

Impact of the Community Futures Program in Western Canada

An essential guide to understanding the vital role CFDCs play in the development of Canada's rural and northern economies.



The *Community Futures Development Corporation* (CFDC) supports community economic development by assisting communities to develop and diversify through:

1

Strategic Community Planning: Working with communities to assess local problems, establish objectives, as well as plan and implement strategies to develop human, institutional, and physical infrastructures, entrepreneurship, employment, and the economy.

2

Business Services: Delivering a range of business, counselling, and information services to small and medium-sized enterprises (SMEs).

3

Access to Capital: Providing capital to assist existing businesses, and to help entrepreneurs create new businesses.



GENERAL FINDINGS

A CFDC Impact Study was conducted in 2002 to obtain an objective, systematic assessment that will enable a better understanding of the impacts and effects generated by CFDCs across Western Canada. The major findings arising from the review are as follows:

1. There is a strong perceived need for the CFDCs in the communities.

Community representatives and CFDC clients all indicated that there is a very strong need for CFDCs. On a scale of 1 to 5, where 1 is no need at all and 5 is a major need, the community representatives and CFDC clients provided average ratings of 4.6.

2. The CFDCs are perceived as successful in meeting their objectives.

In both the focus groups and the interviews conducted, community representatives generally agreed that the CFDCs have been successful in achieving their objectives. The focus group participants gave an average rating of 4.1, while the interview respondents provided an average rating of 3.7, on a scale of 1 to 5 where 1 is not at all successful and 5 is very successful in achieving their objectives.

3. The services of the CFDCs complement and benefit those of other organizations in the community.

Approximately 80% of these representatives indicated that the presence of a CFDC had positively affected the ability of their organization to achieve its objectives.

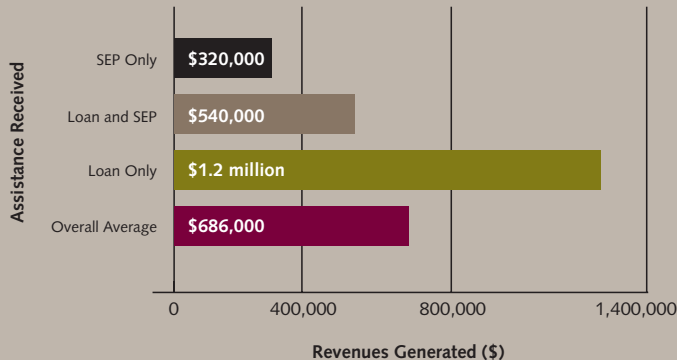
4. The strong capabilities of the staff, the support provided by the Board of Directors and other volunteers, and access to resources have been key to the success of the CFDCs.

Factors identified as limiting the impact CFDCs' have on their communities:

- There are limitations to the resources available, particularly related to Community Economic Development (CED) activities.
- Many of the regions served by CFDCs are large and difficult to access, which increases travel costs and makes it difficult to deliver programs and services throughout the area.
- Although increasing, the overall profile of many of the CFDCs is still quite low.
- A maximum of \$125,000 for loans limits the types of businesses that can be financed. Furthermore, banks tend to focus on loans of over \$250,000, which leaves a gap in terms of access to financing in the communities.

IMPACT OF SERVICES PROVIDED TO ENTREPRENEURS

1. Approximately 30,000 to 35,000 small businesses have used the services of the CFDCs from 1995 to 2001. According to the Impact Study survey, 22% of small businesses (between 30,000 to 35,000) in Western Canada have used one or more different types of service provided by the CFDC. Over this five year span, it is estimated that the CFDCs in Western Canada have delivered services to:
 - 1,826 clients who both received a loan and participated in self-employment training programs (SEP);
 - 6,400 clients who received a loan but did not participate in self-employment training;
 - 8,174 clients who participated in self-employment training but did not receive a loan; and
 - 17,000 clients who have not received a loan or participated in self-employment training, but received some other form of training, information, or technical assistance.



2. **The businesses receiving assistance generate significant economic activity in the communities.**

The assistance provided by CFDCs helps businesses to become established and grow. The typical client receiving a loan and/or participating in self-employment training programs (SEP) generates revenues of approximately \$686,000 in the first five years after receiving assistance from the CFDC. The average loan client generates revenues of about \$1.2 million over the five year period, those who obtained a loan and participated in the self-employment program generate revenues of about \$540,000, and those who only participated in the self-employment program generate revenues of \$320,000.

3. Clients attribute most of their success to the assistance they received from the CFDC.

The survey included a series of questions designed to encourage the client to reflect on how important the services of the CFDC had been in the development of their business.

- When asked to rate the importance of the CFDC services to the establishment and /or development of their business on a scale of 1 to 5, where 1 is not at all important and 5 is very important, the clients gave an average response was 4.5.
- On average, the clients estimated that there is only a 33% chance they would have been able to develop their business to the extent they have without the assistance of the CFDC. Forty-three percent of the clients indicated that there is no chance at all that their business would have developed in the absence of the services provided by the CFDC.
- Overall, the CFDC clients attribute 59% of their business revenues to the services provided by the CFDC.



4. As a result of the services provided by CFDCs each year, the businesses receiving this support generated up to \$1.4 billion in revenues from 1995 to 2001.

- Over \$400,000 in revenues;
- About 10 person years of full-time, part-time, and seasonal employment;
- Over \$100,000 in wages;
- Spin-off benefits of over \$150,000 in the purchase of goods and services from other businesses in the community; and
- Export sales of over \$25,000.



(See chart on the following page)

Estimated Aggregate Economic Impacts of the Business Services Provided Annually by CFDCs

Economic Impacts	Type of Client			Lower Estimate	Upper Estimate
	SEP ONLY	SEP & LOAN	LOAN ONLY		
Impacts (\$ millions in the first five years after assistance is provided)					
Revenue	\$279	\$154	\$669	\$1,103	\$1,371
Wages	\$65	\$36	\$164	\$264	\$330
Local purchases	\$146	\$55	\$229	\$430	\$522
Exports	\$14	\$9	\$45	\$68	\$86
Jobs Created or Maintained (full-time, part-time, and seasonal employment in the five years after assistance is first provided)					
Person years	6,797	3,404	15,674	25,875	32,151

5. **The return on investment for the funds invested by government is very significant. A return on investment can be calculated by comparing the impacts of the loan clients to the value of the loans that they received:**

The average loan-only client received \$51,215 in loans from Community Futures, while the average SEP and loan client received \$30,633. The CFDC services have generated about \$14.30 in accumulated revenues per dollar of loans provided to loan clients, and \$13.79 in revenues per dollar of loans provided to self-employment clients. Similarly, the services have generated one person year of employment for every \$2,987 in loans received by the loan clients, and one person year of employment for every \$3,287 in loans received by the self-employment clients.

Return on Investment

Economic Impacts	Type of Client	
	Average Loan Only Client	Average SEP and Loan Client
Loans received	\$51,215	\$30,633
Revenue generated per dollar of loans	\$14.30	\$13.79
Amount of loan to generate one person year of employment	\$2,987	\$3,287

From 1995 to 2001, CFDCs have received an average of \$16.8 million in operating funding from WD. Using this as a base, the revenues generated by a client in the first five years, which they attribute to the services of the CFDC, is estimated to be between **\$65 and \$81 for every dollar** in operating funding provided by WD to the CFDCs.

IMPACT OF COMMUNITY ECONOMIC DEVELOPMENT (CED) ACTIVITIES

The major findings of the study regarding the impacts of CED activities are as follows:

1. **The relative emphasis placed by CFDCs on CED activities is increasing.**
2. **The leadership and support provided by CFDCs have been critical to the implementation of CED projects in the regions.**
3. **The CED projects selected have already generated some significant economic impacts to date including job creation, the development and maintenance of local businesses, increased revenues, and subsequent investment.**

Currently, there are hundreds of CED projects in operation, out of which 24 were selected for case study. Of the 24 CED projects selected, 10 are still in the early stages of implementation. Most of the others have only started to generate impact and it can be expected that those impacts and effects will continue to expand in the coming months and years. Even at this early stage, the 24 CED projects have already resulted in the creation of 719 jobs, the development of 46 businesses, increased revenues of \$4 million, and investment of \$2.2 million.



Summary of Economic Impacts to Date Associated with the CED projects selected for CFDC Impact Study

Type of Impact	Projects Reporting Impact to Date	Reported Impacts to Date	Comparison to CFDC Contributions and Loans
Employment Impacts	10	719 jobs created or maintained	\$1,279 per job
Business Created or Maintained	6	46 businesses created or maintained	\$19,913 per business
Increased Revenues	5	\$4 million	Over \$4.00 per CFDC dollar provided
Subsequent Investment	2	\$2.2 million	Almost \$2.50 per CFDC dollar provided

The CFDCs have made contributions and loans to the 24 projects totalling \$916,034. On this base, the cost per job to date is equal to \$1,279.



4. The CFDCs have been very successful in taking the funding provided for CED programs and leveraging it with funding from other sources.

Of the \$15 million expended by the 24 CED projects that were the focus of case studies, approximately \$6 million was provided by the private sector, \$2 million was provided by the Federal Government, \$4 million came from Provincial Governments, and \$2 million came from financial institutions. Local and regional governments, financial institutions, community agencies, Women Entrepreneurs, and First Nations groups also contributed resources to the CED projects.

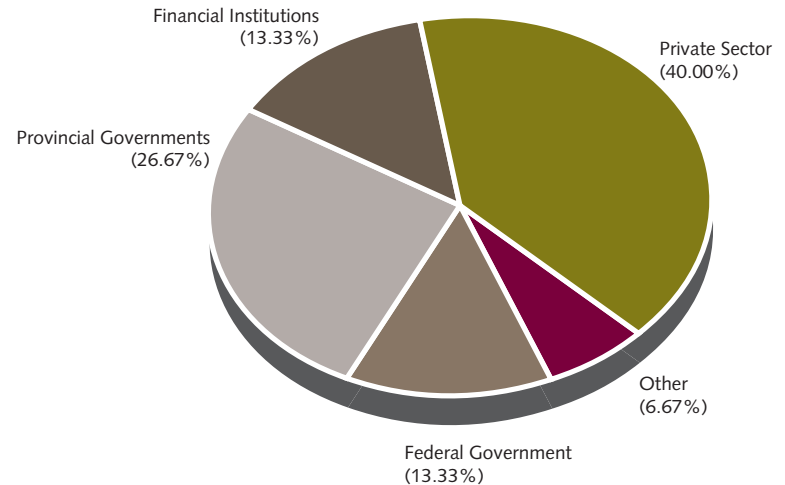
Each dollar contributed by CFDCs (excluding loans capital) has leveraged \$88.35 in public and private sector project funding.

(See chart on the following page)

5. The grass roots approach to community economic development has enabled a wide diversity of projects and initiatives to be undertaken across Western Canada. CED projects have been undertaken with the objectives of:

- Diversifying local economies;
- Reducing economic vulnerability;
- Improving existing infrastructure;
- Reducing the migration of youth out of rural areas;
- Enhancing the investment and entrepreneurial environment; and
- Developing strategies for building organizational and leadership capacities so that local communities can more effectively respond to the economic development opportunities as they arise.

Funding Provided for CED Programs



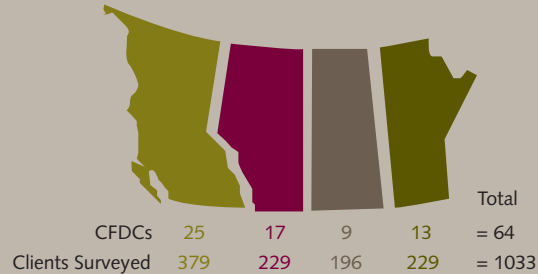
METHOD OF STUDY

The CFDC Impact Study was completed under the direction of a Steering Committee, which included CF representatives from British Columbia, Alberta, Manitoba, and Saskatchewan, as well as Western Diversification. In order to capture the wide range of impacts generated by CFDCs, it was necessary to use a variety of data sources, as summarized below.

SOURCES OF INFORMATION USED IN THE IMPACT ASSESSMENT

- A survey of 1,033 clients receiving assistance from CFDCs. Of the 1,033 clients surveyed, 412 participated in a self-employment training program and 805 received loans from the CFDC.

Number of Clients Surveyed by Province



A random sample of 1,033 CFDC clients provides a margin of error of less than $\pm 2.9\%$ for Western Canada overall and $\pm 4.5\%$ to 6.6% within individual provinces, 19 times out of 20.

- A survey of a random sample of 443 small businesses located in communities served by CFDCs.
- Field trips to 24 of the 90 CFDC communities.
- Input from over 300 people regarding the impact of CFDCs on local communities.
- Case studies of a sample of 24 community economic development projects.
- A review of data collected and reported to WD by the CFDCs.
- A review of other background information on the communities, small businesses, and the activities of the CFDCs.



The CFDC Impact Study was conducted by Ference Weicker & Company, Management Consultants, as part of a Pan West initiative.

To view the study, and to learn more about CFDCs in western Canada visit: www.communityfutures.ca/provincial/index.html