Accountability and Community Economic Development: The Funder-Governed NGO

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Accountability and Community Economic Development

Over the years, *Making Waves*, Canada’s Community Economic Development (CED) magazine, has dedicated many of its pages to a debate about how to best manage and account for CED activities. Authors have written on best practices (Day, 2003), “incrementality” (Cabaj, 2000) and social accounting (Perryman, 2004). The magazine has also looked at specific examples of performance management in practice, including a recent article (Brydon and Cabaj, 2003) on the system used by Waterloo, Ontario’s “Opportunities 2000” poverty reduction initiative. Each article has been an attempt to demonstrate that nebulous CED activities must find suitable accountability mechanisms. Community economic development is difficult to define since it takes various forms based on local community needs. It is generally a very dynamic process directed by skilled facilitators who can tailor their intervention while it is being delivered. In this environment there is a cultural and political resistance to bureaucratic performance controls. This resistance recently manifested itself in *Making Waves’* fiery piece on Human Resources and Skills Development Canada (HRSDC) titled, “Public Institution? Or Public Nuisance?” (Lewis, 2005).

In this article, Lewis (2005, p. 2) documents the community sector’s frustration with a once cooperative government department that has “morphed into a platoon of unhappy project officers and local managers encumbered and incapacitated by an increasingly centralized, restrictive, procedure-dominated system.” He attributes this new culture of control to the “Billion Dollar Boondoggle” that hung over the department for most of 2000. An internal audit of several project files had revealed inadequate documentation and missing data (Phillips and Levasseur, 2004, p. 455). This had not been a financial audit and the Auditor General later found that the unaccounted for funds were actually quite small. Nonetheless, the public embarrassment motivated a tightening of accountability mechanisms. David Good (2003, p. 127) argues, “It is probably not an exaggeration to say that HRDC put into place one of the most extensive and elaborate project review and monitoring systems ever before implemented in the federal government.” Good describes a project lifecycle that now involves twenty-four separate forms and 1800 information fields (Ibid.). Lewis (2005) presents his own example of a community worker whose nine-month-old project file is now 1500 pages and 12 inches high. Other stories demonstrate that HRSDC’s new rules are resulting in costly paper-pushing, stressful project delays, less effective project design, disincentives for innovation and general “nitpicking” (Ibid.). Phillips and Levasseur (2004, p. 455) explain that these were the outcomes of a short-sighted disaster response. HRDC quickly tightened its mechanisms, “rather than carefully balancing any adverse impacts on the contracting agencies” (Ibid.).

Accountability is not an inappropriate goal. The resistance detailed above stems from government’s inappropriate accountability mechanisms. Many nonprofits and CED organizations are limited in their ability to respond. As Gary Perryman says in his review (Perryman, 2004) of the book *What Counts* (Quarter, Mook and Richmond, 2003):
Many nonprofits are struggling to survive and sustain themselves. They are already over-pressured by various private and public funders to implement such so-called accountability tolls as accreditation, balanced report cards, and outcome-based performance evaluations. They have to respond to new forms of allocating funds such as tendering, contribution agreements, and performance-based contracting. They are supposed to spend time collaborating and building partnerships, or struggling with funders’ overwhelming desires to micro-manage. (Perryman, 2004, 13).

If this were merely an issue of organizational capacity, certainly government could cover the additional training and administrative costs. However, there is evidence that this new accountability regime does more than impose additional costs. It may go so far as to define what and how community action takes place.

This paper considers whether or not the new accountability regime is able to redefine the work of community organizations. After defining the role of the nonprofit sector and CED organizations, discussion turns to the theoretical roots of this accountability regime. It is argued to be the product of a government working simultaneously under two conflicting administrative models: new public management and social governance. The impact of these accountability mechanisms is examined through the case of a CED agency in Nova Scotia which has struggled in its response to funders’ pressures. Three themes from the literature are explored: shifting priorities, stifling innovation, and stumbling through issues of performance measurement. The case illustrates that government can have a profound unintentional impact on community economic development. The closing discussion seeks to understand how government might achieve accountability without circumventing local governance.

The Role of CED Organizations

Nonprofits, and particularly CED organizations, play a uniquely important role in Canadian society. According to pure economic theory, the nonprofit sector exists as a make-shift patch to repair market failure, government failure or both (Mitchell, Longo and Vodden, 2001, p. 149). Many nonprofit scholars disagree with this residual definition. Phillips (1995) argues that nonprofits serve the distinct roles of representation, citizen engagement and service delivery. Salamon (1995) suggests viewing the nonprofit/voluntary sector as the primary response to market failure and government as a subsequent response to the failure of voluntary action. But often it is government that enables the nonprofit sector by providing resources. Phillips (2003) argues that this is because government recognizes the responsiveness of nonprofits. “Often, community organizations have better ways of doing things, at a scale and with greater attention to local differences than governments can manage” (Ibid., p. 25). Community economic development encompasses much of this local action. CED organizations include “cooperatives and credit unions, registered societies, informal community groups, roundtables, and development corporations run by community boards” (Mitchell et al,
2001, p. 151). By definition, CED organizations undertake a balancing act. They make purposeful interventions to address market failure and “the repercussions…of corporate decisions made in the best interests of owners and shareholders rather than the communities where [firms] operate” (Ibid.). Meanwhile, they recognize the importance of the private sector and often use market-based tools or enter into partnerships with the private sector. In a similar vein, CED organizations respond to failures of public policy but are partners with government. This unique relationship with the public and private sectors means that CED organizations (and nonprofits in general) are a function of both but an element of neither.

A Conflict of Administrative Models

As a function of government, CED organizations are affected by its policies and practices. Clearly, organizations receiving funds from HRSDC are feeling the pressure of this new accountability regime. But the regime extends beyond crisis-afflicted HRSDC. Indeed, the “Billion Dollar Boondoggle” was only an event, experienced by a philosophically-challenged government. The Canadian government is still struggling to be more business-like in response to the new public management movement. Meanwhile, it is exploring a new governance role with the nonprofit sector. Phillips and Levasseur (2004, p. 452) explain:

In Canada, as elsewhere, the process of governing is in transition from “new public management” (NPM), which relied heavily on contracting-out, market-based policy tools and government control, to a model of horizontal “governance,” which depends on collaboration with non-governmental actors, a wide-variety of policy tools, and works mainly through networks rather than hierarchies.

This conflict of administrative models creates friction between strict accountability contracts and collaborative governance. Phillips and Levasseur (Ibid.) argue that the state’s relationship with the nonprofit sector is where these two public administration models collide.

New Public Management

The emphasis of new public management is on “reducing the size and scope of governance” (Mitchell et al, 2001, p. 152). Governments have therefore increasingly downloaded service delivery onto the nonprofit sector. Throughout the 1980s and 1990s, the federal government significantly increased its use of contracting, “as a means of cutting the costs of public services, reducing the size of the state, avoiding public-sector unions, improving efficiency, and enabling governments to manage to results for better customer service” (Phillips and Levasseur, 2004, p. 454). In this process, the mechanism for funding the nonprofit sector switched from unconditional grants to project-based “contribution agreement” funding (Phillips 2003, p. 452). Therefore part of the
accountability regime was inherent in new public management. However, Phillips and Levasseur argue that, in response to the HRDC crisis, “Canada went further than most countries under NPM and imposed very stringent approval and reporting requirements” (Phillips and Levasseur, 2004, p. 452). Today’s accountability regime is therefore the legacy of an exaggerated new public management model.

David Osborne and Ted Gaebler’s book, *Reinventing Government* (1993), is seen as a seminal work on NPM. It called for a shift from bureaucracy to entrepreneurship. They say,

Most entrepreneurial governments…prefer *market* mechanisms to bureaucratic mechanisms. And they focus not simply on providing public services, but on *catalyzing* all sectors – public, private, and voluntary – into action to solve their community’s problems. [Emphasis in Original.] (Ibid., pp. 19-20).

Noted political scientist and economic development scholar, Donald Savoie, is critical of Osborne and Gaebler’s NPM. He says that NPM considers private sector management practices to be superior and thus it proposes that either government services be contracted out or private sector management techniques be imposed on government. The flaw in this logic is that “private sector management practices rarely apply to government operations” (Savoie, 1995, p. 114). Savoie explains that,

…in business it does not much matter if you get it wrong 10 percent of the time as long as you turn a profit at the end of the year. In government, it does not much matter if you get it right 90 percent of the time because the focus will be on the 10 percent of the time you get it wrong. (Ibid., p. 155).

Inwood (1999, p. 69) agrees: “it would appear that proponents of the NPM have forgotten Wallace Sayre’s law that public and private administration are fundamentally alike in all unimportant respects.” Since the nonprofit sector is a function of both the private and public sectors, but an element of neither, its administration is also fundamentally unique. It is plausible that neither public nor private administration is applicable to the nonprofit sector.

**Governance**

While new restrictive accountability mechanisms were being imposed, government embarked on a new process of collaboration with the nonprofit sector. Thus far the collaboration has resulted in an “Accord Between the Government of Canada and the Voluntary Sector” and “Codes of Good Practice” on policy dialogue and funding. Phillips and Levasseur (2004, pp. 452-453) argue “these ‘governance contracts’ could be seen as a manifestation of the transition to horizontal governance.” A governance model involves developing a guiding, non-controlling relationship with other levels of government, the private and nonprofit sectors (Phillips, 2003, p. 25). Stoker (1998, p. 18) frames his discussion of governance around five key propositions:

1. Governance refers to a set of institutions and actors that are drawn from and beyond government;
2.) Governance identifies the blurring of boundaries and responsibilities for tackling social and economic issues;

3.) Governance identifies the power dependence involved in the relationships between institutions involved in the collective actions;

4.) Governance is about autonomous self-governing networks of actors; and

5.) Governance recognizes the capacity to get things done which does not rest on the power of government to command or use its authority. It sees government as able to use new tools and techniques to steer and guide. ”

Clearly the nonprofit sector stands to benefit from the shift to a governance relationship. Indeed, many of the recommendations and commitments from the Voluntary Sector Initiative (1999 and 2002) address improvements to the current accountability regime. However the transition to a governance model does not promise to be smooth.

**Contradictions**

Although the Government of Canada may be moving toward a model of horizontal governance, new public management is leaving a contracting culture in its wake. These two administrative models are pulling the government in different directions. It is trying to be a collaborator while maintaining tight control through performance contracting (Phillips and Levasseur, 2004, p. 453). Phillips and Graham (2000, p. 185) argue, “The joint rise of accountability and collaboration has created many contradictions for voluntary organizations: in particular, to become at once more risk-taking and more rule-following.” In their study of nonprofits in Manitoba, Brown and Troutt (2003) found evidence that, even when government did not require extensive accountability mechanisms, nonprofits would implement control systems. They concluded that “because accountability is a shared objective, it is not in itself a source of tension between agencies and government” (Brown and Troutt, 2003, p. 208). Instead, the tension stems from government’s cumbersome and restrictive mechanisms for accountability. Nonprofits recognize the objective of accountability, but their priority is responsiveness to the community. The legacy of new public management is a contractually restricted nonprofit sector at a time when government sees benefit in a more collaborative relationship.

**The Impact of the Accountability Regime**

A good deal of research has been conducted on the impact of this accountability regime on the nonprofit sector. Kathy Brock and Keith Banting at the Queen’s University School of Policy Studies have edited a number of books on the nonprofit sector (Banting, 2000; Brock, 2002 and 2003; Brock and Banting, 2001 and 2003). A variety of challenges are documented in these and other works. Little of the research explicitly
addresses community economic development organizations or community economic
development activities. However, three broad themes emerge in both the general
literature on nonprofits and the CED agency case study. The accountability regime has
left the Western Valley Development Agency with shifting priorities, stifled innovation,
and stumbling through issues of performance measurement.

The Case Study

Ten years ago, the seven municipalities in Annapolis and Digby counties, Nova
Scotia, came together, in partnership with the provincial and federal governments, and
created a new organization called the Western Valley Development Authority (now
Agency). The closure of CFB Cornwallis in 1994 had been devastating to the regional
economy. Seven hundred jobs were lost, the tax base was devastated, and retailers,
contractors and suppliers of goods and services were all severely impacted. Meanwhile,
Ground fish stocks had collapsed, leaving a significant portion of the fisheries sector in
crisis. In response, Annapolis and Digby counties were the first in the province to create a
Regional Development Authority. Nova Scotia’s program of 13 RDAs was based on the
community economic development model, and grounded in the philosophy of the
Antigonish movement. As a result, the WVDA has a broad, holistic mission:
Building on our diverse cultural heritage, the Western Valley Development
Authority (WVDA) will work with the community to create a vital, prosperous,
and self-reliant region where the people have ample opportunity for a full and

The WVDA is seen by many third-party observers as a dynamic innovator in the
world of community economic development. The United Nations’ Educational Scientific
and Cultural Organization and Centre for Human Settlements have each recognized the
Western Valley’s conscientious economic development activities. The WVDA has
received two awards for sustainable development from the Province of Nova Scotia. The
Economic Developers’ Association of Canada has bestowed the WVDA with 4 awards:
two of which were for creating innovative community partnerships, one for facilitating a
common community vision through research and one for community marketing. Most

1 The Town of Annapolis Royal, Municipality of Annapolis County, Town of Bridgetown, Town of
Digby, Municipality of the District of Digby, Municipality of the District of Clare and Town of
Middleton.
2 In 1998, UNESCO named the Digby region an international model of development processes (www.wvda.com).
3 Also in 1998, the UN Centre for Human Settlements called the WVDA one of the 100 Best Practices in the
World for improving living conditions (www.wvda.com).
4 The Province of Nova Scotia awarded the WVDA its highest prize for sustainable development in 1999. The
Government of Nova Scotia also presented the WVDA with the Bay of Fundy Partnership Award for
environmental stewardship in 2001 (www.wvda.com).
5 In 1999, the EDAC and Royal Bank called the WVDA’s forestry program (including an industry advisory group)
the best economic development program in Canada. In 2000, the EDAC named the WVDA’s "Building Tomorrow
-- Vision 2000" best research paper in the country. In 2001, the WVDA again received the Royal Bank sponsored
recently, the Intelligent Communities forum has named the Western Valley region to its list of the top seven Intelligent Communities in the world (2003). These awards and citations underscore the WVDA’s role as a values-driven, innovative facilitator of community economic development. But the hype around the WVDA’s activities has overshadowed a gradual change in the organization’s operations brought on by pressure from funding partners.

**Shifting Priorities**

The literature suggests that the priorities of nonprofit organizations can be fatally tied to government funding priorities, target areas and mechanisms. The first implication here is that many nonprofits will reposition themselves to take advantage of the latest buzz word or programming area. This happens as government moves through fads like “Connecting Canadians”, the “Innovation Strategy” and its most recent focus on the “Social Economy”. Brown and Troutt (2003, p. 201) found that in Manitoba, “Several organizations noted that they respond to political shifts and changes in program funding by repositioning themselves to suit the new priorities.” This can happen even when the organizations’ missions are only indirectly related to the new priorities. As a result, the organizations best able to position themselves successfully attract new project money. This was certainly the case with the WVDA and its information and communication technology projects.

Much of the WVDA’s activity over the past five years has been in the realm of information and communication technology development. ICT projects had been proposed throughout the agency’s first five years, but few materialized. They did not become a priority until the federal government made funding available under the “Connecting Canadians” agenda. Since then, the organization has been involved in supporting the formation of some 35 Community Access Program sites, the creation of 3 digital collections websites, the delivery of a VolNet program to support technology adoption in voluntary organizations, creation of a virtual community resource centre, and most recently the introduction of an e-business support program. The most significant project funding ever received by the WVDA was $4.5 million for one of twelve national Smart Community Demonstration Projects.

Given the focus the Smart Community Demonstration Project brought to ICT development in the Western Valley, it is not surprising that there has been concern for the WVDA’s broader mandate. Shortly after being awarded the project, the community raised the possibility that it could distract the organization from its other activities. In its 2000 evaluation of the WVDA, Praxis Research and Consulting (2000, p. 22) found that staying focused on its broad mandate would be one of the WVDA’s key challenges: “the challenge will be to maintain the community and business focus, and to ensure the WVDA continues to be a community-based, grass-roots organization.” This finding stems from comments made by key informants, like the one below:

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Best Economic Development Program Award for the West Nova Agro Commodities Grain & Forage Centre. And, in 2002, the WVDA won an EDAC Marketing Award for the Acadie 2003-2005 logo (www.wvda.com).
[The] WVDA has to be careful not to get overwhelmed with [the] Smart Community Project, they have to be careful with their internal synergy so they can focus on mandate and other projects (Praxis, 2000, p. 9).

Concern that the WVDA could become an information technology development group was partly founded: including in-kind contributions, Smart Community expenses would account for 68% of WVDA’s total spending between April 1, 2000 and March 31, 2004 (See Figure 1). The WVDA had seen considerable success in all sectors of the economy, and now information technology was appearing to consume nearly three-quarters of its attention. In the Smart Community Project’s first year (also the first year of another major project, Learn$ave), the organization’s revenues increased 587.2% and expenses increased 586.7%. This overwhelming increase in resources and responsibilities (mostly in the area of ICT development) had many of Praxis’ key respondents jittery.

The concern that information technology, and particularly the Smart Community Project, would consume the WVDA’s attention was partly propelled by the agency’s communications efforts. In the year 2000, nearly half (49%) of the WVDA’s earned media related to its information technology projects.6 And this public relations penchant extended into the electronic newsletter the agency started the following year. On average, forty-eight percent of articles appearing in Western Valley E-News between October 2001 and June 2004 related to ICT projects. At points the proportion of ICT content in the WVDA’s newsletter reached 73%, closely matching the proportion of its ICT spending.7 Clearly, the majority of the WVDA’s activity over the period related to the Smart Community Project, and this was reflected in the public eye.

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6 Compiled by R. MacNeil from WVDA Media Clippings Archive.
7 Compiled by R. MacNeil from WVDA E-News Archive.
However, it cannot be said that information and communications technologies have permanently become a univocal distraction in the WVDA’s development efforts. Concerns that these technologies would distract the WVDA may have been realized, but only for a brief period. The resources provided by Industry Canada temporarily filtered much of the agency’s development work through this strategic tool. They temporarily predisposed the agency’s toolkit. Now that the three-year funding for the Smart Community Project has drawn to a close, the WVDA’s activities have returned to a more balanced state. The agency continues to use ICTs, but only in 28% of planned activities for the 2004-2005 fiscal year.8 The current business plans give the sense that ICTs are used where appropriate and helpful. Clearly, government funding priorities can sway the activities of nonprofit organizations. The WVDA was able to revert to a more balanced state, but not all organizations can necessarily recover from a dramatic shift in priorities. Nor do all communities need their CED organizations focused on ICT development for four years.

Clearly the attention given to a local/organizational priority can vary with how well it suits government priorities. But the literature also illustrates that when a local priority does not match a government priority it may not be funded at all. Diochon (2003, p. 268) tells of cases where residents of Isle Madame, Nova Scotia, had to abandon “viable projects” because the projects were ineligible for government funding. It may also be that the mechanics of the government funding program are sufficient to undermine local action. This is often the case when long term sustainability is an issue:

Organizations have determined that it is sometimes better to leave a community need unattended than to set up a system to help people with a particular need and then have to eliminate the system when the project funding ends” (Brown and Troutt, 2003, p. 192).

In the case of the WVDA a major government program was designed in a way that conflicted with local priorities.

The WVDA uses its core funding ($375,000) to secure additional project funding each year. In 2003-2004, the agency secured $2.5 million in additional funding ($1.6 million was for the Smart Community Project from Industry Canada and in-kind partners). The government departments and agencies that are providing these funds have project-specific requirements for eligible expenses, in-kind contributions, performance measurement, and the involvement of specialized partners (ie. public-private partnerships). The WVDA must conform to these requirements to obtain project funding. Each time this happens the agency becomes accountable to another political master. Unfortunately the priorities of external funding programs do not always match local priorities. For example, when the WVDA approached Industry Canada to secure funding for broadband infrastructure it was told to first forge a partnership with the local incumbent telecommunications provider. But, Project Manager Leslee Fredericks explains,

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Essentially, we would have been providing a one-time subsidy to allow the carrier to extend its reach further into the outlying communities. Once the project funding was depleted, the traditional business model would apply, with the same monthly rates and fees that residents and businesses couldn't afford in the first place (Canada, 2004a).

The WVDA declined to apply for funding under Industry Canada’s Broadband for Rural and Northern Development (BRAND) program because the result would not have benefited the Western Valley community. Instead, the FundyWeb Broadband Board was formed and financing was found elsewhere. But while the WVDA was able to identify and address its concerns with the BRAND program it continues to be at risk of changing government priorities. A mismatch of priorities between the WVDA and non-core funding partners could result in either a lack of financing for local priorities or an adjustment of local priorities to fit external funding requirements. Unfortunately external resources can often determine which local priorities move forward.

**Stifling Innovation**

The second major theme in the literature is that the government’s accountability regime is “stifling innovation, risk-taking and creativity” (Phillips and Levasseur, 2004, p. 458). This is happening in two ways. First, it happens through direct contractual requirements. Deliverables and anticipated outcomes must be specified in advance and codified in contribution agreements. Second, it can happen indirectly through a risk-averse environment that does not accommodate failure. Phillips and Levasseur (Ibid, p. 459) explain,

> There was also a sense that innovative problem-solving during the course of a project was not particularly welcome, because a new innovation might not pass an audit if it has not been in the original proposal. Therefore, when innovation does take place it has to be disguised rather than shared.

As will be described below, this was the case with the WVDA’s Smart Community Project.

It is important to step back to the broadband example for a moment. To get around the fact that the local telecommunications provider would not engage as a partner, the WVDA devised the FundyWeb Broadband Board. But rather than recognize this innovative approach to community infrastructure development, Industry Canada ordered a thorough third-party project review (Boudreau, 2002). The review compared project progress with the original objectives established over two years prior. After the review concluded that partnership with the telecommunications provider was inappropriate and this community-owned fibre optic network was an appropriate step, Industry Canada agreed to the new project direction. This was not the only funder-imposed limit on the WVDA’s innovation.
Unfortunately the WVDA had considerable difficulty with private sector partners and suppliers during the Smart Community Demonstration Project. A number of project documents note differences between the public and private interest and issues with quality and performance. Industry Canada’s profile of the Western Valley Smart Community Demonstration Project notes that changes “in the Internet industry began to expose flaws in the prevalent business model for online services -- a model that anticipated significant revenues from advertising and transaction fees” (Canada, 2004b). Declining costs had made personal computers and Internet connectivity more accessible in the home. The project’s public access kiosks were not going to generate the high-volume traffic that would support their business model. “The partner’s business model, and a lack of concern over community content, was not going to meet the original objectives and the partnership was dissolved” (Canada, 2004b).

Funding programs like Smart Communities push nonprofits to partner with the private sector, but in the case of the WVDA nothing was done to equip the organization for the challenges of managing those partnerships. The WVDA had difficulty enforcing performance and quality through its partnership agreements. Nonprofit-private partnerships can be bad for business too, particularly in the information technology sector. Rapidly changing technology drives a rapidly changing market. However, long-term projects like the three-year Western Valley Smart Community Demonstration Project have relatively inflexible predetermined deliverables. Businesses that would otherwise respond to market changes by adjusting their business model mid-project are stuck working toward redundant deliverables. This presents significant problems for government intervention in ICT development, given Moore’s law (the doubling of transistors every two years). Logically, stronger, more detailed partnership contracts would improve accountability. But how can a business innovate and maintain its market orientation under strict contractual requirements? How can long-term community ICT projects achieve public accountability without tight contracts, and sustainability without market-driven private sector partners? This challenge will be taken up in the conclusion of this paper. But what is evident from the WVDA case is that funding agreements which require private sector collaboration and also stifle innovation pack a doubly negative punch. In part this is because, as Phillips and Graham (2000, p. 177) say, “forced, imposed or token collaborations seldom work.”

**Stumbling through Measurement**

The introductory section of this paper noted the preoccupation of CED practitioners, the national CED magazine, and the nonprofit sector in general, with issues of impact and performance measurement. Measurement of CED outcomes is said to be a challenge because of the inherent lengthy time horizons and indirect causality. But there is no lack of motivation toward outcome measurement in the nonprofit sector. The practicalities are the impediment (Panel, 1999, p. 39):

The prospect of outcome-based measurement is much more difficult for small organizations, lacking in human and financial resources, than larger organizations, and for some types of programs, notably those whose effects are long term in nature, no matter the size of the organization.
Phillips and Levasseur’s respondents concurred, citing a lack of expertise, time and resources as the obstacles (2004, p. 462). Many of these respondents also felt that “such measurement cannot be effectively done on projects that are aimed at long-term change but funded on short-term horizons” (Ibid.). Brown and Troutt observed that, in response to pressures from funders, organizations develop systems “to produce efficiently the myriad of datasets required by funders” (2003, p. 197). This case study cannot speak to the degree of expertise and resources applied to the measurement challenge at the WVDA. But the challenges faced by the WVDA are similar to those identified in the literature and the progression from ad hoc compliance to an integrated data system is evident.

The WVDA has taken an ad hoc approach to performance management over its history. Over the past decade it has been challenging to link the agency’s activities with specific economic improvements. In 2000, Praxis Research and Consulting was hired to produce the agency’s only formal evaluation. The process was participatory, but had been required by the provincial government. The final report noted, “…it is difficult to attribute specific economic outcomes to the activities of this or any RDA” (2000, p. 2). Instead, Praxis relied on the views of “knowledgeable people in the region” (Ibid.). Since the Praxis report, the WVDA has produced project reports and evaluations but no additional evaluation of the entire organization. For example, performance scorecards were produced for the Smart Community project at the end of 3 out of 12 fiscal quarters. Scorecards have not been introduced for any other projects at the WVDA. Also, an extensive management information system was used for the WVDA’s “Learn$ave” project (one of ten national individual development account pilot projects). For the first three years of the Learn$ave project the WVDA used this system separately from other project reporting. The agency’s ad hoc performance management is now giving way to more formal techniques.

In the summer of 2004 the organization began an ISO 9001:2000 accreditation process in association with the province’s other RDAs. To manage the paperwork associated with ISO, and to begin producing all funder reports from a common dataset, the WVDA decided to design, construct and implement a custom performance management database. This system is a self-initiated response to the frequent and complex data requests from the WVDA’s numerous funders and partners. In the near future all of the WVDA’s activities will be tracked through a system of work orders that will compare planned performance with actual performance. There is academic evidence that ISO 9001 can improve performance quality in small and medium businesses (Hamilton, 1998). But some academics are critical of ISO. Some say that it adds “superfluous bureaucracy…to the system of doing business” (Ibid, p. 16). One critic, John Seddon, downplays any financial benefits and says that the system only reinforces organizational hierarchy and control (Ibid.). This disadvantage counters the culture of empowerment in many innovative organizations. But Hamilton notes that SMEs that can humanize the ISO process are able to maintain empowerment. This will be a challenge for the WVDA.

It would appear that the organization has selected a performance management system that is not entirely compatible with its culture and structure. But the logic is that
this system has already been successfully implemented by other RDAs in the province. The WVDA seems willing to try ISO 9001 (and the accompanying database) to coordinate its reporting function and to reduce its accountability costs. Unfortunately it is not clear whether the agency has accumulated the capacity to undertake this project. It is possible that the system will be overly focused on short-term deliverables and concrete action just as the funders have been. If the performance system is improperly designed it may direct the WVDA toward improper goals. After some time has passed it will be interesting to examine the impact of this system.

Lessons

The Government of Canada rightly expects that nonprofits will respond to community needs like the private sector responds to markets. But at the same time nonprofits are expected to be accountable and bureaucratic like government. Part of the problem is that the government is experiencing its own identity crisis in the new public management-social governance contradiction. The resulting accountability regime is able to influence the work of community organizations like the WVDA, albeit unintentionally. Government funding priorities can sway the activities of nonprofit organizations and a mismatch of priorities can result in either a lack of financing for local priorities or an adjustment of local priorities to fit external funding requirements. The structure of funding programs can stifle innovation, and this is particularly worrisome for all players when nonprofits are required to work with the private sector. Finally, nonprofit organizations appear to stumble through performance measurement because their efforts are difficult to evaluate and because they do not have the capacity to do it properly. The WVDA has shown a great deal of organizational resilience, but this may not be the case with all nonprofits.

Government can respond to these challenges by supporting capacity development and self-regulation. Phillips and Graham (2000, p.183) conclude that greater innovation and accountability will occur when government is able to step beyond simply making and monitoring grants and begin “helping to build capacity by contributing to overhead, lending expertise to voluntary organizations to engage in strategic planning and problem solving, and providing assistance with research for performance measurement.” The Panel on Accountability and Governance in the Voluntary sector concurs. Because of the resources required to produce outcome-based assessments, the Panel recommends that “funders and governments, which may be mandating or promoting such assessment, provide the requisite capacity and resources” (Panel, 2000, p. 39). But as Phillips and Levasseur (2004, pp. 468-469) argue, government cannot narrowly focus on improving the current instruments:

> The need is not simply to recalibrate accountability requirements on contribution agreements or contracts so that they are less onerous on voluntary organizations but to establish funding instruments that are better suited to a model of horizontal governance.
The new department of Social Development Canada has proposed the creation of an interdepartmental task force on funding instruments (Ibid.) and the Canadian CED Network has begun discussing these challenges with HRSDC (Lewis, 2005, p. 6). There seems to be a growing consensus that “regulation by one partner or by an external actor is not the most useful vehicle for accountability” (Phillips and Graham, 2000, p. 183). Phillips (2003, p. 45) argues that accountability in the nonprofit sector already involves a high degree of self-regulation by boards, members, beneficiaries, umbrella organizations and professional associations. A horizontal governance model does not neglect accountability to funders, but it does recognize all of these other accountabilities. The ultimate benefit of a horizontal governance approach might be the recognition that the nonprofit sector is unique and therefore requires its own administrative model and accountability system.

Addendum: Following the submission of this article, the Western Valley Development Agency announced it would cease operations effective August 26, 2005. By July 1, the Municipality of the District of Clare, the Municipality of the District of Digby and the Municipality of Annapolis County had all withdrawn their funding and the Board of Directors had initiated steps toward dissolution of the agency.

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References


