Rural Economic Development in Canada with an Emphasis on the Western Canadian Landscape

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Rural Economic Development in Canada with an Emphasis on the Western Canadian Landscape

ABSTRACT

Canada continues to experience geographic economic disparity between its urban and rural communities, coupled with a contracting rural population base. Despite efforts to enhance rural economic development there continues to be challenges within the country including infrastructure, in country migration and inability to attract new immigrants to rural settings, limited service delivery capacity, support for rural indigenous communities, and an aging population.

Governments have played an ongoing role in rural economic development in Canada. Historically within Canada there was a top-down approach federally into the 1980’s. Since the 80’s the approach to rural economic development has evolved to focus on initiatives that support capacity and allow community involvement and direction. Further change came in 1987 with the creation of three Regional Development Agencies (RDA’s) to address key regional economic challenges, which was subsequently expanded to the six organizations that we currently have located across the country.

RDA’s support initiatives that contribute to business development striving to improve capacity while remaining competitive in the global marketplace. Two RDA national programs particularly relevant to rural development include the Community Futures program and the Economic Development Initiative. In addition, the Canada Business Network provides entrepreneurs and innovators access to over 400 partners to advance their businesses. Finally, Indigenous and Northern Affairs Canada (INAC) has several programs that contribute to economic development for Indigenous people in rural settings.

This paper will close by looking at several lessons learned and best practices of the Canadian system including; the initial creation and flexibility of RDA’s to focus on regional issues; providing federal programs such as the Canada Business Network to improve access for entrepreneurs and improve coordination; and the move from a top-down approach to voluntary community involvement such as the Community Futures Program.
1. INTRODUCTION

Rural economic development is an ongoing topic for discussion and continues to present challenges for policy makers in Canada and around the world. The country’s rural policy has been shaped by diversity between regions and our changing economic, social and political landscape. Three key aspects driving this change include urbanization, the structural change in the economy and rise and fall of Keynesianism or the welfare state. The basic notions of John Maynard Keynes were that the private sector would produce growth with the state having a critical role in establishing the framework within which the private sector could do its job. In order to ensure private sector efficiency, government programs and policies from fiscal and monetary policy, investment and tax regulations, to transportation and infrastructure had to be devised accordingly to promote growth (Fairbairn, 1998).

First, the ongoing urbanization of the population continues for some at an alarming rate. What is most notable is that urban and rural regions are connected and as such they cannot be considered in isolation from a regional development perspective. Second, the structure of the economy has changed over the past decades with the decline of agriculture as a proportion of economic output and even more proportionately to the labour force. More recently this has moved to information technology and the service industry. Finally, Keynesianism, welfare, and rural development raised a dilemma for rural policy development. Is this an economic question of private sector growth or is it a social question of redistribution of services (Fairbairn, 1998)? Within Canada there has been an ongoing issue of rural and regional disparity, which has been targeted by a number of measures including equalization payments1 from federal government, redistribution of taxes, and ongoing strategies to foster regional and rural development. The challenge, which has yet to be fully solved, is creating long-term growth and sustainable economic development for rural areas (Blake, 2003).

The role of governments in addressing rural economic development has changed substantially over the decades. Municipalities rarely have the jurisdiction or resources to direct economic development, although they have often worked with different levels of government to provide fundamental services to their community. Provincial governments started directly addressing rural economic development later than the federal government, and the different approaches used to address rural economic development have mirrored the diversity amongst provincial populations and governments. The role of the federal government has evolved from a centralized approach that favoured locational incentives, to one that places more responsibility and opportunities for rural communities to direct their own economic development. As a whole, there has been a lack of long-term funding and programming for rural communities across Canada since the 1950’s, at both the federal and provincial level (Douglas, 1994). Increasingly however, governments are challenging the inevitability of rural decline, by supporting an endogenous approach to rural economic development. As a number of factors continue to challenge rural communities across Canada, government programs increasingly work to support the resiliency and economic opportunities of rural communities.

This paper is a submission for the Rimisp - Latin American Centre for Rural Development’s International Conference on Territorial Inequality and Development in Puebla Mexico, January 2016. The paper will provide an overview of the rural economic development eco-system within Canada, including the relative roles of government, outlining its strengths, gaps, and how it is adapted to different regions. Furthermore, a high level synopsis of Canada’s Regional Development Agencies will be provided with a focus on Canadian Regional Development Agencies’ (RDA’s) priorities, how they address rural development, and a discussion of best practices.

1 There are four main transfer programs: the Canada Health Transfer (CHT), the Canada Social Transfer (CST), Equalization and Territorial Formula Financing (TFF). The CHT and CST are federal transfers which support specific policy areas such as health care, post-secondary education, social assistance and social services, early childhood development and child care. The Equalization and TFF programs provide unconditional transfers to the provinces and territories. For further information see the Department of Finance Canada’s website http://www.fin.gc.ca/access/fedprov-eng.asp
2. OVERVIEW OF CANADA’S ECONOMY

2.1 Selected Canadian Statistics: An Ever Changing Economy

Canada’s current population estimate is 35.9 million with a yearly increase approximately one percent per year between 2010 and 2014 (Statistics Canada, 2015a). Based on 2011 Canadian census data, the country has had a relatively flat population growth rate since the 1970’s of just above one percent. While Canada’s population growth may not be considered high, over the past 10 years Canada’s population has grown at the fastest pace of any of the G8 countries. From figure 1 below the estimates show that moving forward a greater proportion of the population growth will be from immigration (Statistics Canada, 2012).

Figure 1: Canada’s population growth rates

From 2010 through 2014 the Canadian economy saw many positive macro-economic trends with real gross domestic product (GDP) growth between 1.9% and 3.4%, GDP per capita rising from $48,897 to $55,556 and a decreasing unemployment rate from 8.0% to 6.9%. Several sectors saw their overall proportion to Canadian real GDP rise (2007 chained dollars) (Steindel 1995) over this period. Two of note were the mining and oil and gas extraction sector, going from 7.9% to 8.5% of real GDP and the finance, insurance and real estate services sector, going from 18.9% to 19.4% (Global Affairs Canada, 2015).

Additionally, over the 2010-2014 time period, there was a rise and fall in the terms of trade (2007=100)\(^2\) going from 97.2 in 2010, peaking at 99.6 in 2011 and back to a similar level of 97.5 in 2014. Canada has a continued reliance on the United States (US) with the total percentage share of exports rising from 74.9% in 2010 to 76.8% in 2014. This statement is punctuated by noting Canada’s exports to China, our second largest country of export, was at 3.3% in 2010, 4.3% in 2012 and dropped back to 3.7% in 2014. From an imports perspective, Canada’s reliance on the US is just over half at 50.4% of total imports in 2010 rising to 54.3% in 2014. China was the second major supplier of imports to Canada at 11.0% in 2010, rising slightly to 11.5% in 2014 (Global Affairs Canada, 2015).

\(^2\) The terms of trade shows the relationship between export prices and import prices. It can be interpreted as the amount of import goods an economy can purchase per unit of export goods.
From 2010 through most of 2013 the Canadian dollar traded mainly within a ten cent range with the US dollar, where one Canadian dollar was worth 0.95 to 1.05 US dollars. Moving into 2014 the Canadian dollar was devaluing vis-à-vis the US dollar and has seen continued downward pressure through 2014 and into 2015 (Bank of Canada, 2015). With the collapse in oil prices, a slowdown in the mining, quarrying, oil and gas extraction sector could result in reduced investment and jobs. There has been weakening Canadian job growth going from 1.4% in 2010 down to 0.6% in 2014, and Canada had an economic downturn (Statistics Canada 2015c) with negative real GDP growth (chained 2007 dollars\(^3\)) in the first two quarters of 2015 (-0.2% and -0.1% respectively).

While these economic factors affect the Canadian economy as a whole, they continue to put further pressure on rural populations and Indigenous job opportunities. The demography of Indigenous populations in Canada differs vastly from that of non-Indigenous populations in a number of ways. According to data collected recently: Indigenous populations in Canada are significantly younger, are less likely to live in greater metropolitan areas and have more sustained demographic growth. In 2011 the Indigenous population was 1,400,685 people which represented a 20.1% increase over the previous five year census period, which is compared to 5.2% for the non-Indigenous population (Statistics Canada, 2011b). According to the Mining Association of Canada, the mining and minerals processing industries represent the largest private sector employers of Indigenous peoples in Canada on a proportional basis (Marshall, 2014).

2.2 Canadian Rural Statistics: the Emigration to Urban Centres

According to 2011 Canadian Census data more than 6.3 million people live in rural areas. This is defined as areas with fewer than 1000 inhabitants and a population density below 400 people per square kilometer. While the number of Canadians living in rural areas has remained relatively stable since 1991 the proportion has been declining and in 2011 this dropped below 20% for the first time ever to 18.9% (Statistics Canada, 2012). This decline has been driven in part by the trend of new immigrants and the migration of domestic residents, who have been locating more in urban than rural locations. The trend is continuing in 2014 with 7 in 10 Canadians living in a census metropolitan area (CMA >100,000 people) and

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\(^3\) Chained dollars is a measure used to express real prices. Real prices are those that have been adjusted to remove the effect of changes in the purchasing power of the dollar, usually reflected relative to a reference year.
more than 35% of the population are located in Canada’s three largest cities of Toronto, Montréal and Vancouver (Statistics Canada, 2015b).

Internationally, the rural population has been relatively stable in terms of overall numbers rising from 3.35 billion in 2010 to 3.37 billion in 2014 (The World Bank, 2015). This represents 48.3% and 46.4%, respectively of the overall world population (The World Bank, 2015; United Nations, 2015).

From figure 3 below Canada’s proportion of people living is rural areas is the third lowest of the G8 countries and well below that of the world rural population proportion.

![Figure 3: Proportion of the population living in rural areas, selected and G8 countries](image)


Having briefly outlined the selected macro-economic indicators and provided a brief overview of Canada’s rural population, the focus of the paper will now turn to challenges of rural economic development, a brief history and the role of government, within the Canadian context.

3. THE ROLE OF GOVERNMENT IN RURAL ECONOMIC DEVELOPMENT

3.1 Rural Economic Development in Canada: Challenged Infrastructures and Growing Regional Disparities

In many ways, the challenges of rural economic development in Canadian communities mirror the same challenges found across the developed world. An aging population in Canadian rural communities, youth migration to urban centers, and an inability to attract immigrants to rural communities have furthered the population decline of rural communities (Moazzami, 2015), which leads to reduced economic opportunities in these communities. Similar effects have been noted in the rural settings from other countries (Ryser and Halseth, 2010). Aging infrastructure, when coupled with a shrinking tax base due to population decline, can make it difficult for some rural communities to provide the basic services needed to attract and retain both residents and businesses, in Canada (FCM, 2009) and abroad (Ryser and Halseth, 2010). Rural communities in Canada that lack adequate communications infrastructure suffer from a deficiency of service delivery capacity (FCM, 2009), as do OECD countries that lack similar infrastructure (OECD, 2008). The scope of these challenges tests the abilities of communities and governments to address the vitality of rural communities.
Canadian rural communities also face some unique economic development challenges. The rural economies of Canada’s western provinces rely heavily on natural resources and agricultural commodities, which can contribute to strong economic opportunities in those communities endowed with popular commodities, while others suffer from limited economic opportunities (Kunin, 2009). This reliance on the commodity economy in Canada can also leave little opportunity for diversification of the regional economy (FCM, 2009). An imbalance in economic opportunities driven by local commodities can exacerbate regional differences between rural communities such as a skilled and mobile labour pool, the age of residents, and employment opportunities.

Canada’s vast geography, which results in rural communities spread over large areas far from urban settings, also presents some additional challenges for rural economic development. Research has shown that the more isolated the community, the more difficult it becomes to access necessary services, such as legal, political and organizational resources (Konkin, Howe, and Soles, 2004; O’Toole and Burdess, 2004). Accessing these services in a country such as Canada can become burdensome for rural residents who have to travel longer distances. The challenge imposed by Canada’s geography implies that either more time is spent driving relative to other counties or residents of rural communities in Canada are less likely to access these services. These outcomes reduce the quality of life for rural residents and incur further costs on rural residents. Although these access issues have been mitigated through increased online resources and improvements to electronic communications they continue to be a challenge.

3.2 Rural Indigenous Economic Development: Barriers to Indigenous Economic Development

Supporting rural Indigenous communities has also presented a challenge for Canada. The total Indigenous population in 2011 was 1,400,000 (Statistics Canada, 2011a), of which approximately 616,000 live in rural communities (AANDC, 2014), meaning the proportion of Indigenous peoples living in rural communities or reserves (44%) is much higher than the national average (18.9%). This can make it more difficult for Indigenous peoples to access government services. For example, the challenges for many Indigenous communities in the province of British Columbia are related to the absence of treaty rights, which prevent residents from accumulating equity from economic development or obtaining second mortgages (Williams, 2011). This suggests that Indigenous communities in British Columbia without treaties are provided fewer economic opportunities. The Indian Act of 1876 also presents significant barriers for economic development on reserves across Canada: burdensome bureaucratic processes and procedures, the under-resourcing of Indigenous programs, and preventing Indigenous communities from accessing the same sources of capital and investment as their off-reserve neighbours (Indian Affairs and Northern Development, 2013; Kunin, 2009). As an example, banks can’t typically use buildings on reserves as collateral, thereby reducing the ability of Indigenous communities to access financing. These effects, combined with a lack of federal infrastructure investments on reserves and a shortage of corporate governance expertise within Indigenous communities, have served to constrain the development and implementation of economic opportunities for many rural Indigenous communities across Canada (Williams, 2011).

3.3 A Historical Perspective: the Creation of the Centralized Approach

Canadian governments, both provincial and federal, started to focus on rural economic development after the Second World War, because of a number of factors which contributed to rural economic challenges. In the thirty years between 1931 and 1961, rural populations declined as a proportion of the Canadian population from 50% to 25% (Camu, 1991). Alongside the out-migration of rural communities, the Canadian rural economy was marked by a decline in agriculture and fisheries; both as a proportion of economic output and labour force (Fairburn, 1998). The industries of agriculture and fisheries, which widely distributed the benefits of their extraction, were transitioned to industries whose benefits were more concentrated, such as mining and resource extraction. Urbanization and structural changes to the economy over several years resulted in declining standards of living and fewer economic opportunities for Canadians living in rural regions (Fairburn, 1998).

In order to deal with increasingly marginalized rural communities, the federal government collaborated with provincial governments in a number of ways to ensure fiscal equity and proper service provision to
rural communities after the Second World War. The ‘Road to Resources’ policy led to the construction of thousands of miles of roads, in an effort to expand resource development for rural communities (Douglas 1994). The Agriculture Rehabilitation and Development Act (ARDA) of 1961 attempted to improve income and employment opportunities for rural agricultural areas, by encouraging “farm consolidation, technological applications and land-use planning” (Douglas, 1994: 87). The ARDA was later amended and renamed the Agriculture and Rural Development Act in 1966, to broaden its scope beyond agriculture. These initial Acts and programs served to draw attention and resources to rural economic development. These responses can also be thought of as top-down economic planning from the federal and provincial level, whereas public planners attempt to create the conditions for efficient private-sector growth (Fairburn, 1998).

A centralized, top-down approach to rural economic development continued into the 1980’s. The Department of Regional Economic Expansion (DREE), created in 1969, sought to combine a number of regional development programs and to centralize decision making in Ottawa (Fairburn, 1998). DREE focused on locational incentives, such as cash grants and loan guarantees, within chosen industries to establish or expand industrial plants and other commercial operations (Douglas, 1994). Other agreements and departments\(^4\) later inherited the same locational incentives for industrial and manufacturing development. These regional economic development initiatives were yet another example of a top-down approach to rural economic development (Douglas, 1994), and they rarely addressed issues of community capacity development or economic democracy (Weaver and Gunton, 1982).

### 3.4 Community Capacity: Bottom-Up and community capacity

The alternative to the top-down economic development approach, bottom-up, has garnered increased attention since the 1980’s (Markey et al., 2005). This is especially true in Canada, because of the federal governments’ historical use of the top-down approach for many decades (Ryser and Halseth, 2010). A bottom-up approach to rural economic development entails “endogenous development based on endogenous factors” (McCall, 2003: 97): local government and groups of citizens utilize their own capacity and local resources to direct their own economic development. The federal government is still involved, although their role becomes one of support and the sharing of information across levels of government (OECD, 2006: 114). Indeed, the bottom-up approach to rural economic development has demonstrated successes (OECD, 2006).

Whether a rural community is able to direct the planning and implementation of their own economic development depends partly on whether the community has the sufficient capacity to do so. Community capacity refers to “the ability of residents to organize and mobilize their assets and resources to achieve development objectives that they consider important” (Markey, Halseth, and Manson, 2012: 67). Investments in education, skills and experience are important determinants of developing human capacity (Alasia and Magnusson, 2005), which is a part of community capacity. Investments in intangible assets, such as social capital and social cohesion (Sullivan, Ryser, and Halseth, 2014) are also important in building community capacity. As it can be seen, community capacity works to develop the building blocks of strong, empowered communities. Without economic development initiatives driven from within the community and based on an understanding of their own strengths and opportunities, ‘external forces’ are more likely to impact the communities’ future, which can further the cycle of dependency (McCall, 2003: 102). Community capacity building has been shown to be an important aspect of rural economic development initiatives across Canada (Rick Hudney Management and Planning Services, 2004; OECD, 2010; Goldenberg, 2008).

### 3.5 The Role of the Federal Government: Changing Focus

Since the 1980’s, the Canadian federal governments’ approach to rural economic development has evolved greatly, to focus more on initiatives that support the building of community capacity and allow the local community to take charge of economic development. This has largely been done by leveraging

\(^4\) ‘General Development Agreements’ between federal and provincial governments were introduced in 1974, and The Department of Regional Industrial Expansion (DRIE) in 1982
the Community Futures Program (CFP), a cornerstone of the Government of Canada’s support for rural economic development (Government of Canada, 2008). CFP was established in 1986, and is a national program delivered through Regional Development Agencies (RDAs) across Canada. CFP works with Community Futures Organizations (CFOs) - volunteer committees located in rural communities across Canada, made up of local leaders and residents. Fundamental to CFP, these CFOs implement “local solutions to local problems” (Goldenberg, 2008: 47), in an effort to promote growth and job creation, economic stability, diversification of local economies and the creation of sustainable communities. With the help of funding and professional services, CFOs succeed in building capacity and promoting rural economic development through a number of activities: supporting strategic community planning, supporting community-based projects, providing business services and increasing access to capital for local entrepreneurs (Goldenberg, 2008: 48). CFP promotes a bottom-up initiative in rural areas (OECD, 2006) and invests in both local projects and governance systems (OECD, 2010).

Beyond the CFP, infrastructure programming is another tool that is utilized by RDAs to address capacity and infrastructure investments. Typically, RDAs work with Infrastructure Canada to deliver certain types of infrastructure programming. The RDAs act as an implementation agent for specific infrastructure projects partnering with provinces and territories, municipalities, Indigenous communities, and private organizations. Examples of infrastructure programs under the federal Economic Action Plan (EAP) of 2009 included:

- The Recreational Infrastructure Canada Program (RInC): This RDA administered program provided funding to repair, rehabilitate, or construct new recreational infrastructure in communities across Canada (Auditor General of Canada, 2010). Eligible projects included arenas, sports fields, and parks, among others. $500 million was allocated over two years, which resulted in 1939 projects being approved across Canada.

- The Communities Component of the Building Canada Fund (BCF-CC): This $500 million fund was delivered by RDA’s over two years to 537 approved projects to Canadian communities with a population of less than 100,000 (Auditor General of Canada, 2010). A wide variety of infrastructure projects were eligible, including connectivity and broadband, green energy, public transit, recreation, and wastewater infrastructure.

The Government of Canada has also recognized RDAs as nimble and flexible program delivery agents. As a result, RDAs have delivered special initiatives or programs in response to extraordinary events, including natural disasters or economic downturns. For example, as part of the EAP, RDAs delivered the Community Adjustment Fund (CAF). Launched in May 2009, the Community Adjustment Fund CAF was part of Canada’s Economic Action Plan to help ensure recovery from the global economic downturn. CAF provided $1 billion over two years to address the short-term economic needs of Canadian communities. This national economic stimulus initiative supported projects that created jobs and maintained employment in and around communities that experienced significant job losses and lacked alternative employment opportunities. By focusing on the creation of short-term employment to support communities and the sectors that contribute to their viability, CAF played a distinctive role in relation to other economic stimulus measures included in Canada’s Economic Action Plan. 800 CAF projects were approved by RDAs over the two-year lifespan of the fund including project in Western Canada such as development of irrigation infrastructure and several tourism enhancements to infrastructure (Department of Western Economic Diversification, 2015a).

3.6 Role of Provincial Governments: Involving the Community

The role of provincial governments in addressing rural economic development has also evolved over the years, although some responsibilities have remained unaltered. Fundamentally, several responsibilities that are critical for the potential of rural economies fall within the purview of provincial governments, such as health care, education and land-use planning (Government of Canada, 1982). When a few provincial governments began addressing rural economic development with specific policies in the 1980’s,
these policies focused on industrial recruitment as their economic development strategy. Over time, those provincial governments involved directly in rural economic development began to move away from an industrial development approach, to a more integrated approach that involved the community (Douglas, 1994). With the exception of a few programs however, the degree of control permitted to communities had been limited; there was no choice for the community over the design of the provincial programs through the 1990’s (Douglas, 1994).

Since the 2000’s, the most comprehensive provincially-led rural policy that focused on local capacity and a bottom-up approach to rural economic development, has been Quebec’s ‘Politique Nationale de la Ruralité’ (PNR). The PNR is largely in line with the OECD’s New Rural Paradigm (OECD, 2006), which emphasizes investments over subsidies, collaborative arrangements among policy actors over federal direction, and place-based investment decisions over sector-based. Whereas previous efforts at rural development assumed economic development would enhance social capital, the PNR assumes that “social cohesion and community capacity building are a precondition for strengthening socioeconomic development in rural areas” (OECD, 2010: 185). A sense of community can enhance the capacity of the community to innovate, leading to economic opportunities that are unique to the rural area (OECD, 2010: 191). ‘Rural pacts’, which target human capital and community capacity building in part by decentralizing the management of funds to local municipalities to allow for greater flexibility (OECD, 2010: 199-200), have had measured successes. Since 2002, $113 million in rural pact funding for projects has leveraged an additional $750 million for these projects (OECD, 2010: 203-204). The PNR shares responsibility for rural development with the province, elected municipal representatives and local institutions, yet allows representatives from the local level to design and implement rural development initiatives (OECD, 2010). The PNR has initiatives that focus on rural community development, providing officers, agricultural sustainability, industrial development and research in innovation. Despite some identified challenges of the PNR, this provincial policy has remained in place through several changes in Quebec’s government. The PNR challenges the inevitability of rural decline in a substantive and comprehensive fashion.

3.7 Role of Municipal Governments: the Forgotten Stakeholder

Despite being the closest government to rural communities in terms of proximity and understanding local needs, rural municipalities have not played a prominent role in rural economic development. The division of power outlined in the Canadian Constitution grants jurisdiction over certain responsibilities to federal and provincial governments, but there is no inherent jurisdiction granted to either rural or urban municipalities (Government of Canada, 1982). Municipal jurisdiction must be granted by the provincial governments through legislation. Typically, rural municipal governments are limited to providing general administration and policing services in some communities, with the majority of the budget being allocated for service provisions (water, sewage and waste disposal) (Odagiri and Jean, 2004). Additionally, any further jurisdiction granted to municipalities must take into consideration the political capacity of rural leaders (Odagiri and Jean, 2004), some of whom will not have the necessary experience. Although municipal governments have a role to play in supporting rural economic development, they have not had the capacity, resources, or jurisdiction to initiate rural economic development without significant support from other levels of government.

Throughout the previous section several challenges have been identified along with Canada’s historical role of governments and the subsequent shift to a bottom up approach. The following section will look more specifically at the federal perspective, namely the regional development agencies.

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6 The need to strengthen supralocal political power, and the need for local communities to enhance collaboration between federal and provincial policies, among other challenges (OECD, 2010: Chapter 4)
4. CANADA’S REGIONAL DEVELOPMENT AGENCIES (RDA’S)

4.1 The Landscape of RDA’s in Canada: New Beginnings

In 1987 – 1988, the federal government effected several significant changes in regional development policy. Firstly, a new Ministry of Industry, Science and Technology was created to formulate national development policy, particularly in the context of making Canada more competitive internationally. Secondly, three regional development agencies were created. One, the Department of Western Economic Diversification (WD) was designed to be a planning agency and a conduit for funds to assist in the diversification of Western Canada’s economy. Another, the Atlantic Canada Opportunities Agency (ACOA) was designed to plan and deliver projects and programs to improve well-being and expand the economy of the Atlantic Region. A third agency, the Federal Northern Ontario Development Agency (FedNor) was designed to plan and fund economic expansion and employment creation in northern Ontario. Over the years, additional agencies were created. In 1991 the Federal Office of Regional Development of Quebec (FORD-Q) was created and was subsequently renamed the Canadian Economic Development Agency for Quebec (CED-Q). The Canadian Northern Economic Development Agency (CanNor) was created in 2009, and the Federal Economic Development Agency for Southern Ontario (FedDev Ontario) was also created in 2009.

Figure 4: Regional Development Agencies – Voted Appropriations in millions 1987-88 to 2013-14

Today, six RDAs across Canada help address key economic challenges by providing regionally-tailored programs, services, knowledge and expertise. Challenges are met by building on regional and local economic assets seeking comparative advantages that support business development, growth, productivity and innovation. The target is to provide help to small and medium sized businesses by leveraging resources in order to compete in the global marketplace.

In October 2015, Canada ushered in a new Federal government which brought changes to the governance structure of the Regional Development Agencies across Canada. Prior to October 2015, each Agency or Department had a senior representative in the form of a Minister or Minister of State, as was the case for WD. Currently with the new government structure, all Regional Development Agencies report to one Minister, the Minister of Innovation, Science and Economic Development (ISED). The specific priorities for the new minister that relate directly to the RDA’s include:

7 From 1991 to 1995, the Economic Development Agency for the Regions was known as the Federal Office of Regional Development of Quebec (FORD-Q).
Strategic investments that build on competitive regional advantages;
Support Canadian businesses to increase their exports and to take advantage of the new agreements, government financing, and export oriented supports;
Promote economic development and create jobs for indigenous peoples; and,
Alignment with complimentary programs delivered by other governments to support Small and medium sized Enterprises (SME’s)

Regional Development Agencies have always maintained positive relationships with local key stakeholders, partners and clients, and participate in extensive networks across their respective areas of the country. Through regular, ongoing and ad hoc engagements, this serves to strengthen their ability to pro-actively offer perspective and insights on issues and priorities of local, regional and national interest that help advance regional interests in national economic policy, program and project development and implementation.

Canada is comprised of several regional economies with its multidimensional socio-economic landscape having varying regional implications and uneven regional impacts. As such, each Agency or Department brings a regional policy perspective in support of the national policy, program development and implementation through several facets including; intelligence gathering and strategic advising on regional issues and opportunities; pathfinding and convening based on deep knowledge and relations with key stakeholders; an investor role supporting targeted investments that build on regional strengths, and lastly act as delivery agents offering the government a nimble and flexible delivery mechanism.

Regional development agencies, from the Atlantic Canada Opportunities Agency (ACOA) in Eastern Canada to the Canadian Northern Development Agency (CanNor) all have a similar mandate, and that is to create opportunities for economic growth, development, innovation, and the diversification of their respective regions and communities.

According to the State of Rural Canada 2015 Report “Rural Canada is important to the country in that it is the site of food production, resource extraction, energy generation, and of increasing importance for carbon sequestration” (Canadian Rural Revitalization Foundation (CRRF), 2015). As such, rural Canada has increasing economic activity, job creation, self-employment, opportunities for growth, and environmental concerns.

Figure 5 below shows the current RDA resources, the GDP and population of the area its serves.
4.2 RDA’s National Programs: Common Initiatives

RDA’s support initiatives that contribute to business development through fostering strong small-and medium-sized businesses in Canada striving to improve capacity while remaining competitive in the global marketplace. This includes supporting innovation through the creation and growth of knowledge-based clusters in sectors that contribute to an increase in knowledge-driven and value-added economic activities.

Community economic development (CED) is action by people within a specific geographic community or group of communities to create local economic opportunities and improve quality of life. CED recognizes that local challenges and opportunities are as varied as the individual communities themselves. By using knowledge and resources resident in the community, CED identifies and capitalizes on local opportunities to stimulate economic growth and employment. This can include developing entirely new businesses or industries, adding value to existing sectors, strengthening capacity, and improving local infrastructure to help communities achieve their full economic potential. (Western Economic Diversification, 2015b)

RDA’s contribute to CED in urban centres and rural areas through initiatives that capitalize on opportunities for growth and development, and enable communities to adjust to challenges that hinder competitiveness and quality of life. A significant proportion of the RDA’s CED funding stems from their
role as the delivery agent for national programs offered by the federal government such as infrastructure programs. RDA’s priorities in support of CED include:

- Encouraging regional approaches to economic development through partnerships with communities and non-profit organizations,
- Helping rural communities identify and capitalize on new sources of economic growth and employment,
- Increasing the capacity of rural communities to undertake value-added processing and encourage new opportunities for skilled employment,
- Enhancing Indigenous participation in the economy,
- Designing and delivering regional and community development programs to help Canadian communities make a successful transition into the 21st century economy,
- Revitalizing urban communities by supporting initiatives that undertake inner city renewal, build community capacity, enhance knowledge and skills, and foster economic development, and
- Investing in infrastructure to sustain rural and urban communities.
- Women’s Enterprise Initiative offices provide loans, business counseling and skills training specifically for women entrepreneurs. (Department of Western Economic Diversification, 2015b)

While there are many regional differences, perspectives and challenges there are some nationally consistent programs across the regions that merit attention which will be discussed briefly in the following sections.

4.3 Community Futures Program: A Rural Focus

Implemented as part of Employment and Immigration Canada (EIC) Canadian Jobs Strategy (CJS) in 1985, the Community Futures Program (CFP) is a national community economic development program for non-metropolitan (rural) communities. The program was transferred to the RDA’s in 1995 to enhance the effectiveness of the CFP as an economic development vehicle.

Through the Community Futures networks RDA’s provide a grassroots approach to community and economic development. The primary focus is on creating jobs outside major urban centres but also includes a variety of services to rural entrepreneurs such as business counselling, loan programs and services targeted to entrepreneurs with disabilities. For communities the program offers planning and community economic development services.

The program was designed with the philosophy that local direction and decision making is the most effective way for communities to develop strategies to deal with changing economic conditions. Community Futures Organizations (CFO’s) are governed by their own by-laws through voluntary Boards of Directors that are broadly representative of the communities served. Although RDA’s are not directly involved in the operation and decision-making activities of CFO’s, the department maintains an ongoing relationship with them and CFO’s responsibilities for the funding provided are clearly laid out in their respective Contribution Agreements which are based on the Terms and Conditions for the Program.

RDA’s also fund one Community Futures Association (CFA) in each province to provide support and coordination services for their member CF’s. Additionally RDA’s provide funding to CFA’s to develop common approaches and initiatives on a pan-western and national basis on issues such as board and staff training and common marketing. There is also one investment fund pool in each region that pools cash reserves from the investment funds of individual CFO’s not immediately required locally.

Since 1995, the Federal government has funded 269 Community Futures regional economic development corporations across the nation. Collectively across Canada, these corporations have invested $3.7 billion in rural Canada and created or maintained 465,000 jobs (Canadian Rural Revitalization Foundation (CRRF)). The 2014 annual review for the program outlines the continued usage of the program nationally with 5,476 loans approved creating 45,845 jobs. The value of assistance provided was over $278 million dollars with an additional $584 million leveraged from partners for these projects (Community Futures Network of Canada).
Further evidence of the program’s success was outlined in a February 2015 report prepared by Western Economic Diversification Canada using Statistics Canada data for the 2006-2011 timeframe. The report derived from the business numbers of CFP loan clients in Western Canada found that, between 2006 and 2011, these clients were much more successful at creating jobs than a group of comparable firms (8.55 percent average annual growth compared to 2.65 percent for non-assisted firms) and increasing sales (13.97 percent average annual growth compared to 5.42 percent for non-assisted firms). The CFP strives to achieve better results and this report provides tangible data on the effectiveness of the CFP (Department of Western Economic Diversification, 2015d).

4.4 Economic Development Initiative: An Adaptive Model

The Economic Development Initiative (EDI) supports business and economic development activities that encourage sustainable growth of Canada’s official language minority communities. In March 2013, the Government of Canada released the 2013-2018 Strategy for Official Languages: “Roadmap for Canada’s Official Languages 2013-2018: Education, Immigration, Communities” with a Budget of $1.1 billion allocated among 15 federal departments and agencies. As partners under this Roadmap, the Ministry of Innovation, Science and Economic Development (ISED), formerly Industry Canada, along with the regional development agencies are responsible for delivering the Economic Development Initiative

Within the “Communities” element of the Roadmap, ISED and the regional development agencies will implement the EDI to support economic development in Official Languages Minority Communities (OLMC’s) across Canada. The initiative is intended to facilitate sustainable growth in OLMC’s by promoting the development of new expertise through innovation, diversification, partnerships and increased support of small- and medium-sized businesses. The strategy for the EDI is based on addressing regional needs and priorities for OLMC’s and therefore, it is not ‘one-size fits all’.

This initiative also promotes the development of new expertise through innovation, diversification of economic activities, partnerships, and increased support of small and medium-sized businesses. The initiative can assist individuals, businesses, youth and immigrants to flourish in their OLMC.

OLMC’s were consulted for the development of this roadmap with the following priorities being identified:

- Diversification of economic development within communities;
- Trade and investment;
- Innovative technologies, products, and services;
- Youth entrepreneurship and retention in OLMCs, particularly rural ones;
- Tourism (marketing and promotion);
- Support of (francophone) small- and medium-sized business;
- Francophone immigration attraction and retention (e.g. support new immigrant entrepreneurs);
- Maintaining a sufficient and skilled francophone workforce in OLMC’s;
- Strategic plans and community plans (directed at supporting capacity building);
- Community economic plans and projects that derive from these plans; and
- Capacity building (Department of Western Economic Diversification, 2015c).

4.5 Canada Business Network: Constructing the Foundation for Successful Entrepreneurs

The Canada Business Network (CBN) includes the five RDA’s and the Department of Innovation, Science and Economic Development. CBN promotes entrepreneurship and innovation, and provides assistance through an organized network of service centres across Canada. There is a centre in each province and territory working with partners in many communities across their region, providing numerous service access points. These organizations collaborate with other federal governments, provincial governments, not for profit entities and more than 400 regional access partners.

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8 The Canada Business Network does not include FedNor as a partner organization.
Across the Canada Business Network, there is a firm commitment to providing entrepreneurs with the skills and knowledge they need to succeed. Each year, the network offers hundreds of different workshops, training sessions and learning activities in-person, by videoconference and online. Other client interactions include business learning sessions, outreach activities including tours and presentations, facilitation of trade show attendance, and one-on-one support and business advice (Canada Business Network).

As can be seen, Canada has provided ongoing funding to the six RDAs and other government departments through which there are many options to engage and bolster rural regions.

4.6 Indigenous Economic Development: Confronting Economic Disparities

The recently released report from The Truth and Reconciliation Commission of Canada, which undertook an extensive look at the effects of residential schools on Indigenous peoples in Canada, highlighted the economic disparities between Indigenous peoples and all Canadians, that residential schools and the government actions have largely created (TRCC, 2015). In order to address some of these economic disparities and other challenges facing Indigenous communities, a number of economic development programs are offered through Indigenous and Northern Affairs Canada (INAC). This section will describe some of INAC’s programs and how they have contributed to economic development for Indigenous peoples in rural settings.

4.6.1 Community Opportunity Readiness Programs (CORP)
CORP seeks to address the financial needs of Indigenous communities who are trying to establish the conditions for sustained economic development to occur. Thereby, CORP provides funding for a number of costs in order to help with economic development opportunities, including feasibility studies, marketing, negotiations, planning, and others to help attract private sector businesses and financing (Government of Canada, 2010). CORP also provides support for local community-owned businesses, such as advisory services, market development, and needed infrastructure for business development. The initial soft costs that CORP primarily covers are important as the groundwork for future economic development.

4.6.2 Lands and Economic Development Services Program (LEDSP)
Indigenous lands and communities are often uniquely positioned for major resource development initiatives. The LEDSP seeks to capitalize on these opportunities by providing funding for a number of economic development activities. It provides funding for community economic development planning and capacity development for Indigenous communities to ready the community for large-scale projects (Government of Canada, 2014). Funding is also allocated to help with land management activities, including land codes, land management systems, and environmental agreements. These communities can also receive funding to help assume greater control over their reserve land, such as land use planning and compliance (Government of Canada, 2014). These program components help to ensure that rural Indigenous communities can participate in resource development opportunities, in ways that support sustained economic development for their communities.

4.6.3 Strategic Partnership Initiative (SPI)
One of the programs used throughout Canada to support economic development in mostly rural Indigenous communities is the Strategic Partnership Initiative (SPI). SPI provides a single-window approach for Indigenous communities to obtain funding to support community economic development readiness for major resource development projects (Government of Canada, 2015). In this way, communities do not have to navigate multiple application and reporting processes across federal departments when preliminary funding is required for major resource development projects. SPI also allows for federal departments to “…collectively prioritize and sequence investments, assess and make project approvals, leverage non-federal sources of funding, monitor progress and report on outcomes” (Government of Canada, 2015), rather than to undertake these actions in isolation. In these ways, SPI encourages partnerships to be created between federal departments and Indigenous communities.
There are several successful examples throughout Canada of SPI projects that have readied rural Indigenous communities for economic development opportunities. In the province of Saskatchewan, the provincially-owned utility provider SaskPower aims to develop more renewable energy capacity. Given that some of these projects will involve Indigenous land and interest, SPI was used to help establish the First Nations Power Authority (FNPA) (Indigenous and Northern Affairs Canada, 2015). The FNPA allows Saskatchewan Indigenous communities to negotiate with SaskPower and access expertise in pursuit of renewable power projects. The FNPA also provides a single-window approach for the coordination of Indigenous power projects with SaskPower. SPI has also been used in northern Ontario, by investing in the necessary social infrastructure to prepare these rural communities for the economic opportunities brought on by the discovery of a 4,000 square kilometer high mineral deposit, known as the ‘Ring-of-Fire’ (Indigenous and Northern Affairs Canada, 2015). SPI allowed for strategic governance plans, community engagement strategies and land-use plans to be developed to help nine Indigenous communities become job-ready for this major resource development.

4.6.4 First Nations Commercial and Industrial Development Act (FNCIDA)

Apart from specific programs, there are also pieces of legislation that have contributed to economic development opportunities for rural Indigenous communities. The First Nations Commercial and Industrial Development Act (FNCIDA) is a piece of legislation that allows the federal government to produce regulations for complex commercial and industrial development projects on-reserves that are compatible with those off-reserve (Government of Canada, 2012). Later amendments allowed on-reserve commercial real estate projects to benefit from greater certainty of title. They allowed First Nations to request that their on-reserve commercial real estate projects benefit from a property rights regime, including a land title system and title assurance fund, identical to the provincial regime off-reserve. It also enabled a First Nation that has decided to pursue a large-scale commercial or industrial on-reserve project to ask the Government of Canada to reproduce the provincial rules and regulations that apply to similar large-scale commercial or industrial projects off reserves and apply them to a specific on-reserve project (Government of Canada, 2012). This approach ensures that on-reserve projects, most of which are rural projects, are subject to similar regulatory regimes as off-reserve projects, thereby increasing the certainty for investors and developers.

One of a few example of this legislation working in a rural Indigenous community is in the Muskowekwan First Nation (MFN) in Saskatchewan. The MFN established Muskowekwan Resources Ltd. in 2009 to create enhanced business and employment opportunities for its membership in southern Saskatchewan. Specifically, the MFN submitted a proposal for the development of a potash mine, in a joint venture agreement with its project proponent Encanto Potash Corp., on its reserve lands by utilizing the FNCIDA (Reginald, 2015). This will be the first potash mine on reserve land in Canada, and is estimated to contain 162 million tons of recoverable potash reserves, enough to support a mine for 50 years. The same legislation is likely to be used to create regulation for a hydroelectric project in northern Saskatchewan, in the First Nation reserve of Black Lake. This project is projected to generate as much as $1.3 billion over 90 years (Johnstone, 2015). These projects would not have been possible without the changes brought on by the FNCIDA.

5. SUMMARY AND BEST PRACTICES

It is important for readers to note that the rural challenges identified are not particularly unique to Canada and they are indeed found throughout the world. What is interesting and somewhat differentiates Canada is the mix of economic, demographic, and social challenges in place at this point in time. For instance, the aging population is a trend in many developed countries so not particularly unique, but coupled with the much younger and faster growing Indigenous population differentiates Canada somewhat. Economically we have discussed the uneven resource base and disparity this causes for some regions - yet another complexity to the Canadian rural landscape. Socially, the limited rural capacity and limited infrastructure, coupled with ongoing migration to urban centres, can create further disparity.
Having a system with local input and adaptable programming provides an important aspect over time as both anticipated and unanticipated future needs arise. Canada has a long standing history with rural economic development, though each region may have a different mix of challenges. The following are some best practices of the Canadian system.

First, continual assessment and openness to change are paramount. Canada’s move from a top down to a bottom up approach, which was years in the making, encompasses the desire and willingness to adapt to ongoing structural changes. Further, this requires the foresight and recognition of a need for a long term commitment to developing a local knowledge base with a vested interest in success. Second, having a national system of RDA’s with the ability to focus on regional issues provides flexibility given the size and nature of Canada’s rural population. As has been outlined there are national programs, regional specific issues and local challenges that are addressed through such mechanisms as Community Futures Program, the Economic Development Initiative (EDI) and the Canada Business Network. Third, creating a reporting structure, including project outcomes and continuing revitalization, keep programs up to date and relevant to address today’s issues. Fourth, having a federal connection to programs such as the Community Futures Program and the Canada Business Networks allows for improved coordination with other federal and provincial programming. Fifth, historically the creation of a long standing fund and ongoing programming commitments provide a stable environment for the growth of the CFP. Finally, having specific CFP’s allow for local engagement providing on the ground knowledge and a more visible connection to rural partners. Development, collaboration and training of these individuals and groups are an important aspect of the CFP.

6. CONCLUSION

In closing, this paper has given an overview of rural economic development in Canada and has covered in brief the Canadian history, rural background, the role of government and the tremendous diversity and ongoing challenges that exist for rural economic development. As such this provides a snapshot for ongoing assessment of rural issues within Canada and allows for reflection on future directions for WD and Canadian rural policy.

REFERENCES CITED


