



Public Policy Profile

POLICY: Community Economic Development Investment Funds (CEDIF)

DATE INTRODUCED: The CEDIF were first announced in 1993 but not officially launched until 1999.

JURISDICTION: Provincial (Nova Scotia)

INTENDED OUTCOME: The Community Economic Development Investment Fund program was created to address a need for capital investment in Nova Scotia SMEs. Investment in mutual funds and other financial assets by private households represent a huge capital pool that could be drawn on for this purpose. According to Statistics Canada, Nova Scotians contribute approximately \$600 million to RRSPs; however, less than two per cent is re-invested in the province (Stats Can, cited by Government of Nova Scotia). The CEDIF is intended to encourage Nova Scotians to keep that money circulating in the local economy by investing in funds that invest in local companies.

BRIEF DESCRIPTION

The CEDIF was introduced to build on the existing Nova Scotia Equity Tax Credit. The CEDIF stimulates local investment in communities by creating 'capital pools' from hundreds of smaller investments by local residents. Investments in CEDIFs also qualify for the tax credit.

WHY IT IS IMPORTANT TO A PEOPLE- CENTRED ECONOMY

According to Rankin MacSween of New Dawn Enterprises this is "one of the most enabling pieces of legislation in this part of the country" and "one of the most important things that the provincial government has done for community." This sentiment is reflected by Chris Payne of Nova Scotia Economic Rural Development, who calls this the "best tool to enable communities to take charge and raise and retain capital locally and make decisions about its use locally." Both agree the CEDIFs are important because it encourages local autonomy and control over investment. The CEDIFs help ensure that local companies have access to capital that enables them to stay in communities in Nova Scotia; that provide jobs and services to local residents, rather than relocating elsewhere, where money is more available.

REPLICABILITY

Despite its immense success, the CEDIFs are sometimes seen as a "gem in the middle of a desert," according to MacSween. However, this is slowly changing as the idea of social finance grows in Canada. Several other jurisdictions have approached Nova Scotia for information about developing similar initiatives and PEI recently announced the creation of their 'made-in PEI' CEDIF program. Still, MacSween wonders why this model has not been more widely supported and sees real opportunity for growth with this kind of support. Payne too, notes that the initiative is still only "scratching the surface."

SIGNIFICANCE

The CEDIFs have also had a significant impact in Nova Scotia beyond the reinvestment of capital in community. The success of the CEDIFs in providing consistent returns on investment to investors has helped change attitudes toward investing locally, demonstrating that it is “not only a righteous thing to do, but it is also a good investment,” as MacSween notes. Further, the CEDIFs has created significant learning opportunities for investors, communities, government and the Funds themselves. Rankin MacSween sees these opportunities as one of the project’s key successes, noting that the CEDIFs are a “tool to engage in a conversation about community” and the “possibilities for the future” that consistently reach out to new people. According to MacSween, the importance of envisioning new possibilities should not be underestimated because in economically depressed regions “you can lose your sense of possibility.” This program then helps to create tangible examples of the possibilities resulting from local effort. The CEDIFs have also encouraged dialogue and learning opportunities between the Funds themselves, dialogue that has helped to strengthen participating innovative businesses. In this sense, the program has a multiplier effect in that the

success of one Fund contributes to the development, growth and success of others. Despite the absence of central coordination in the amount or distribution of new funds, competition between the Funds has not been an issue and the relationship between Funds is collegial.

However, the most significant aspect of the program is the commitment to shifting control to the community level. According to the Government of Nova Scotia, “communities should be encouraged to take charge of their own initiatives, and retain local autonomy with respect to investment decisions. To be successful, community members must participate in the process, and take responsibility for their own development” (n.d.).¹ According to Chris Payne, the CEDIFs are the “best tool to enable communities to take charge and raise and retain capital and make decisions about its use locally.” This willingness to relinquish control has altered the relationship both between community and government and between communities and local enterprise. Chris Payne describes the result as a ‘virtuous cycle’, strengthening the loyalty of business to community and, in turn of community residents to the business.

1 Government of Nova Scotia Community Economic Development Investment Funds: www.gov.ns.ca/econ/cedif

INTERVIEWS

Rankin MacSween, Executive Director, New Dawn Enterprises; and Chris Payne, Investment Manager, Nova Scotia Economic and Rural Development.

FOR MORE INFORMATION

www.gov.ns.ca/econ/cedif

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