

Concept

Community Economic Development

Definition

Community Economic Development (CED) is local economic development¹ by the community for the community.

Background

A socio-economic leapfrog is a product of government led processes as well as local agencies. Community economic development is one technique to implement economic development on the local level.

CED is based on the perception that economic, environmental and social challenges on the local level, such as unemployment, poverty, environmental degradation, or lack of sense of community, are interlinked. These challenges require a collective response because the solutions are based on changing the community's values.² Moreover, the working assumption is that solutions based on local knowledge and experience are more effective. Therefore, CED deals with those challenges in a comprehensive and inclusive manner giving solutions for the individual, the community and the region.³

The development is carried out by locally based organizations. These organizations can range from Local Exchange and Trading System (LETS)⁴ and not-for-profit enterprises (such as cooperatives) to pure businesses.⁵ There are also umbrella organizations⁵ which act as a social network and as a source of advice and inspiration for communities facing similar challenges.⁶

Goals

CED supports the following goals:

- **Business development initiatives by community members for community members** – CED advances business development initiatives in order to increase employment, to reduce poverty

¹ According to the World Bank, local economic development is a process by which the public sector, the business sector, and NGOs work collectively to create better conditions for economic growth and employment generation. See: **World Bank**, [Local Economic Development](#).

² Conversation with Mr. Sergio Arzeni, head of OECD's LEED program (Local Economic and Employment Development), (7/3/2008).

³ [The Canadian CED Network](#) (CCEDNet)

⁴ LETS organizations create a basis for community trade in goods and services using local or communal currency like beads. See: [Transaction net](#) website.

⁵ See various definitions in [Canadian Social Economy Hub](#) website.

⁶ For examples of umbrella organizations see: [The Canadian CED Network](#) (CCEDNet) or The [National Cooperative Business Association](#) (NCBA).

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and to ameliorate the community's socio-economic condition.⁷ This development includes micro-entrepreneurship, help in integration into the employment market, fair trade development and financial credit.⁸

- **Development that encourages community building and a sense of community** – CED creates activities which enhances relationships between community members, their sense of solidarity, and their willingness to cooperate with each other.⁹
- **Maintaining economic independence for the community** – CED encourages the community's reliance on its own productive power to supply its needs and to reduce its dependence on products or services that are created elsewhere.¹⁰ Widening the community's business circle reduces imports of products and service, decreases the flow of resources out of the community, and promotes re-investing the profits in the community.¹¹ Economic independence can be a zero-sum game in which one community expands its productivity power at the expense of another community.¹²

Characteristics

Most CED organizations are characterized by:

- **An active participation of community members** – Community members organize, initiate and manage projects by themselves.
- **Democratic decision making** – Each community member who is involved in the project has one voice and an equal opportunity to influence decision making process.
- **Preference for promoting social and environmental goals** over maximization of capital and profit.¹³

⁷ Based on the definition by [The center for sustainable community development](#) at Simon Fraser University. Examples of business development in the community are: credit unions that provide low interest loans for its members who are also its owners. According to the World Council of Credit Unions (WOCCU), there are currently 49,000 such banks in 96 countries in the world. Another example is consulting and coaching given to a cooperative of 19 farms growing almond trees that has managed to reduce costs and develop new markets. As a result, the cooperative succeeded in finding its own special niche. See: National Cooperative Business Association under [programs and services](#).

⁸ Ilani, **Growth from another Direction**. Shatil, Jerusalem, 2005 (Hebrew only).

⁹ Excerpt from the definition in [The National Congress for Community Economic Development](#). For example, the community gardens project in Victoria, Canada contributes to solidarity within the community. In the project, community members grow fresh vegetables together which are then sent to soup kitchens that supply healthy nutrition to the disadvantaged members of the community. A description of the project can be found in the [Canadian Social Economy Hub](#) site.

¹⁰ [Statement of CED Principles](#) of the Simon Fraser University Community Economic Development Centre.

¹¹ [New Economic Fund](#) website.

¹² Felsenstein, **Community Economic Development**, Ministry of Social Affairs and Social Services, Jerusalem, 2008 (Hebrew only).

¹³ Based on several definitions for CED in [The Canadian Social Economy Hub](#) website.

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Main benefit: reducing entrance barriers into a competitive market

The main benefit of CED organizations' activities facilitates the integration of disadvantaged individuals into the free market. The organizations achieve this benefit using three main methods:

- **Creating abilities that increase future earning power** – CED organizations invest in cultivating community members' abilities in order to increase their chances to integrate in the market and respond to future incentives for improvement. Abilities are cultivated through vocational training, training in business management, marketing and financing, increasing access to information, access to finance, and creating a personal vision.¹⁴
- **Lowering the entrance bar** – CED projects serve as an incubator for new businesses where the demands for efficiency, innovation or professionalism may be forgiving compared to the ordinary competitive market. Therefore, they may serve as the best basis for initiating new business activity that is not yet ready for competition.¹⁵
- **Risk diffusion between multiple partners** – A partnership between a group of buyers, sellers or other stake holders diffuses the risks of economic activity between all the members. Thus, it removes barriers for active participation in the market from disadvantaged individuals for whom the initial risk is too high.¹⁶ There are many kinds of economic partnerships, including: partnerships for purchasing shared services¹⁷ and cooperatives whose members are also the owners.¹⁸

End.

¹⁴ The New Economics Fund has a project in which every entrepreneur in the community enjoys the assistance of a private coach. For a description of the project, click [here](#).

¹⁵ Local Exchange and Trading Systems such as 'Time Banks' or 'Beads Communities' enable their members to practice at customer service and to make the first move into the market. The Time Bank is a system in which community members exchange services and products whose value is determined by the time it takes to produce them. For instance, a plumber's hour of work equals a lawyer's or a baker's hour of work. Beads Community is a system based on exchanging products and services whose value is determined in (virtual) beads that serve as an intra-community coin. To read more about time banks, click [here](#). To read more about beads communities in Israel: Levy, "Sharp increases in bead's rate", [Haaretz](#), 7/17/2002.

¹⁶ The Scottish Government has decided to found a cooperative development agency based on the recognition of their ability to mobilize people with scarce capital, experience or self-confidence to start their own business due to risk diffusion between several partners. The Scottish Government, [Establishment of a Co-operative Development Agency](#), 2005.

¹⁷ In the Business Improvement Districts model, business owners collectively purchase maintenance, sanitation, marketing and event producing services in order to give their clients better services and to attract new clients. For an example visit the Los Angeles Down Town Center Business Improvement District [website](#).

¹⁸ The 'Community Advocacy' NGO helps communities in Israel to establish food cooperatives. For a description of the project, [click here](#). There are also coalitions of cooperatives like the American National Cooperative Business Association. For its website, [click here](#).

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