in both programs, but one important difference is 'freedom to act' or degree of control. Because CFDC boards are funded, not controlled, by a government program, they are less directed in following program guidelines than LAGs. In a previous study (Fuller et al., 2003), most CFDC board members seemed to appreciate the 'flexibility' to make many of their own decisions, and felt strongly about not betraying the public trust invested in them as volunteer board members.

Swedish LAGs expressed, on the other hand, strong concerns about reduced options to promote development in rural areas when going from Leader+ to the present RDP. Not only are regulations more thorough, but the number of LAGs has increased from 12 to 63 and budget allowances per LAG have been reduced compared to previous LEADER (Waldenström et al., 2011). As a consequence, fewer resources are available for networking, coaching and refinement of project applications. This causes concerns because staff at LEADER offices are essential (Larsson, 2002). LAGs are presumably less dependent on localized public trust (even though concerns about public legitimacy and accountability were vividly expressed already

during LEADER II (Larsson, 2000)), since LAGs tend to develop towards becoming funding agencies rather than community development agencies.

Second, CFDC boards represent a continuum. At one end of the continuum are the CFDCs that seek to maximize performance through investment activity. On the other end are those that undertake investments while focusing on their community economic development activity. Given this dichotomy, it is notable that while many of the strategic plans focus on community economic development, most board activity revolves around business development and loans.

The Investment Fund activities of the CFP clearly differentiate CFP from LEADER. CFDC loan managers and volunteer board members tend to become risk-averse over time, while LAGs are mandated to maintain an innovative focus. Government funding in CFP can actually ‘grow’ when CFDCs promote and manage lending successfully, whereas LAG spending never has such aspirations in the short run. The CFP loans program affects individual households very locally while LAGs show a stronger tendency to deal with groups and institutions that have interests across the larger area.

Third, LEADER has a twin objective to use a specific method or approach and to test its effectiveness in rural development promotion (see European Council, 2005, p. 6). The LEADER approach to developing rural areas comprise (see European Council, 2005, p. 25):

- area-based local development strategies,
- local public-private partnerships (LAG),
- a bottom-up approach with decision-making power for LAGs (elaboration and implementation of local development strategies),
- a multi-sectoral design and implementation of the strategy based on the interaction between actors and projects of different sectors of the local economy,
- implementation of innovative approaches,
- implementation of cooperation projects and
- networking of local partnerships.

Project promoters are generally not encouraged or even allowed to run projects on their own. Almost always local partnerships – either existing or newly formed – apply for funding and run projects. Since the *raison d’être* for the approach is to provide learning at program level and the transfer of lessons learned (networking) between EU rural areas, a formalized structure provides feedback – through national and EU networks⁷ – together with the extensive system of evaluation. In this respect, LEADER is clearly distinguished from the CFP.

5.0 Measurement of Outputs and Outcomes

Outputs are the technical units of program delivery. They represent the products of the program, typically jobs, businesses or organizations created or sustained. Outcomes are broader in scope and reflect the general successes and failures of a

⁷ These networks are part of the programming structure providing facilitation of LEADER processes, partner finding for cooperation, basic training, initiatives for the improvement of present and future programs, etc. For more information see <http://www.landsbygdsnatverket.se/>.

program. In the two programs under review, there is a strong difference between the two evaluation objectives. The CFP is output based, while the LEADER program is more outcomes based. There is also a big difference between institutional (government) objectives and local objectives. These differences lie at the core of this discussion.

5.1 CFP Outputs

Program performance for Investment Fund activity is measured in terms of businesses established/maintained and jobs created or sustained according to Industry Canada data. From April, 1998 to March 2010, 5,972 businesses and 26,311 jobs were formally recorded as being established through CFP in Ontario. In addition, 8,196 businesses were expanded and/or maintained and 40,488 jobs were secured. This level of investment activity totaled \$597m Canadian at an average job creation cost of \$8,938 per job. In addition, more than \$929m Canadian was leveraged from other sources, including the private sector, as a result of this investment activity. As of April, 2010, over \$57 million was available for re-investment in the loans program.

Those receiving CFP loans, and thereby contributing to program output, are businesses that want to set up or develop their activities further, but lack resources and are denied loans from the commercial bank. Applicants can receive business services (counseling and advice) and are supported through the application process, mainly through help in developing a viable business plan.

Once the loans application is presented to the CFDC, the boards seek to verify the ‘reliability’ of the applicant by referring to the collective knowledge of the family and community support system. Each case tends to be discussed thoroughly, however well prepared beforehand. Once the loan application has been presented to the CFDC, the Board makes a decision based on a number of factors, including business and financial information presented, as well as the reliability of the applicant. Board members may refer to the collective knowledge of the applicant as a member of the business and broader community. This level of engagement with client loan proposals and business plans could be interpreted to reflect the ‘family or parochial’ nature of local community systems. This engagement adds a level of security in risk management, but is also restrictive in terms of access to the program. Having said that, one could also interpret the ‘character lending’ nature to give broader access to capital, as banks assess applications purely on financial and business criteria.

Little is recorded at the CFDC level of the other benefits of the program. These benefits we refer to as the secondary and tertiary outcomes which relate to the program’s contribution to capacity building and community cohesion. All members of the CFDC and their clients receive ‘capacity building’ inputs either as on-the-job experience or as formal advice and training. For example, the Ontario Association of Community Futures Development Corporations offers skills development programs for board members and CFDC staff on a regular basis. As there is a natural turnover of staff and board members over time, these citizens are better able to engage in other local economic development activities that will benefit themselves as well as their communities. Tertiary benefits relate to the pride that gathers around community identity and purpose and which translates into confidence to undertake other types of economic and social development (Fuller, 2008). The common measure of this benefit is the networking that goes on

among community development agencies and civic organizations. In the broader academic sense, this may be referred to as the development of social capital.

It is important to note that government interventions through the CFP and LEADER have led significantly to improved capacities at the local level, even if much of the evidence is anecdotal. It is surprising, therefore, that most central government agencies take little credit for these benefits, which in many ways are more long-lasting and ‘developmental’ than the strictly ‘economic’ outputs that are gathered formally as evidence of performance.

5.2 LEADER Outcomes

As with the CFP there are numerous cases of developed social capital and entrepreneurial activities gaining momentum from one or a few LEADER projects in Sweden. Also similar to CFP there is a lack of systematic recording of these cases (best practices are identified and reported, but they are not cross analyzed). However, once LAGs produce final reports they respond to evaluation criteria, but most often also provide evidence of community development success stories. These ‘local truths’ are to the majority of LEADER Managers and LAG Chairmen the ultimate proof of success (Larsson et al., 2006; Waldenström et al., 2011).

From the start, LAGs, LEADER staff and project promoters have been aware of the need to create employment through LEADER. It has also been one of the main objectives in most of the projects. However, it has been viewed as a program goal of importance primarily for managing agencies, rather than of immediate importance to the individual projects or even LAGs. A common analysis at the local level has been to focus on what can be termed secondary or tertiary outcomes: mobilization, training, and establishing entrepreneurial attitudes (Larsson 2002). The situation is probably similar in the present LEADER, even though program regulations and objectives are stricter; for example, the Swedish Board of Agriculture, managing LEADER in Sweden, is clearly emphasizing job creation (Waldenström et al., 2011).

At the national and EU level the exact number of jobs created and maintained is difficult to identify due to weak reliability in measuring and reporting from the many LAGs. Estimations were made in the ex-post evaluation of LEADER II where 100,000 jobs maintained and created through roughly 1000 beneficiaries that reported (Österreichisches Institut für Raumplanung, 2003). The ex-post evaluation for Leader+ do not report a total job creation number due to difficulties in measuring, but reports evidence from a number of case studies (Metis, 2010). Common to both evaluations is the appreciation that jobs are indeed created and that an important explanation is the indirect support provided through capacity building, networking and improved rural governance.

However, the European Court of Auditors (2010) reported an analysis of the added value of the LEADER approach and the use of sound financial management in LEADER+. The findings are highly critical – LAGs are not delivering added economic value, illustrating the point made in this study of the overall importance of economic performance. In the report the Commission responds to these criticisms, and stresses firmly that (European Court of Auditors, 2010, p. 94):

[the LEADER approach] includes the creation of local capacity, which leads to increased local development activity, pooling local resources, networking all owing mutual learning and an integrated approach to

address complex economic and social issues. The capacity-building process is a key element in the implementation of Leader.

The core objectives of LEADER (such as employment) seem to be of larger importance among national program management, whereas the method aspect of LEADER is of greater importance for the Commission and the LAGs. This suggests an unresolved conflict on rationales and procedures within the LEADER system.

As for the local delivery, the staff at LEADER offices have been and are instrumental. Animators, advisors or ‘pilots’, are some of the many names given to typical staff roles in developing community projects. Common to them all is the task of attracting and preparing innovative project applications for LAGs to decide upon (Larsson, 2000, 2002). Since many of those applying for LEADER funding lacked earlier experience in project management, they needed substantial support in developing eligible and sustainable projects. LEADER today is more mature and regulated, as are project applications and promoters. Perhaps it is therefore reasonable for the EU to reduce levels of administrative funding, exactly the funding that LEADER managers perceived to be of greatest importance to actually “do” LEADER (Waldenström et al., 2011). More capable project promoters, as indicated by better project applications, is another indicator of the secondary benefits of the LEADER methodology and points to the openness of the LEADER program to broader outcomes than those strictly associated with economic returns.

Quantifiable criteria on program success are of course at hand also for LEADER; they are much the same as for CFP – jobs and business related. However, issues on diversification of the agricultural sector, the LEADER method and program management are also always included as are horizontal measures such as gender equality, environment and integration. Evaluators take at least secondary level outcomes seriously and often provide illustrative cases to discuss and evaluate less quantifiable criteria (EuroFutures, 2003; European Commission, 2003). However, systematic accounts and evaluations of secondary and tertiary level outcomes are still missing.

6.0 Concluding remarks

It is evident from this comparative review of two government programs for local economic development that evaluating their performance and judging their success is a difficult proposition. On paper, the CFP remains predominantly an economic development program, although multiple benefits occur at many levels that can be described as secondary and tertiary. The LEADER program has been more deliberately community based and open to secondary and tertiary benefits. LEADER programs have been more systematically evaluated and as such have produced a ‘learning organization’ element, albeit at the macro (EU) level. It is clear that government and community objectives within the same program differ, but it is also evident that many different objectives can be achieved within the same operating structure.

The CFP has produced measurable economic results, while LEADER has produced a methodology: “The Leader method is a policy tool for actively involving and engaging local actors in the development of their community” (European Court of Auditors, 2010, p. 68). This can also be characterized as the difference between ‘product and process’, although only to a limited degree as both programs produce a mixture of benefits, both formal and informal. Such

statements are easily oversimplified since LEADER also produces economic development, but illustrates important differences in focus. An important degree of difference is that LEADER, being more methodologically and process based, provides a learning environment at the local, inter-community level which is not so easy to recognize in the CFDCs. Further, both programs have produced significant community secondary and tertiary benefits. Only LEADER, however, has measured these benefits and has been able to utilize the intelligence gained to reformulate the program goals on a regular basis. In a general way, this reformulation of program goals represents a type of evidence-based policy making. Effective evaluation of rural development programs thus provides a feedback loop to managing agencies that can then choose to – or not to – make changes to program operations. Unfortunately, most rural development initiatives are project-based and do not have the permanence or status of ‘programs’ and rarely have this ‘feedback’ and evidence-based policy function. The absence of a systematic review of secondary and tertiary outcomes is a shortcoming of the CFP in Canada, as the report on rural youth involvement clearly shows.

In retrospect, the two programs represent two successful interventions in rural development. Rather than allocate funds to third parties in the private or non-profit sector to undertake such programming, a growing number of industrial states have provided core funding to support two models of community based economic development, both of which have exceeded expectations. The stability provided by these two models has outweighed the “dis-benefits” of bureaucratization and government association. In both programs the community-based systems of local governance have meant that the government presence has been minimal and the programs are often assumed to be ‘locally owned’. For LEADER though, the present trend is towards increased government ownership, symbolically if not in practice.

In addition to program assessments as a whole, it is quite clear that because of the mechanism of ‘place-based policy’, which has allowed local boards to seek and determine their own directions, there are in fact many success stories at the local level. Assessing program performance at the program level with narrow measures of success undoubtedly overlooks many valuable community multipliers at the local level.

In terms of which model generates the most benefits, as always it depends on how the question is asked. Clearly, the CFP holds the economic key, being based on a revolving loans principle which generates funds at a relatively high ratio for future investments. In many other countries where micro-credit programs prevail, they are mostly based on grants as the level of trust to repay loans is considered to be too low. A major asset of the CFP and LEADER approach is the high level of trust that develops when groups work together to affect local change, change that can be witnessed by the public who are harsh judges of success. CFP is also able to act on a community scale where small-scale loans are often very valuable, being well below the interests of banks and formal government investment strategies which purport to support small and medium enterprises. It is worth noting that the definition of ‘small business’ in many countries is fewer than 100 employees, in the EU a small enterprise has less than 50 employees and a micro-enterprise less than ten employees (European Network for Rural Development, n.d.). In Sweden some 93% of all enterprises have less than five employees. The average size of business in rural Canada is fewer than five employees which qualify as micro-enterprises.

The LEADER program generated, in a period of only ten years, a successful community development model, one that has been replicated in present day sector-

based ministries. Again, the principle of devolving responsibility for local action to local groups has proven beneficial. If such success, however measured, can be sustained while the program remains within one ministry is yet to be seen, as many of the multiple benefits that occur as secondary and tertiary benefits may be undervalued by single-sector agencies.

In the end, the question becomes transformed into which model, the business or the community development model, best leads to economic development. The Community Futures model generates economic benefits in terms of business and job creation but has fewer community level actions, although these tend to develop over time as the CFDC becomes seen as a community resource and an integral part of the regional economy. LEADER community development projects have economic development goals as mandated by the strategic plan and the approvals process and thus lead to economic outputs in the medium to long run.

Although the LEADER program has a superior evaluation process built into it, the methods and criteria could also be much improved. As with the CFP, the current evaluations are for the government levels of administration and new and appropriate methods need to be applied locally for the further development of communities as learning organizations. A potential evaluation methodology for local programming is the one proposed by the European Network of Local Development Teams (Larsson, 2009). The Cross Cultural Analysis for Learning method promotes working visits among LAGs/CFDCs, such that the essential cognitive act of ‘witnessing’ operations can be achieved and an evaluation of one community’s actions by other community reviewers is possible. This could provide an even stronger feedback loop for program and community development. Such networks and their initiatives are part of the tertiary benefits of promoting local economic development through government-supported programs.

The two programs are at a first glance similar, in particular in structure, both emanating from an ambition to counter a number of similar trends in rural areas. Studying the local delivery of the programs, differences appear between local variations within programs. One explanation for this variation is the place-based approach for developing and employing local resources. It allows for general guidelines to be implemented differently in varying contexts (OECD, 2006), as is well exemplified in the European and Canadian countrysides. Native Canadians are interested in loans for working in the forests, while many woman applicants favor loans to start food-based businesses (Fuller, 2008). Dealing with bureaucracies, following the rules, developing a business plan and learning basic accounting is basic but important skills for developing a community or individual enterprise. Such skills are not recorded in either program.

Another explanation relates to budgeting procedures. Where CFP is given permanence in the political structure, the future existence of LEADER has never been guaranteed. Therefore, LAGs and program management have been aware of the need to focus on community development, networking and partnerships in each LEADER area. When LEADER ceases to exist as a development opportunity, a local structure for community development will be needed.

Although differences and problems have been identified in both models, the fact remains that a good deal of state intervention has been usefully invested in rural and remote areas in western nations. Not only have jobs and businesses been created and sustained, but a great deal of capacity building and community

cohesion has been achieved. But it has not been measured and what we do know about success (jobs, businesses, projects completed, repayment ratios) is mainly of value at the macro or government scale. What is required is to develop a creative set of indicators that will measure for example community performance, leadership development, community cohesion, confidence building and youth engagement. Such indicators, together with the standard measures, need to be easy to collect and interpret in a systematic way. This will allow local areas to become learning communities and a more reliable value of government sponsored rural development to be measured.

7.0 References

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