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REGIONAL ECONOMIC DEVELOPMENT AGENCIES IN CANADA:

LESSONS FOR SOUTHERN ONTARIO

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INFORMED BY ONTARIO'S REALITY

EXECUTIVE SUMMARY

For most of Canadian history, southern Ontario has been the nation's economic powerhouse with many strengths across sectors, cities, and communities. However, recent years have brought complex and large-scale challenges. Continental free trade, the global financial crisis, and a volatile exchange rate all demand creative adaptation and sophisticated innovation from the region's firms, workers, communities, and institutions. The pressures are especially intense for traditional manufacturing and resource industries, and the workers and communities that depend on them.

The creation of the Federal Development Agency for Southern Ontario (FedDev) is a timely addition to the economic policy landscape. As a new agency, equipped with federal resources, national networks, and a policy mandate to support economic and community innovation, FedDev can play a leadership role in ensuring broad-based, sustainable economic growth for the region. While FedDev emerges against a backdrop of skepticism about the value of regional policy, this paper offers an alternative conception of how the federal government can work strategically and collaboratively with its provincial and local partners in charting a new approach to *place-based*, *innovation-driven* development for southern Ontario.

To make the case, the paper situates FedDev's formation in relation to Canada's history with regional development policy, and in the context of an evolving international body of scholarly knowledge known as the "new regionalism." The paper draws specific lessons to inform FedDev's work from five decades of federal policy through similar regional development agencies in the rest of Canada. Grounding these policy lessons in the research findings and theoretical concepts of the new regionalism, the paper's main messages are as follows:

- Across 50 years of federal regional development activity there is evidence of policy learning in the evolution from centralized and top-down structures to decentralized, collaborative processes. Policy goals and instruments have become more sophisticated and differentiated over time and across regions.

- One of the key evolutions has been the progression away from redistributional spending to investments in knowledge and innovation.

- Establishing causality in regional development is complex, and it is difficult to separate out the impact of public policy interventions on outcomes. All of the Regional Development Agencies (RDAs) have implemented indicator systems to benchmark performance and negotiated contractual approaches with various partners to align multiple resources with key outcomes.

- Variation in regional priorities, local conditions, and community capacities has resulted in a diversity of structures, strategies and initiatives across the country. While this is a clear strength in the Canadian approach, the RDAs are insufficiently networked for robust assessment of regional experiments, effective scaling-up of demonstration projects, and efficient transfer of best practices. Greater investment in social learning processes would enhance a pan-Canadian, system-wide capacity for regional policy innovation.

- Southern Ontario is well-positioned for success in the era of the new regionalism with clear advantages to build on across sectors and communities. However, resources must be assembled and aligned, and local assets need leveraging through effective multi-level governance and creative policy leadership. FedDev can be an agent of transformational change, demonstrating the value of both a place-based, innovation-driven approach to regional development and a high-performing federal system that invests strategically for the long term.

The main conclusion from this research is simple. Rather than dispersing its scarce resources through incremental or marginal add-ons to the existing stock of development supports, FedDev should focus on game-changing regional investments that lead to significant advances in innovation and sustainability. *Transformative development projects* meet this test and they should structure FedDev's investment portfolio. Examples include technology-driven economic clusters, eco-industrial infrastructures for sustainable business innovation, and multi-community projects for clean and renewable energy supply. Such projects have great potential in all of southern Ontario's regions, but progress depends on strategic partnerships between governments and across public, private, and community sectors. Given the scale of investment required and scope of change envisioned, transformative development projects could bring valuable policy focus to FedDev.

For more Mowat research on regional economic development, see:

FROM ENTANGLEMENT TO ALIGNMENT:

A Review of International Practice
in Regional Economic Development

By David A. Wolfe

&

TOWARD A TRANSFORMATIVE AGENDA FOR FEDDEV ONTARIO

By Neil Bradford & David A. Wolfe

Available at www.mowatcentre.ca

REGIONAL ECONOMIC DEVELOPMENT AGENCIES IN CANADA:
Lessons for Southern Ontario

Neil Bradford

For most of Canadian history, southern Ontario has been the nation's economic powerhouse. Its strengths are many. The Greater Toronto area is a cosmopolitan metropolis renowned for its creativity and innovation in leading sectors of the knowledge-based economy. A host of second-and third-tier cities from Ottawa to Windsor have long been home to an impressive range of industries from automotive and steel to emerging technology clusters linked with local universities and colleges. The region also contains some of Canada's most fertile farmland as well as numerous rural communities developing the region's bounty of natural resources. In short, southern Ontario's reputation as a dynamic and diverse economy is well deserved. Generations of business, government, and community leadership can take pride in the region's national economic leadership.

However, recent years have brought complex and large-scale economic change to southern Ontario (Courchene and Telmer, 1998; Martin and Florida, 2009). Meeting the demands of continental free trade, responding to the shock of the global financial crisis, and coping with a volatile exchange rate have challenged long-standing attitudes, practices, and policies. Across all sectors of the regional economy there is an urgent need to innovate, to bring more knowledge and value than the global competition to processes and products. The pressures are especially intense for traditional manufacturing and resource industries and the cities and communities that depend on them.

Given the scope and scale of the transformations, governments at all levels must play their part. Indeed, the federal government has decades of experience in supporting such diversification and innovation through dedicated agencies that address the specific needs of different regions. Yet, today's economic challenges call for a new approach, a shared framework to target scarce resources and coordinate multiple efforts.

The 2009 announcement of the Federal Development Agency for Southern Ontario (FedDev)—the one territorial exception to federal government regional intervention—offers an institutional focal point for the *transformational change* that is required to achieve sustainable prosperity shared broadly by Ontarians. The field of economic development policy in Ontario is already crowded and controversy persists about regional approaches. Adding yet another another agency to the complex web of subsidies and interventions is not the point. Rather, FedDev should act boldly and strategically. Its purpose should be to assemble, align, and leverage the existing array of actors and assets in southern Ontario for broad-based economic renewal over the longer term.

This paper explores how FedDev can become such an agent of transformative regional change. It places the agency's challenges and opportunities in two key policy making contexts, one historical and the other analytical. First, in historical terms, it probes what can be learned from five decades of regional development policy in the rest of Canada through similar federal agencies. Second, in relation to evolving knowledge about regional development, it synthesizes policy learnings from the "new regionalism" into an action framework that could guide FedDev's progress as a *change agency*. The paper's main findings can be summarized as follows:

- Across 50 years of federal regional development activity there is evidence of policy learning in the evolution from centralized and top-down structures to decentralized, collaborative processes. Similarly, policy goals and instruments have become more sophisticated and differentiated over time and across regions.

- Establishing causality in regional development is complex, and it is difficult to separate out the impact of public policy interventions on outcomes. All of the Regional Development Agencies (RDAs) in Canada have implemented indicator systems and contractual approaches for performance measurement.

- Variation in regional priorities, local conditions, and community capacities has resulted in a diversity of structures, strategies and initiatives across the country. While this is a strength of the Canadian approach, the RDAs are insufficiently networked for knowledge transfer and policy innovation.

- Southern Ontario is well positioned for success in the era of the new regionalism, with clear advantages to build on. However, actors and assets must be assembled, aligned, and leveraged through smart governance and policy. Inserting itself into existing policy networks in ways that respect provincial partners and local knowledge, FedDev can advance transformative development projects that demonstrate the value of innovation-driven Canadian federalism.

The discussion paper is organized in four parts. First, we trace the evolution of Canadian regional development policy, highlighting critical debates and turning

points that inform contemporary practice. Second, we synthesize five key themes in the new regionalism that researchers identify as best practices in development policy. Third, we examine the workings of each of the RDAs to compare priorities, programs and performance, highlighting key policy takeaways for FedDev. Finally, gathering the main historical and analytical lessons, the paper closes with a strategic policy framework for FedDev to inform its transformational work.

PART 1
HISTORICAL CONTEXT

FEDERAL REGIONAL POLICY, 1960-2010: THREE ECONOMIC DEVELOPMENT WAVES

Regional development is a Canadian policy field with a rich and contested history, marked by an evolving interplay of theoretical models, policy practices, and governance structures. Since the early 1960s, three distinct waves of federal regional development activity can be identified. Each wave defines a particular policy period, with transitions driven by new understandings and practical lessons. The result is a cumulative body of policy knowledge establishing the context for the new federal agency in southern Ontario.

The 1960s and 1970s: "Regional Needs and Economic Disparities"

Context: In the late 1950s the Canadian economy entered a new spatial phase as cities emerged as the engines of national growth, while rural and resource-based regions fell behind. Trend-lines for the hinterlands moved in the wrong direction: high unemployment, low educational achievement and literacy rates, poor housing and outdated infrastructure, and limited adoption of new technologies. The result was an out-migration of people, and political demands from several premiers in have-not provinces for federal redress (Brewis, 1969). Taking stock, the Royal Commission on Canada's Economic Prospects found that neither strong national economic growth nor redistributive transfer payments were sufficient to tackle such disparities. Drawing on the ideas of a new generation of regional scientists in academia analyzing the causes of territorial growth and decline, the commission outlined an ambitious agenda for federal development assistance in declining regions. Given the rising importance of cities, it was further proposed that regional strategies targeting urban growth poles could generate linkages and spread effects to improve the productive capacity of surrounding resource-based communities. By the early 1960s, the stage was set for a concerted federal effort to eliminate economic disparities across Canadian regions. Indeed, former Prime Minister Trudeau once declared that the challenge was as important to Canadian national unity as "the Quebec question" (Careless, 1977).

Design: Across the 1960s, the federal government acted in a quite unilateral fashion, intervening directly in rural areas designated for assistance based on various indicators, and in urban centres identified as potential growth poles for lagging

regions (Hodge and Robinson, 2001). Designed in Ottawa through federal sectoral departments for agriculture or industry, the first generation of regional development policy was top-down and centralized in delivery. While this approach enabled fairly rapid implementation of assistance, it was soon recognized that the federal government faced several major constraints in acting from above on its own, the most salient of which related to shared jurisdiction with the provinces in key aspects of regional development. Without provincial involvement, federal interventions could not effectively integrate support for economic sectors, businesses, or agricultural producers with land use and infrastructure planning, nor credibly direct regional interlocutors such as local governments and development authorities to take specific action and monitor compliance. Fixing this implementation challenge became a priority in the 1970s. The federal Department of Regional Economic Expansion (DREE) was established to coordinate federal sectoral programming and negotiate development agreements with individual provinces. By the end of the 1970s, a new architecture for Canadian regional development policy was taking hold: overall federal direction, intergovernmental agreements to establish priorities, and decentralized implementation to respond to local conditions (Savoie, 1992).

Lessons: Despite evidence of federal organizational adaptation and policy learning, Canada's opening round of regional development work was judged harshly by leading observers. Respected planner and scholar, Len Gertler, described a "pathetically fragmented effort" (quoted in Hodge and Robinson, 174). Assessing the results of nearly two decades of activity, the Economic Council of Canada reported "the stark fact remains that the historical mix of forces and public policy has not resulted in any significant narrowing of regional income disparities" (1968:177). Explanations for the weak performance varied: reliance on overly abstract theoretical concepts that were of limited use in guiding practice; failure to substantively engage local or regional actors in program design; insufficient transparency about regional plans such that community-based actors had little grasp of objectives and opportunities; continued reliance on sectoral programming rather than territorial strategies; and inadequate evaluation of interventions leading to program churn without substantive understanding of factors underpinning success or failure. The consensus was that an ambitious policy goal—eliminating regional disparities—was being operationalized with machinery and mechanisms from an earlier era (Savoie, 1992). Assistance was ad hoc, programs were uncoordinated, and policy was not systematic.

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The 1980s and 1990s: "Regional Opportunities and Economic Adjustment"

Context: By the 1980s, Donald Savoie observed that "regional development policy was losing the perception war" (Savoie, 1992: 113). Alternatives were brought forward from different ends of the political spectrum (Courchene, 1981). Some critics argued for restoring the market's primacy in reducing disparities, believing that governments only made things worse by temporarily postponing the inevitable "creative destruction." Others sought to redirect subsidies to clear public needs in education, health care, and income support. Not surprisingly, the 1980s became a critical decade for Canadian regional development policy. Reflection produced significant refocusing and recalibrating of policy (Savoie, 2000). Basic goals shifted: regional development was no longer about eliminating disparities between laggards and leaders but rather to enable regions facing particular challenges to realize their economic potential. It followed that the main regional development policy task was not to assess needs but to develop capacities and seize opportunities. Policy and programs had to be firmly rooted in the knowledge and networks of local actors, with accountability for ensuring return on public investments shared between responsible governments and their community partners. These new orientations were field-tested against the backdrop of the deep recession in the early 1980s, as the federal government introduced several employment and industrial adjustment programs that worked

with and through hard hit rural and urban communities. Academic support came from new schools of regional development emphasizing community-building and local economic development (Perry, 1987; Coffey and Polese, 1985). Even the long skeptical Economic Council of Canada offered support, issuing a major study aptly titled *From the Bottom Up: The Community Economic Development Approach* (1990).

Design: As part of the regional policy reset, DREE was disbanded for failing to deliver adequately on what was still viewed as a laudable organizational mandate—balancing federal policy coordination with decentralized priority-setting and program implementation. In 1987, the structure that still exists for federal regional development policy was introduced. Regional development agencies (RDAs) with separate departmental structures and Ministers of State were established for Atlantic Canada and western Canada: the Atlantic Canada Opportunities Agency (ACOA) and Western Economic Diversification Canada (WED) respectively. A few years later similar agencies emerged for Quebec, Canadian Economic Development for Quebec Regions (CEDQ), and Northern Ontario, FedNor, an entity located within the Department of Industry. The new agency structure retained mechanisms for federal-provincial agreements but with tighter focus on specific regional and local priorities than the general development agreements under DREE. Equally important, the decentralized agencies were intended to supply dual representation of interests, bringing regional issues to Ottawa and enhancing the federal presence in the regions. The new agencies began their work in the late 1980s leading a regional development policy transition from short-term anti-recession adjustment measures toward longer term industrial restructuring and economic diversification that came to characterize the 1990s agenda. Integral to this transition were intense federal budget pressures in the mid-1990s that focused the four RDAs more on facilitative partnerships than direct financial assistance (Voortman, 2008).

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Lessons: The mid-1980s reorientation of federal regional development policy was generally well received. Indeed, the triple policy shift—from closing disparities to realizing potential, from bureaucratic to more community-driven design, and from DREE to decentralized agency coordination—was seen as long overdue. However, new concerns arose about how best to make the new structures and strategies work (Savoie, 2003). Three questions were central. Recognizing the importance of value for public investments, what criteria should RDAs apply in regional development assistance for firms, for communities, and for consortia of economic actors? Given the discrediting of concepts such as growth poles, what frameworks and interventions could guide investments to strengthen urban-rural interactions and synergies, especially as Canadian urbanization accelerated? Finally, broad agreement that good regional development policy was not "one size fits all" did not translate into clarity about the federal government's optimal policy role, especially as the provinces (and municipalities) became increasingly active in almost all aspects of rural and urban economic development. This final question encompassed all the others: how could the different levels of government find complementary roles such that local players accessed coherent development policy pathways?

2000 – Present: "Regional Assets and Sustainable Innovation"

Context: The above questions became more urgent in the first decade of the 21st century. Economic globalization and the full arrival of the knowledge-based economy altered the regional development policy context (Gertler and Wolfe, 2004). The imperative became upgrading traditional manufacturing, diversifying resource-based economies, and growing leading-edge firms. Each of these challenges required new forms of collaboration among firms, research institutions, and training providers. Partnerships along the economic value chain were critical as innovations were increasingly understood to arise through the

generation, diffusion, and application of knowledge—not only formal research but equally the informal or tacit know-how that was crucial for process and product breakthroughs. Similarly for communities, emphasis shifted to asset-based development that empowered local actors to drive change from within by mapping the range of economic, social, and cultural resources in a community and then building networks to leverage ideas, skills, and capacities (Morse, 2004). Two themes were common to the firms and communities repositioning for globalization (Noya et al. 2009). First, the importance of the social dimension in regional development, expressed as social capital to facilitate joint work across sectors and as the social economy to link enterprise and community so as to deepen local multipliers and assets. Second, was the emphasis on government as an "enabling partner" investing in the infrastructure of innovation.

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Design: This period saw continued evolution and maturation of the four RDAs. As we will detail later, each agency developed several strategies, some distinctive and others common, to bring together federal objectives and regional priorities through various vertical and horizontal collaborations. Shared priorities included promotion of firm innovation and community resilience, with new emphasis on knowledge mobilization, organizational learning, and institutional adaptation. In program design, attention was given to the concept of multi-level governance that was acquiring greater resonance and specificity through OECD research on framework agreements and contractual approaches (OECD, 2007). The machinery discussions included consideration of how to incorporate a diversity of third parties ranging from community-based organizations, educational institutions, business associations, and equity advocates for underrepresented economic groups such as First Nations, youth, women, and recent immigrants. RDAs also began to encourage novel multi-community and inter-municipal collaborations at the meso-regional level that better corresponded to functional economies, labour markets, commutersheds, or knowledge clusters (OECD, 2005).

Lessons: Recent debates about regional development policy look to deepen understanding and refine practice as new challenges arise in a turbulent global and continental setting. Key issues include strategies to incorporate concerns about environmental sustainability and social inclusion into regional development (Stren and Polese, 2000). For this more holistic conception to find traction, program logic models will require new metrics and indicators for evaluating outcomes. Further, in light of the 2008 world financial collapse that took its toll on sectors across all regions, how can development policy balance or blend short-term emergency aid with investments in diversification and innovation, recognizing that benefits typically only appear over the long term? These emerging issues are complex and play out in regionally specific ways, underscoring the importance of channels for knowledge transfer across the RDAs. Progress awaits further rounds of experimentation and learning.

PART 2
CONTEMPORARY TRENDS

THE NEW REGIONALISM: FIVE KEY THEMES

The challenges animating today's third wave of Canadian regional development policy take shape against the backdrop of significant scholarly research rediscovering the importance of regions in national/provincial economic growth and innovation. An international body of theoretical and applied research known as "the new regionalism" highlights five themes that underpin best policy practice in contemporary regional development (Pike et al., 2005; Wolfe, 2009). Each of these themes speaks directly to emerging opportunities for southern Ontario, as governments, communities, and businesses reposition or reinvent themselves for long-term prosperity. Through future-oriented investments and productive collaborations, FedDev can be the catalyst in exploiting the new regionalism's opportunities.

Clusters and Regional Innovation Systems: The foundation for success in the knowledge-based economy resides in firms or enterprises that generate high-value-added goods and services to become leaders in the marketplace. Such firms must invest in their knowledge assets such as worker skills, technological capabilities, and logistics and distribution. In staying abreast of industry knowledge and ahead of the competition, firms benefit from geographical co-location (Porter, 2003). Competing and collaborating firms become embedded in localized knowledge infrastructures that bridge business, research, and learning. Clusters grow in regional innovation systems that efficiently and continuously translate new ideas into marketable products. The most dynamic regional innovation systems support both the applied research of scientists and engineers and the receptor capacity of firms for knowledge (Brzustowski, 2010). Generating innovations at a pace well beyond the norm, such new economy hot spots thrive as mobile investment and talent follow opportunity.

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Place-based Policy: There is no automatic process or linear pathway that connects the worlds of research, commercialization, and business, and regional innovation systems that grow clusters do not just pop up anywhere. Public policy is crucial in creating places with the appropriate innovative milieu (Bradford, 2005; Reimer and Markey, 2008). Governments must invest in the knowledge infrastructure, convene and facilitate networked relations, and enable local actors to maintain their place quality through services, amenities, and conservation. To this end, national/provincial governments must devolve power to regional and local tiers and must align their interventions with the priorities of local development coalitions. Such targeted integration is now known as "place-based" policy. Importantly, recent studies demonstrate its relevance for economic development at multiple territorial scales: cosmopolitan global cities with thick knowledge infrastructures; restructuring second- and third-tier urban centres with manufacturing niches linked to universities or community colleges; and emerging new rural economies with growing clusters around eco-tourism and agri-business, often enabled by

broadband connectivity (OECD, 2003; McGahey and Vey, 2008). Regardless of the regional scale, local actors need to map their place and work with upper level governments for supply of relevant services and infrastructure (Wolfe, 2009; Dunn et al., 2010).

Socially Sustainable Development: All the attention to clusters and regional innovation systems has not gone unnoticed by researchers concerned about the social sustainability of economic development (Haughton and Counsell, 2004). At issue is whether place-based policy for regional innovation systems and, indeed, place-based policy in general, remains too economistic in its approach (Morgan, 2004). According to its advocates, socially sustainable development does not trade off economic, environmental, and social objectives, but pursues policies and projects expressing their mutual interdependence. Markets can be redirected to address environmental problems to not only create new business opportunities but also make existing practices more efficient. Moreover, local environmental stewardship of heritage and landscape drives tourism and attracts talent. Sustainable development seeks green clusters in eco-industrial parks where co-located firms recycle, retrofit, and share carbon neutral production (Conference Board, 2007) On the social side, there is evidence that regions with more equal income distributions and inclusive communities also enjoy higher growth rates (Pastor et al., 2009). Proposals for "just" clusters bring the environmental and the social together (Rosenfeld, 2002). They integrate workforce development strategies that encourage minority participation and social entrepreneurship with regional development that bridges old and new economies such as clean-fueled technology for the automotive sector, or wind and solar power that relies on traditional manufacturing trades.

Multi-level Governance: Regardless of the particular policy mix of innovation systems and social sustainability in regional development, it is clear that all levels of government have a role to play. The challenges are beyond the capacity of any one government department or agency to resolve, and policy progress depends on upper-level governments leveraging the knowledge of residents living daily with the challenges and local service providers on the ground (Bradford, 2009). Design and implementation of place-based public policy thus occurs through multi-level governance—a collective decision making process that is formal, consensus-oriented, and deliberative (Public Policy Forum, 2008). It aims to make public policy or manage programs by coordinating the actions of multiple organizations, each independent within its own sphere, in pursuit of a common goal. While these arrangements are complex, the OECD identifies different contractual approaches that facilitate collaboration in specific regional policy contexts (OECD, 2007). *Relational contracts* maximize flexibility for government partners in situations where precise policy goals cannot be specified in advance and where dialogue, information sharing, and experimentation are most important. *Transactional contracts* apply the more familiar principal-agent logic where upper-level governments empower local agents to meet specific objectives and detail compliance. Across the OECD, governments are applying both types of contractual approaches for collaborative problem-solving in different regional policy contexts (Ansell and Gash, 2007).

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Policy Learning and Knowledge Transfer: A unifying theme in the new regionalism is the importance of knowledge, whether for firms seeking to innovate, communities mapping their assets, or governments exploring how to work together (Gertler and Wolfe, 2004). In a learning region, the knowledge flows are robust and interactive. There must be institutionalized mechanisms for lesson drawing from the many programs and localized initiatives that shape regional development. Many European governments, with the active support and participation of the European Union, have been proactive in building inter-regional

and cross-national networks for monitoring experiments, benchmarking progress, evaluating results, and sharing lessons (Saint Martin, 2004). In contrast, Canadian and American policy settings remain quite thin and fragmented. A steady stream of pilot and demonstration projects replaces systematic reflection and scaling-up (Bradford, 2010). The combination of multiple players, longer-term benefits, and the importance of capacity-building create challenges to evaluation and make it difficult to establish causal relations between inputs, outputs and outcomes (OECD, 2005). New regionalism research is making progress, however, as indicator systems are developed to capture both quantitative and qualitative outcomes from investments, benchmark interim progress toward longer-term innovation, and gather feedback that improves the quality of decision making in subsequent periods (OECD, 2009a).

For southern Ontario, one clear priority is greater synergy between the new regionalism's economic opportunities and Canadian federalism's policy innovation capacities.

In sum, the New Regionalism now offers a robust and focused knowledge base to inform regional development policy. Southern Ontario has a rich diversity of economic, social, and cultural assets to enable it to thrive in the new ideas-driven regional competition. In 1998, Thomas Courchene and Colin Telmar made a compelling case that Ontario was a "region-state" with untapped potential for North American and global leadership. A decade later, Roger Martin and Richard Florida detailed an agenda for economic transformation that highlighted key new regionalism themes: clusters of business and labour market innovation; socially cohesive communities; and sustainable infrastructure that connects and amplifies regional assets.

Yet, both sets of writers also emphasized certain policy gaps and governance failures that were barriers to progress. For southern Ontario, one clear priority is greater synergy between the new regionalism's economic opportunities and Canadian federalism's policy innovation capacities. FedDev can orchestrate purposeful collective action across governments and among sectors, institutions, and communities in support of transformative change. To understand better this regional leadership role, the next section examines the activities of Canada's existing four RDAs (WED, FedNor, CEDQ, and ACOA), describing their common mandates, distinctive initiatives, and overall achievements. Promising applications for FedDev are identified.

PART 3
THE RDAS IN FOCUS: STRUCTURES, PROCESS, AND PERFORMANCE

A REGIONAL POLICY LENS

RDAs supply what has been termed a "regional lens" for federal development policy. Such a lens achieves double representation, translating national goals at different territorial scales while also promoting regional interests in federal policy making (OECD, 2002; Garrett-Jones, 2007). It guides federal departments' engagement with their provincial counterparts and with various subnational networks of municipalities, businesses, and community organizations. A priority is delivering integrated policies and programs for regional economic development and identifying those areas where the federal government has particular interest or experience, for example, with constituencies historically under-represented in innovation processes, such as youth, Aboriginal peoples, ethnocultural minorities, and women.

To organize federal interventions, each RDA has broad strategic outcomes and specific priority actions. Building flexibility into the structures, priorities can be adjusted in response to changing macro-economic conditions and emergent opportunities or needs identified by local communities. Across all the RDAs the trend has been away from direct assistance to individual businesses and toward investments in infrastructures of innovation and diversification (see Appendix A for budget details). Such infrastructural investments take varied forms, from nurturing a cul-

ture of innovation through the public education system, to establishing technology incubators or funding major research studies of cluster opportunities. Both relational and transactional contracts have been used for multi-level governance of interventions across the instrument continuum, ranging from convening and partnering to spending and regulating. Terms of financial assistance have also varied from full repayment, provisional repayment, or non-payment. Deploying this range of mechanisms and instruments to operationalize the federal regional policy lens, the RDAs, through Treasury Board Secretariat oversight, have completed regular evaluations of program relevance, effectiveness, and impacts. These reviews use external experts and encourage organizational learning, requiring RDA management to respond to concerns (INNO-Policy, 2007).

VARIATIONS ON THE THEME[1]

While the regional policy lens is common to all four RDAs, there are notable differences in specific priorities and programs. They address different territorial mandates (inter-provincial [ACOA and WED]; provincial [CEDQ]; and intra-provincial [FedNor]). Structurally, FedNor differs from the other three bodies in that it operates within Industry Canada and does not have a separate departmental structure and assigned Minister of State. To capture the variation, the institutional-policy comparison that follows is organized through four categories applied to each RDA: Mandate/Priorities, Instruments/Programs, Notable Initiatives, and Evaluation/Learning.

Atlantic Canada Opportunities Agency (New Brunswick, Prince Edward Island, Nova Scotia, Newfoundland and Labrador)

Mandate/Priorities

Struggling with high unemployment, slow population growth, and dependence on traditional industries, Atlantic Canada has always been a focal point for regional development in Canada. ACOA marked the shift away from closing disparities with the rest of Canada toward developing regional potential. The result has been a reframing of the problems as specific performance gaps in measurable areas such as productivity, research and development, technology adoption, and export markets. Central to this transformation, ACOA's spending focuses on innovation capacity in business and communities, human resources and entrepreneurship, and commercialization of R&D. Key priorities include bringing the knowledge-based economy to traditional resource sectors, and enhancing export capacity through inter-provincial networks.

Programs/Instruments

Atlantic Innovation Fund (AIF): Introduced in 2000, the $300 million AIF is a catalyst for R&D networks to support critical mass of firms, receptor capacity and commercialization flows in clusters of comparative advantages, building on the region's historic strengths. These include ocean technologies, oil and gas, aquaculture, bio-technology, and environmental technologies. Alliances are the focus of the AIF, for example, multi-disciplinary research including both natural and applied sciences and social science and humanities for commercialization of research. Similarly, multi-sectoral groups of investment experts sit on an independent Advisory Board to review applications and make recommendations to the Minister.

Atlantic Trade and Investment Partnership (ATIP): Addressing a significant performance gap for Atlantic Canada, the ATIP supports small and medium enterprises (SMEs) to become more engaged in exporting and promoting foreign direct investment in projects on both a pan-Atlantic and region-specific basis. The ATIP has four main thrusts: regular Team Canada Atlantic Missions trade missions; sectoral export strategies; trade education and skills development for new exporters, women, Aboriginal, and youth, and an export internship for graduates to remain in Atlantic Canada; and an Atlantic Investment Strategies that works through a Pan-Atlantic Investment Coordination Committee.

1 The profiles of the four RDAs are based on review of agency documents and publications, as well as policy commentary and academic analysis about each agency's performance. For agency documents, see: ACOA: http://www.acoa-apeca.gc.ca/Pages/Welcome-Bienvenue.aspx; CEDQ: http://www.dec-ced.gc.ca/eng/index.html; FedNor: http://www.ic.gc.ca/eic/site/fednor-fednor.nsf/eng/home; WED: http://www.wd.gc.ca/eng/home.asp.

Community Economic Development: ACOA runs numerous programs for community-based development that underpin the broader and often pan-Atlantic AIF and ATIP. The main vehicle is the Community Futures Program (CFP) and its Community Development Business Corporations (CDBC). Located in communities across the region, CDBCs provide targeted business services including loans that fill gaps in mainstream financial institutions. Clients are often businesses and entrepreneurs either isolated from outside professionals or not meeting the credit standards of conventional lending institutions.

Notable Initiatives

Inter-scalar Clustering: ACOA has identified and supported two sets or categories of economic clusters: the first is particular to one of the four provinces and builds on distinctive strengths; the second operates at the inter-regional scale, emphasizing Atlantic Canada drivers that would mobilize and blend assets from across provinces. In working across the scales, ACOA has developed a template for identifying the different cluster opportunities and investing in the industry associations to engage members at each level.

Municipal Capacity-building: ACOA has partnered with provincial representatives in Newfoundland and Labrador to build municipal capacity in economic development. In conjunction with provincial Regional Economic Development Boards, ACOA partnered with the Federation of Municipalities to acquire professional knowledge, skills, and tools in economic development. Organizing conferences and study visits, ACOA engaged 170 municipalities in learning events and the implementation of pilot projects.

Culture Change: ACOA has recognized that Atlantic Canada's performance gaps require long-term change in organizational practices and citizen perceptions. To this end, it has creatively extended notions of capacity-building and human capital to encompass cultural change valuing entrepreneurial attitudes and behaviour. ACOA has partnered with educational actors at all levels to integrate entrepreneurship into curricula and pedagogy. Specific initiatives include an entrepreneurship forum for all colleges and universities in the region; formation of the Center for Entrepreneurship, Education, and Development in Nova Scotia; and supporting entrepreneurial classroom tools and training for K-12 teachers.

Community Empowerment: Provincial railway closure in Newfoundland in 1988 dealt a blow to Bishop's Falls, a small town dependent on railway for its employment and identity. ACOA oversaw adjustment funding through creation of a CDBC and close observers have lauded several aspects of the agency's leadership. In essence, ACOA intervened as a respectful engaged partner—setting out clear parameters and then letting the volunteer board decide priorities. Its involvement included a senior ACOA official who sat on the board to facilitate the process and access opportunities, holding sectoral workshops and funding a variety of small-scale business development projects, and erecting a new building in a local industrial park. The CDBC has been widely seen as a success and credit is given to ACOA for its facilitative leadership that was experienced locally as neither top-down nor an external imposition.

Evaluation/Learning

Given the long-standing focus of Canadian regional development policy in Atlantic Canada, it is not surprising that ACOA's "value add" has been the subject of much heated and polarized debate. In fact, professional evalutions and expert commentary reveal a complicated and ambiguous story. Among academics, there are differences of interpretation. The most authoritative observer, Donald Savoie, captures the cross-currents. He laments the persistence of regional underdevelopment in Atlantic Canada but points to policy failures well beyond ACOA, emphasizing structural biases in federal institutions (Savoie, 2003). At the same time, Savoie concludes that working within these constraints, ACOA has made a positive difference in local communities across Atlantic Canada in employment and innovation (Savoie, 2000). Along similar lines, Thomas and Landry used quantitative measures to assess ACOA's contributions and found that its overall impact grew from $1.4 billion in 1992 to $3.7 billion in 1997 (Thomas and Landry, 2000). They argue that one dollar of ACOA expenditure resulted

in a five dollar increase in regional GDP and that the regional unemployment rate was 2.8% lower than without ACOA. Joining the debate, Cozzarin questioned the Thomas and Landry methodology and concluded that it was impossible to disentangle growth due to ACOA from that arising from more general economic conditions and other exogenous factors (Cozzarin, 2008).

In 2001, the Office of the Auditor General of Canada devoted a full chapter of its annual report to ACOA. The overall assessment was favourable, but pointed concerns were raised (Auditor General, 2001). When ACOA moved its lending focus from direct business subsidies toward partnerships or alliances with other levels of government and community organizations and research networks, there was slippage in the development of protocols for ensuring cost-effectiveness and accountability in results. For non-commercial projects, ACOA was left without clear criteria for success or funding renewal. A second concern raised by the Auditor General related to environmental sustainability. While the agency made general reference to its importance, potential environmental impacts were not incorporated into the project approval process.

ACOA has responded to such concerns. Its current Risk-Based evaluation plan sets out a comprehensive strategy for priority setting that would provide a risk matrix to guide investment decision making across all programs and activities and improve performance management. Targets are set for strategic priorities. These include quantifiable measures such as GDP increases, employment gains, business start-ups, exporting levels, and leveraged investment in relation to ACOA expenditures, as well as the more qualitative outcomes that were of particular concern to the Auditor General. Indicators include increased community capacity for strategic planning, and the survival rate of rural businesses, and programs or policies in Atlantic Canada that have been implemented, adjusted, or strengthened as a result of ACOA advocacy and coordination.

Recent program evaluations conducted for ACOA provide evidence of organizational learning. For example, in relation to the specific concerns of the Auditor General, a 2004 evaluation of the Strategic Community Investment Fund (SCIF), a five-year program providing non-repayable contributions to support community strategic planning and rural diversification, showed that only 38% of surveyed recipients could have proceeded with the project if ACOA had funded a smaller amount, and even then the scope, timing and quality of the project would have been affected negatively. The funding partners also reported they were unlikely to have contributed more if ACOA had contributed less. The program also proved adaptable to new challenges. In 2003 when cod stock closures negatively impacted coastal communities, the SCIF added a short-term adjustment initiative to mitigate the community impacts resulting from the closures.

Key FedDevTakeaways

- **Creation of an Innovation Fund focused on high-level outcomes and aligning regional and local activities to these selected developed priorities.**
- **Cultivation of an entrepreneurial culture through sustained engagement with local actors, investing in municipal economic development capacity and educational innovations to engage the next generation of business leadership.**

Western Economic Diversification Canada (British Columbia, Alberta, Saskatchewan, Manitoba)

Mandate/Priorities

WED was established to diversify the historically narrow economic base of western Canada by assisting in the modernization of traditional resource-based industries, strengthening the infrastructure of communities, and supporting knowledge-based enterprises. WED has sought to tackle internal disparities within the region, between geographically isolated rural areas and urban economies, and within large cities, between rundown neighbourhoods and more vibrant districts. Another WED focus has been increasing awareness and advocacy of western interests in federal decision making. This has meant concerted effort in what is

known as the "Policy, Advocacy, and Coordination" function, often involving major policy research collaborations with western Canadian think tanks. Another notable aspect of WED's work has been its resilience in the face of significant budget reductions that forced the organization to experiment with a variety of partnership tools and facilitative supports as distinct from direct financial assistance.

Programs/Instruments

Economic Diversification: WED invests in major projects that support innovation, entrepreneurship, and community economic development. Many initiatives are undertaken with provincial governments through cost-shared five year Economic Partnership Agreements (EPAs) that are co-managed by WED and provincial Inter-governmental Affairs Ministries. The EPAs bring multiple projects under one framework agreement for streamlined and transparent delivery and reporting. As described below, WED has also pioneered the use of tri-level framework agreements targeted to diversify urban economies and strengthen the social fabric of high poverty neighbourhoods.

Business and Community Development: WED runs two main programs for local development. The Community Futures Program manages the full range of community building and business development services through a network of Community Futures Development Corporations (CFDCs). The Western Canada Business Service Network, with more than 100 offices across the region, provides a range of services targeting small businesses across the west and offers a single window for federal/provincial/municipal information on services, programs and regulations. Through this service network business clients can access two other WED programs: the Women Enterprise Initiative Loan Program, which removes barriers and provides training and mentoring for women; and the Loan and Investment Program, in which WED partners with financial institutions to supply loan capital to higher risk clients.

Policy, Advocacy, Coordination: Perhaps to counter western alienation within the Canadian federation, WED has been active in knowledge mobilization and policy research. In the former category, WED has enabled networks of local economic development actors to develop strategic plans to reposition their city-regions in a globalizing economy, and linked businesses with university-based expertise through internship programs to solve complex problems through the application of advanced mathematic techniques. In the case of policy research, WED has invested as co-sponsors of major research projects with leading think tanks and economic consultants. Projects include building a broad understanding of future western Canadian economic trends and potential; urban economic development; and leveraging regional comparative advantages in making the transition to life sciences and the bio-economy.

Notable Initiatives

Urban Revitalization: With the partial exception of CEDQ, WED is the one RDA that has actively pursued tri-level agreements addressing urban issues. Dynamic and successive five year Urban Development Agreements (UDAs) have been operating in Winnipeg for nearly three decades, and in Vancouver since 2000. Using relational contracts to convene the different governments and coordinate their respective policy resources, the UDAs in Winnipeg and Vancouver have focused on integrating programs and services for residents in particularly distressed neighbourhoods. The agreements have engaged with community organizations to set priorities, implemented innovative solutions, leveraged considerable private sector funding, and been recognized for governance excellence both nationally and internationally. UDAs have also been initiated in Regina, Victoria, and Edmonton.

Creative Multi-level Governance: As noted above, when addressing challenges at different geographic scales—regional, provincial, urban neighbourhood, and rural communities—WED has creatively designed framework agreements and contractual approaches to work with and through other levels of government. The EPAs, UDAs, and Community Future Program each involves WED deploying multi-level governance models appropriate to differing coordination contexts. The UDAs represent clear examples of the relational approach, with the different parties coming to a joint table to share information and align resources to meet

complex and evolving problems identified through community engagement. In the case of the EPA, it has been observed that WED has managed transitions between relational and transactional agreements as economic conditions and provincial priorities shifted. In Manitoba, satisfactory growth and low unemployment shifted the EPA away from transactional agreements focused on short-term financial assistance to firms, to relational contracts suited to the more indirect and collective benefits associated with innovation and diversification. The CFDC represents yet another multi-level governance hybrid. Transactional forms apply to monitoring expenditures for business loans whereas more relational contracts guide negotiations over how local boards intend to meet broad national objectives for youth entrepreneurship or Aboriginal economic development.

Cluster Development: WED has followed a sophisticated process for cluster development, commissioning studies to identify regional driving clusters and emerging clusters, convening federal-provincial steering committees to consider strategies, and organizing workshops to focus on ways to develop inter-regional infrastructure and adopt enabling technologies. While this cluster process addressed opportunities at the more advanced end of the new economy, WED's community economic development work has also stimulated cluster building in more remote areas. Crucial here was linkage through the Community Futures Program with the federal Broadband Initiative to bring high-speed internet access to the northwest region of BC. The targeted region encompassed approximately 73,400 square km and included four municipalities, one town, five villages, and 15 First Nation communities. Two Community Futures Development Corporations mobilized local governments, First Nations, technical specialists, internet providers, business, education and health care institutions, and community residents behind a $2.1 million project to help close a regional digital divide by connecting 35,157 people and 1,644 businesses.

Knowledge Brokering: As noted above, WED has supported several major research initiatives that have generated new knowledge about western Canadian conditions, trends, and priorities. In particular, the NEXT West Project carried out by the Canada West Foundation has made available to a wide stakeholder audience benchmark data about profound demographic shifts (aging, immigration, urbanization, and Aboriginal youth) that must inform decision making across sectors. Similarly, Canada West Foundation's *Going for Gold* research series benchmarks western Canada's economic performance against the international competition, and explores broader development challenges in environmental sustainability and human capital. With these investments, WED is contributing to valuable knowledge brokerage with its funded research on topics such as Aboriginal and urban issues informing policy debates at the national level.

Evaluation/Learning

WED has not been the subject of much academic research. One study commended it as a supple and resilient organization able to survive budget cuts and public skepticism by building good relations with regional stakeholders, working effectively with other federal departments and enhancing the policy profile of western Canada (Voortman, 2008). The OECD concluded that WED "has significantly contributed to the upgrading of the business environment through the provision of services and advice," but was less successful in improving the innovation culture and interactions between research and business communities (OECD, 2002:129). WED has also been widely recognized for its urban development leadership, playing a creative and facilitative role in bringing together the different levels of government to tackle complex social exclusion in rundown neighbourhoods (Macleod Institutue, 2004; Mason, 2007). In its review of federal horizontal initiatives, the Office of the Auditor General of Canada described the Vancouver Agreement as a "promising governance model of collaboration to meet community needs" representing the "benchmark" for Canadian collaborative urban policy (Auditor General, 2005).

As noted, WED has been active in research and advocacy matters. A 2009 evaluation reported that WED's research projects were seen by 94% of interviewees as useful in addressing regional priorities, such as deepening understanding and awareness of western

Canadian issues across the country, and in ensuring that federal procurement contracts were accessible to western companies. An evaluation of the Economic Partnership Agreements showed that the agreements leveraged an additional $458 million between 1998-2002: for every dollar contributed by WED another $2.86 flowed from other sources, resulting in the creation of 1,300 fulltime jobs. A follow-up evaluation for 2003-2008 put the leveraged figure at $1.65. In 2009, the four western premiers supported renewal of the EPAs viewing them as effective mechanisms for coordinating joint economic diversification efforts at various geographic scales (inter-regional, provincial, meso-region, and community).

Key FedDev Takeaways

- **Creative use of contractual agreements such as Urban Development Agreements and Economic Partnership Agreements to align multiple players and balance national objectives with local or regional priorities.**

- **Systematic approach to regional knowledge generation through support for evidence-based research that informs local policy development and strengthens regional advocacy in national and international policy networks.**

Canadian Economic Development for Quebec Regions

Mandate/Priorities

The CEDQ faces particular challenges operating in a context where respect for provincial jurisdiction and direct federal engagement with community-based organizations are especially sensitive political issues. It follows that CEDQ has concentrated on economic development roles and strategies that complement provincial initiatives and identify niches where the federal government has specific comparative advantages in policy. Four such roles and advantages have become priorities: setting up regional strategic initiatives, tackling cross-sectoral issues such as rural revitalization and infrastructure renewal, supporting economic policy research and enterprise intelligence, and contributing venture capital for community economic development or the social economy.

Programs/Instruments

IDEA-SME Fund: CEDQ supports intermediary organizations and networks for small and medium enterprises in emerging knowledge-based sectors that are seeking to become competitive in global markets and improve export performance. CEDQ has pursued regional "competitiveness poles of excellence" to enhance international competitiveness. It has also supported a Multimedia Experimentation Fund to enable feasibility studies and start-up planning for entrepreneurs in an emerging sector with growth potential in the province.

Regional Strategic Initiative (RSI): CEDQ invests in the innovation infrastructure of rural and remote regions. The aim is to assist community-based networks to identify and mobilize assets through action plans on local priorities, ranging from eco-tourism to forest regeneration and technological niches such as geomatics. The RSI supports small businesses to adopt new technologies, and rural communities and regions to bring forward significant industrial renewal projects with strong local multipliers.

Community Futures Program: CEDQ has tailored the CFP program to the unique Quebec provincial context. Two features are notable. First, the provincial government has its own network of community and regional development and employment organizations, and CEDQ has complemented these structures through CFDCs that have different membership and mandates. For example, where the provincial bodies include municipal and provincial politicians, the CFDC volunteer boards are led by representatives from civil society organizations and business. An evaluation concluded that the two development networks have transformed potential overlap "into a complementary arrangement in the field" through sharing and cooperation. The second notable aspect of CEDQ's community activities is its reach into cities, where 17 development corporations support networks in urban priorities such as neighbourhood revitalization, brownfield regeneration, and social economy enterprises.

Notable Initiatives

Social Economy Assistance: CEDQ was the only RDA to deliver fully on the 2005 federal Social Economy Pilot Initiative. Leveraging its relatively strong relationships with Quebec's social economy actors, CEDQ established a "patient capital fund" for enterprises that produce goods and services for the market economy but reinvest returns in social and community goals. The fund built on existing venture capital sources in Quebec and the overall federal social economy initiative that included research and capacity-building support and positioned CEDQ to complement provincial government priorities for anti-poverty and social inclusion. An evaluation demonstrated that the CEDQ contributions enabled social economy enterprises to attract another $30 million in financing from five or six new investment partners across the province

Urban and Community Revitalization: CEDQ has participated in tri-partite agreements with the province and municipalities for holistic approaches to urban regeneration that draw on the social economy capital funds for development projects. One of CEDQ's earliest investments in community economic development in Montreal enabled the formation of perhaps Canada's most dynamic civil society organization dedicated to neighbourhood and business revitalization and employment creation, the Regroupement économique et social du Sud-Ouest (RESO). More recently, CEDQ investments supported formation in 2004 of a business park reflecting social economy values and practices such as privileging job creation for the local population. The Technopôle Angus houses nearly 50 businesses guided by a sustainable development vision expressed in waste management, building design, and park logistics.

CEDQ's success results from a combination of deft complementarity with provincial initiatives and strong networks at the community and regional scales.

Jurisdictional Benchmarking: CEDQ has funded a variety of research projects designed to benchmark Quebec's economic and development policy performance in relation to the international competition. For example, it has commissioned studies to identify best practices for small-and medium-sized enterprises in leading edge technology sectors, participated in an OECD analysis of Montreal's economic competitiveness, and supported an international comparative study of Quebec's technology incubators. To coordinate this research, disseminate findings, and translate policy implications, CEDQ established an economic observatory.

Evaluation/Learning

CEDQ is viewed as a federal agency that has worked constructively to support economic development in Quebec. Its success results from a combination of deft complementarity with provincial initiatives, and strong networks at the community and regional scales. This combination was evident with the federal social economy initiative where CEDQ worked with both provincial priorities and key intermediary organizations to deliver timely and focused programming. An evaluation of CEDQ's many interventions in the knowledge-based economy concluded that it "holds a unique position that sets it apart from its federal partners" based on "flexible, direct intervention, comprehensive knowledge of the different envi-

ronments, action plans geared to each region, and the ability to be a catalyst for local strengths."

Consistent with its emphasis on jurisdictional benchmarking, CEDQ has commissioned evaluations across a range of activities. The findings reveal areas of organizational strength as well as needed improvements. For example, in export promotion CEDQ had formed a good working partnership with the provincial government through Regional Export Promotion Organizations. However, the evaluation called for better joint targeting of financial assistance as funding was not adjusted based on regional differences in the number of export firms or exporting potential. An evaluation of Quebec technology incubators found them lagging behind the competition on several key indicators (firm survival rates, number of jobs created, and total sales) and recommended enhancing their role as intermediaries in a "business development ecosystem" modeled on best practices elsewhere. In another leading edge activity, CEDQ evaluated its incorporation of sustainable development concepts. Finding them present in only 15% of projects, the evaluation observed that CEDQ lacked an operational definition that could be applied by their program advisors. Recommendations included greater linkage with other federal partners where expertise in sustainable development resided, integration of sustainable development procedures into program criteria, and the training of CEDQ advisors in the concept and its application.

Key FedDev Takeaways

- **Creative integration of economic, social, and environmental priorities through support for the social economy by strengthening community entrepreneurship and investing in specific leading edge projects such as the Technopôle Angus.**

- **Investment in cross-jurisdictional benchmarking in relation to major economic development priorities, situating provincial performance in relation to global standards of excellence and setting the regional development bar high.**

FedNor (Northern Ontario)

Mandate/Priorities

FedNor addresses the development needs of northern Ontario and oversees community economic development in non-metropolitan areas in southern Ontario. The regional economy in northern Ontario is built around traditional industries such as mining and forestry, and the population is clustered in five smaller cities anchored by Thunder Bay in the west and Sudbury in the south. Overall, the region has suffered from familiar patterns of decline in relation to an aging and shrinking population, lower education levels, and dependence on declining resource sectors with lagging performance in innovation, productivity, and exports. In this context, FedNor has concentrated on industrial upgrading, economic diversification and

connectivity. It has relied on community-based partnerships with a host of intermediaries such as municipalities and economic development corporations, First Nations councils, financial institutions, universities and community colleges, and Franco-Ontarian associations.

Programs/Instruments

Northern Ontario Development Program (NODP): The NODP is an umbrella program with activities for innovation, information and communications technology, trade and tourism, human capital, and business financing. A key priority for the NODP has been telecommunications infrastructure and extending high speed internet to remote communities. An ongoing challenge for the NODF, first raised by the Auditor General of Canada in 1995, is effective coordination with a similarly designed provincial investment vehicle, the Northern Ontario Heritage Fund Corporation.

Eastern Ontario Development Program (EODP): The EODP addresses challenges in a micro-region experiencing significant economic pressures in the form of manufacturing loss and youth out-migration. The EODP offers a range of services for business development, talent attraction, and youth retention. Notably, the program responded to grass-roots advocacy through eastern Ontario's 15 Community Futures Development Corporations (CFDCs).

Community Futures Program: The CFP supports 61 CFDCs (24 in the north and 37 in the south) offering business services and community investments to local volunteer boards. As described below, CFDCs through FedNor have pursued innovative approaches.

Economic Development Initiative (EDI): EDI is a FedNor program to respond to national policy priorities. Specifically, it is a $4.5 million, five-year program (2008-2013) to capitalize on the benefits of Canada's linguistic duality by encouraging business growth and strengthening of Francophone communities.

Notable Initiatives

Meso Regions: FedNor is an organization working at sub-provincial regional scale. Within that geographic mandate, it has also enabled innovative inter-community collaborative projects along the lines described by the OECD as meso regions. CFDCs in southwestern Ontario joined together for a multi-community planning process to develop wind energy projects across two counties, working with local authorities to implement land use rules for wind parks. A similar convening and implementing role at the meso-region scale was played by CFDCs in Ontario's tobacco region where CFDC administration of a provincial community transition fund helped broker access to several economic diversification opportunities. In southeastern Ontario, the EODP implemented a micro-regional program to vet project applications through a committee comprised of representatives from 15 CFDCs. Those receiving majority support were recommended to FedNor for funding. Meso-regional projects included one for forest sustainability and an Eco-Industrial Park to generate clean energy from wood waste.

Transformative Clusters: FedNor has supported transformation of the traditional resource-based economy through formation of knowledge-based clustering that brings together universities, municipalities, businesses, and creative talent. In Sudbury, the result is a high technology science park housing the Mining Innovation, Rehabilitation and Applied Research Corporation (MIRARCO). Similar transformations have been seeded through FedNor investments in the Northern Ontario School of Medicine, and in aviation where the Aviation Centre of Excellence at Confederation College offers skills training for some 300 students in flight management, aerospace manufacturing, and aircraft maintenance engineering. Enrolment is just under 300, and the Centre graduated its first class this past Spring.

Community Action for National Priorities: FedNor has facilitated bottom-up strategies to make progress on key national policy priorities. On health care access, it has invested $9 million in information and communications technology infrastructure to enable physicians to diagnose and design treatment plans for patients dispersed across northern Ontario. Plans are underway to ensure that all northern medical facilities are

connected through the electronic network. In relation to another national priority, Aboriginal economic development, FedNor entered into a partnership with the province, a private business, and the Moose Deer Point First Nation, to develop Niigon Technologies, a community-owned automotive parts manufacturer. In a community with an unemployment rate of 80%, the small business employs 12 people and operates on social economy principles to reinvest profits in local community well-being.

Evaluation/Learning

Evaluations of FedNor's major programs—the NODF, EODP, and CFP—have provided favourable assessments of relevance of supports, targeted delivery of program support to local actors, and cost-effective leveraging of investments (See Appendix B for FedNor's outcomes-based performance framework). Important service gaps have been addressed in regional priorities such as telecommunications, human capital and community economic development. Observers have attributed program impact to FedNor's strong presence on the ground working closely with businesses and communities (Hall and Donald, 2009). At the same time, areas for improvement are cited: stronger development of export markets, more strategic funding that takes better account of community capacity and innovation potential, and continued effort to avoid overlap and duplication with provincial programming (Conteh, 2009). Concerns have been raised about the relevance of performance indicators for some programs, the need for stronger assessment of longer-term impacts, and the capacity of local program officers to measure progress and report on outcomes. Corrective steps could include staff training and better central coordination of information and expectations in relation to program evaluation.

Observers have attributed program impact to FedNor's strong presence on the ground working closely with businesses and communities... At the same time, areas for improvement are cited.

Key FedDev Takeaways

- **Creative targeting of meso regions to address specific challenges and leverage local business and community assets across formal administrative-political boundaries.**
- **Support for inclusive economic development through community-driven engagement with First Nations and creative application of information and communication technologies for connecting marginalized citizens and isolated communities.**

An Enduring Success: A Note on the Community Futures Program

In closing the comparative discussion of Canada's RDAs special mention should be made of the initiative widely regarded as the flagship program: the Community Futures Program. Dating back to the mid-1980s, the CFP now supports local economic development boards in all of rural and non-metropolitan Canada. In its Final Report on rural poverty, the Standing Senate Committee on Agriculture and Forestry wrote: "The Committee heard almost universal praise for the Community Futures approach to economic development ... the program has been singled out by the OECD as one of the most innovative and successful rural-oriented policies anywhere in the world" (Standing Senate Committee, 2008). How has the Community Futures Program achieved such success in regional development policy?

Our analysis points to the multiple ways in which the program's design and delivery align with the major themes associated with New Regionalism discussed earlier in Part 2. It has used its three core tools—venture capital, business counselling, and community capacity-building—to nurture clusters and innovation systems in rural and remote regions. Through its volunteer board and professional "on the ground" staff, the CFDCs have balanced national objectives and local priorities, meeting different accountability and reporting relationships. In working across municipalities and counties where appropriate, the program has brought a pragmatic

place-based approach to achieving universal coverage of rural Canada. By valuing community-driven development, it encourages local actors and policy makers to integrate economic innovation and social sustainability goals. Finally, the CFP works in a highly networked fashion across the four regions, sharing knowledge and practices (Fuller and Pletsch, 2005).

Key FedDev Takeaways

- **Good example of how a federally-orchestrated local partnership vehicle becomes embedded in specific places, earning legitimacy over time as a problem solver and opportunity creator.**
- **Good example of how a pan-Canadian community of practice and learning can be forged, with the CFDCs networked at the provincial and national levels for knowledge transfer and lesson drawing.**

PART 4
FEDDEV MOVING FORWARD: A TRANSFORMATIVE CHANGE AGENCY?

This paper has discussed challenges and opportunities for southern Ontario's new federal economic development agency, situating its arrival in relation both to policy track records elsewhere in Canada and to an international body of regional policy knowledge. The new agency emerges against a backdrop of scepticism about the value of such a federal body, and ongoing controversy about the relevance of regional policy. When the federal government announced its plans, several national commentators remarked that regional development policy in Canada has been most notable for its lack of focus, diffuse and overlapping programs, and overly bureaucratic structures (Corcoran, 2010).

FedDev can be a trailblazer in advancing an agenda for transformative change in regional development governance, policy, and outcomes.

However, such often-heard critiques must be balanced by reflection on the actual innovations in governance and policy crafted by the RDAs over the past twenty years. As our earlier discussion revealed, each agency has worked hard to identify a productive policy niche enabling a respectful supplement to ongoing provincial and local development efforts. Indeed, across the four RDAs we documented an impressive range of leadership styles, facilitative interventions, and learning mechanisms that should inform FedDev's evolving activity.

At the same time, the teachings from the new regionalism now suggest a bolder vision and more focused mission for the Canadian RDAs. FedDev can be a trailblazer in advancing an agenda for transformative change in regional development governance, policy, and outcomes. As the newest entrant into a crowded policy field in southern Ontario, equipped with a national mandate and federal resources, FedDev is positioned to make a difference with a bigger policy vision, longer time horizon, and more creative governance. The rationale for a new federal actor

in southern Ontario economic development rests on transformational change not incremental adjustment. As the OECD summarized recently: "In the long run regional policy is becoming a fundamental tool in addressing global challenges" (OECD, 2009b).

What might such a transformational development agency and agenda look like? The departure point is the new regionalism's fundamental insight that high-level national policy outcomes increasingly depend on high impact regional and local strategies. In turn, such community-based strategies require a high performing regional governance system. FedDev should position itself at the center of a collaborative governance system, leading through a policy action framework with several linked elements.

A FEDDEV STRATEGIC FRAMEWORK

1. Vision and Goals: Innovation, Inclusion, and Sustainability

Long-term regional prosperity and well-being rests on three foundations: economic innovation, social inclusion, and environmental sustainability. There must be shared recognition that each of these outcomes requires multi-jurisdictional and multi-sectoral approaches that channel different knowledge flows. A bold, focused vision provides the meta-framework for aligning activities, setting priorities, and deciding investments.

2. Strategy and Tools: Collaborative Governance

Progress toward outcomes will come through multi-level collaborative governance that mobilizes and bundles resources for particular places in southern Ontario. Multi-level collaborative governance targets supports using both vertical and horizontal delivery vehicles: contractual agreements across levels of government clarify decision making roles, assign financial commitments, and encourage an outcomes-oriented mentality among all participants; across municipalities or counties, similar local agreements can be used for project implementation and community capacity building.

3. Leadership and Transformation: Beyond Command and Control

In support of the regional vision and governance dynamics, FedDev can lead transformative change through convening, coordinating, facilitating, and learning. Its resources can concentrate on projects that bring the players together for new purposes around the game changing outcomes of innovation, inclusion and sustainability. In so doing, the agency can exploit the synergies among the goals, and cultivate local experimentation and the scaling-up of successful demonstrations. FedDev should be in the business of supporting *transformative development projects*, making investments that better integrate policies, leverage more resources, and generate best practices. In their scope and scale, such projects are different from the immediate stimulus packages or 'shovel ready' investments that smooth out economic cycles. Short-term one-offs should always be 'on the policy shelf' in a volatile global economy, but they are not the transformative projects that sup-

ply the raison d'etre of a federal regional development agency in southern Ontario.

4. Transformative Development Projects: Some Possibilities

A central theme in the new regionalism is that "one size does not fit all." In policy terms, this principle translates into a spatial conception of regional development operating at several geographic scales. For southern Ontario, there are two scales that are critical for design and implementation of transformative development projects: the meso-regional and the macro-regional. The meso-regional scale involves distinctions between three kinds of places: large urban centres; second- and third-tier cities; and rural communities. What's crucial at the meso-regional level is identification of specific comparative advantages and localized assets that can become focal points for transformative development. By contrast, the macro-regional scale refers to the region as a whole and encourages policy communities to advance cross-cutting projects that resonate everywhere.

Surveying the advantages, assets, needs, and opportunities at both the meso-and macro-regional levels in southern Ontario, several transformative development projects that tackle major goals could structure FedDev's investment portfolio over the next five years.

Meso-regional Scale: Differentiated Advantages

- *Large Urban Centres:* Maximizing the larger cities' diversity and density advantages through investments in sustainable urban design *and* hubs of knowledge-driven innovation.

- *Second- and Third-Tier Cities:* Renewing labour market skills through investments in immigrant attraction and retention *and* in moving traditional industrial profiles toward advanced manufacturing niches in the green collar economy.

- *Rural Communities:* Reinventing peripheral or declining places through investments in the amenities and place qualities of the 'creative new rural economy' *and* in advanced communication technologies that strengthen the accessibility to vital government, business, and educational services and opportunities.

Macro-regional Scale: Jurisdictional Advantage

- Supporting implementation of a southern Ontario *high-speed train* that connects Windsor to Montreal would deliver significant economic and environmental benefits across the region.

- Strengthening of southern Ontario's *green collar economy* infrastructure for alternative energy would produce innovative environmental technologies to better manage non-renewable resources for rural communities, limit sprawl in urban centers, and improve air and water quality across the region.

- Assisting leading edge forms of *local social development* in southern Ontario such as comprehensive community initiatives or the social economy that invest in individual, family, and community assets would better harmonize inclusion and innovation goals and bridge social and spatial divides across the region.

In closing, FedDev's establishment is timely. With appropriate focus, there are meaningful opportunities for the federal agency to become a dynamic player in southern Ontario development. Drawing on the experience of the existing RDAs and the findings of the New Regionalism research, we have identified several transformative development projects that supply focal points for multi-year, co-financed investments. On this basis, FedDev can contribute to a high-performing federal governance system that contributes to significant development outcomes for citizens through community-based action and policy learning.

Moving forward, it is also important to note that *all* of Canada's regional development agencies and activities could benefit from a much more structured and systematic approach to evidence-based policy making. Other countries, notably the United Kingdom with the Joseph Rowntree Foundation, and the United States with the Brookings Institution, have dedicated sig-

nificant multi-year research resources to fundamental questions of regional policy design, implementation, evaluation, and transfer. Canada remains without such well-resourced, high-capacity policy knowledge centers, despite five decades of regional policy effort. The learning gap continues to have policy consequences. An overarching priority for FedDev would be to initiate a national conversation about how best to fill the gap. Transformative change always rests on a sound understanding of what to do and how to do it well. MC

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APPENDIX

APPENDIX A - FINANCES AND SPENDING PLANS: WED, ACOA, AND CEDQ

ACOA ($ THOUSANDS)

PROGRAM ACTIVITY	2010-2011	2011-2012	2012-2013
Enterprise Development	174,300	161,300	161,400
Community Development	160,400	89,300	87,200
Policy, Advocacy and Coordination	11,500	11,500	11,400
Internal Services	35,900	36,000	36,000
Total Planned Spending	**382,100**	**298,100**	**296,000**

Source: http://www.wd-deo.gc.ca/eng/11709.asp#f

WED ($ THOUSANDS)

PROGRAM ACTIVITY	2009-2010	2010-2011	2011-2012
Innovation	77,264	55,036	49,070
Business Development and Entrepreneurship	48,849	38,989	38,478
Community Economic Planning, Development and Adjustment	81,280	37,389	36,946
Advocacy	3,246	3,211	3,213
Collaboration and Coordination	2,888	2,789	2,783
Research and Analysis	2,666	2,610	2,606
Internal Services	18,762	17,773	17,705
Total Planned Spending	**242,521**	**158,837**	**151,375**

Source: http://www.tbs-sct.gc.ca/rpp/2010-2011/inst/aco/aco01-eng.asp

CEDQ ($ THOUSANDS)

PROGRAM ACTIVITY	2009-2010	2010-2011	2011-2012
Development of Communities	138,936	134,262	136,694
Infrastructure	45,588	768	305
Competitiveness of Enterprise	71,961	74,260	74,260
Competitive Positioning of Sectors and Regions	22,842	12,038	12,038
Policies, Programs, and Initiatives	5,689	5,324	5,324
Total Planned Spending	**305,392**	**245,689**	**247,532**

Source: http://www.dec-ced.gc.ca/eng/publications/agency/rpp/2009/126/page-4.htm

APPENDIX B - REGIONAL DEVELOPMENT OUTCOMES AND PERFORMANCE MEASURES: FEDNOR FRAMEWORK

Strategic Direction: Innovation

Expected Outcome: Enhanced Innovation Capacity
Performance Measures:

- Private sector firms commercializing knowledge and/or improving productivity through innovative products, services and/or processes
- Businesses created and maintained as a result of improved innovation capacity and performance
- Jobs created and maintained by businesses benefiting from new products, processes, or services
- Facilities for research and development created or enhanced
- Jobs created and maintained in research facilities for highly qualified personnel engaged in research and development
- Projects contributing to development of external markets in private sector firms

Strategic Direction: Community Economic Development

Expected Outcome: Improved community capacity for socio-economic development
Performance Measures:

- Business benefiting from community plans, studies and infrastructure projects
- Individual community projects completed using Local Initiatives Contributions

Strategic Direction: Business Financing Support

Expected Outcome: Improved access to capital and leveraged capital
Performance Measures:

- Leverage of loans made to enterprises arising from NODP programming
- Angel investor networks established
- Investor-readiness sessions offered to entrepreneurs and number of entrepreneurs served
- Capitalization funds provided to northern CFDCs for investment in enterprises

Strategic Direction: Information and Communications Technology

Expected Outcome: Enhanced ICT applications and infrastructure
Performance Measures:

- Business and/or communities with improved access to broadband telecommunications
- Services as a result of new broadband PoPs or alternate broadband solutions deployed
- ICT applications developed and/or implemented
- Projects contributing to the development of enhanced ICT in private sector firms

Strategic Direction: Trade and Tourism

Expected Outcome: Enhancement of markets and investment attraction
Performance Measures:
Trade

- New Exporters as a result of increased access to markets
- Northern Ontario SMEs registered on Canadian Company Capabilities
- SMEs assisted by the DFAIT Trade Commissioner Service and other federal and provincial trade and investment organizations

Tourism

- New or improved community-based tourism attractions
- Training, workshops and seminar opportunities and participants in attendance
- Jobs created and maintained as a result of increased access to markets
- Projects contributing to the development of external markets

APPENDIX B CONT.

Strategic Direction: Human Capital
Expected Outcome: Attraction, retention and development of highly qualified personnel
Performance Measures:

- Youth interns employed in Northern Ontario following internship
- Training or professional development events/initiatives including those directed at target groups
- Infrastructure investment in post-secondary education for the purpose of labour market skills development, such as equipment for technical training

Sector-wide Priority: Strategic Intelligence
Expected Outcome: The development of departmental policies, programs and services that reflect regional needs and circumstances; maintain a "no surprises" environment
Performance Measures:

- High quality research and analysis on issues affecting Northern and rural Ontario
- Stakeholders are aware of regional perspectives and have been consulted for advice
- Reports/studies published

Sector-wide Priority: Leadership and Presence
Expected Outcome: Increased value-added proposition to the rest of the department and to external stakeholders
Performance Measures:

- Quality briefings on regional issues
- Horizontal initiatives created/maintained
- Partnerships with other Industry Canada sectors

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