EC-OECD Seminar Series on Designing better economic development policies for regions and cities

Canadian regional development policy:

Flexible governance and adaptive implementation

23 January 2017

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Background information

This paper was prepared as a background document to the OECD-European Commission Seminar on "***Multi-level governance for regional economic development***" held on 23 January 2017 at the OECD Headquarters in Paris, France. It sets a basis for reflection and discussion.

About the Project

This seminar is part of a five-part seminar series in the context of an EC-OECD project "Designing better economic development policies for regions and cities". Other sessions in the series addressed the use of: contracts for flexibility/adaptability, performance indicators, financial instruments, and insights from behavioural science. The outcome of the seminars supports the work of the Regional Development Policy Committee and its mandate to promote the design and implementation of policies that are adapted to the relevant territorial scales or geographies, and that focus on the main factors that sustain the competitive advantages of regions and cities. The seminars also support the Directorate-General for Regional and Urban Policy (DG REGIO) of the European Commission in the preparation of the impact assessment for the post-2020 legislative proposals and to support broader discussion with stakeholders on the future direction of the delivery mechanisms of regional policy.

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Introduction

Canada provides an instructive case for studying regional economic development and evolving governance institutions and policy mechanisms. For more than five decades, the regional policy field has engaged governments at all levels working to close persistent territorial disparities in gross domestic product (GDP) per capita and economic opportunity (Bradford, 2010). Implemented in a decentralised federation, Canadian regional development occupies a crowded and contested policy space involving substantial input from not only federal and provincial/territorial governments, but from an array of partners, including private sector firms, representative associations, post-secondary institutions and community organisations. Equally, First Nations participation is integral to regional economic development and Canada is now one of the most urbanised countries in the world, with cities seeking greater policy autonomy. In Canadian regional development policy, the interdependencies are multiple – among levels of government and First Nations; across public, private and community sectors; and between policy makers and knowledge networks. Yet, Canada lacks an effective upper house in parliament to give political voice to regional perspectives. It follows that more informal relations and mechanisms for multilevel, cross-sectoral collaboration are crucial for policy progress (Conteh, 2013).

This paper offers an interpretation and mapping of the sustained and wide-ranging efforts made to design and deliver regional development policy in Canada. Canada's regional development policy architecture is structured around the federation's foundational principle to provide equal opportunities for well-being to all Canadians regardless of where they happen to live. This principle finds constitutional expression in Section 36 that commits federal and provincial governments to "furthering economic development to reduce disparity in opportunities" and "providing essential public services of reasonable quality to all Canadians". To realise these goals, in the second half of the 20th century, the federal government institutionalised a two-track social and economic policy framework: first, negotiating inter-provincial equalisation payments for quality public services everywhere, and, second, implementing geographically targeted development assistance.

This paper discusses the second developmental track of Canada's evolving regional policy architecture, with a focus on "flexibility" and "adaptability". In Canadian regional development discourse, flexibility refers to the capacity of the governance system to renew over time as policy goals shift in response to external shocks or internal learning and changing conditions require different instruments or mechanisms. As in other countries, Canadian policy flexibility is about the **time** dimension. Adaptability has two connotations in the Canadian policy setting. On the one hand, given the great scale and diversity of the Canadian economy, adaptability refers to the spatial sensitivity of national policies through regional tailoring and local customisation of programmes. On the other hand, adaptability signals a need or interest in extending the issue-scope of regional policy, for example, beyond the traditional economic competitiveness concerns to ecological sustainability, social inclusion and cultural recognition. Canadian regional policy adaptability thus involves the **place** dimension through community engagement, with implementation partners from multiple sectors, notably Indigenous peoples.

This paper begins with a brief review of the successive regional policy waves that have resonated with federal governments dating back to the founding moment in the early 1960s. The focus then shifts to the current third wave known as the "new regionalism" that now has considerable policy momentum across the OECD. The paper proposes that the Canadian engagement with the new regionalism represents a form of what scholars

term "metagovernance" (Jessop, 2004; Sorensen, 2006; Bell and Hindmoor, 2009) wherein national governments "steer at a distance" through an "eclectic mix" (Dunn, 2016) of mechanisms and tools. To illustrate, the paper explores three distinctive national policy strategies – flexible regional governance, territorial policy adaptation and community-based regionalism – highlighting their respective institutional structures, operative strategies and engagement mechanisms. The annexes provide programme descriptions for each strategy that capture granular variation in inter-governmental structures and multi-sectoral processes.

Overall, the analysis reveals the significance of hybrid contracts, blending transactional and relational elements to bring flexibility over time and adaptability across space and issues to regional development policy. The paper closes by drawing from the Canadian experience five lessons about achieving appropriate flexibility and adaptability in regional development policy. It also offers thoughts about ongoing Canadian innovations as the Trudeau government actively pursues collaboration and partnerships that extend the issue-scope of regional policy.

Canadian regional development policy: Context and evolution

Regional economic development is a Canadian policy field with a rich and varied history, marked by an evolving interplay of theoretical models, policy practices and governance structures (Savoie, 1992). Since the early 1960s, three distinct waves of federal regional development activity can be identified. Each wave defines a particular policy period, with transitions across periods driven by new ideas and practical lessons. The result is a cumulative body of policy knowledge establishing the context for the concerted federal activism of the past decade or so.

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. During the 1960s, the federal government acted in a unilateral fashion, intervening directly in rural areas designated for assistance based on various indicators, and in urban centres identified as "growth poles" for lagging regions. Designed in Ottawa through federal sectoral departments for agriculture or industry, the first wave of regional development policy was top-down and centralised. However, it was soon clear that the federal government faced major constraints in acting from above on its own, the most salient of which related to shared jurisdiction with the provinces over key aspects of regional development. Without provincial involvement, federal interventions could not effectively integrate support for economic sectors, businesses or agricultural producers with crucial land-use and infrastructure planning, nor credibly direct regional interlocutors such as local governments and development agencies. While a new Department of Regional Economic Expansion was established in the 1970s to co-ordinate federal programming and align with the provinces, Canada's first round of regional development policy was judged harshly both for its clumsy administration and failure to narrow regional disparities (Bradford and Wolfe, 2012).

The 1980s was a critical decade for Canadian regional development policy. Critique and reflection produced significant refocusing and recalibrating of policy (Bradford and Wolfe, 2013). Basic goals shifted: regional development was no longer about eliminating disparities between leaders and laggards but rather enabling regions facing particular

challenges to realise their full potential, not by focusing on needs, but by developing assets and building capacities. The new orientation emerged against the backdrop of the deep recession in the early 1980s, as the federal government introduced several employment and industrial adjustment programmes that worked directly with a host of subnational partners in hard-hit rural and urban communities. Academic support came from new schools of regional development emphasising community-building and local economic development. In 1987, the federal government introduced a substantially new structure for regional development policy. 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 the Western Economic Diversification Canada (WED) respectively. A few years later, similar agencies emerged for Quebec regions (CEDQ) and in Northern Ontario, an entity located within Industry Canada, FedNor. In 2009, two new agencies were established, the Federal Development Agency for Southern Ontario (FedDev) and the Canadian Northern Development Agency (CanNor), completing a pan-Canadian regional development policy framework. With head offices in the regions, decentralisation aimed at a stronger regional presence and profile for Ottawa as well as more collaborative governance, whereby development initiatives reflected local priorities and accountability for investment outcomes was shared among governments and their policy partners in the private and community sectors.

Yet, broad agreement that good regional development policy was neither closing disparities nor one-size-fits-all still left open challenging questions about how the different levels of government could find complementary roles and the criteria to guide federal investments in bottom-up regional development. The policy target shifted from chasing smoke stacks to building research infrastructure and filling market gaps through decentralised agencies; however, concern remained about a plethora of new programmes administered by discrete departments with little integration or co-ordination. Tackling these issues became the focal point in the formulation of today's third wave of regional development policy.

The "new regionalism" begins from the premise that regions need to maximise investments in local assets that cannot be easily replicated or moved to other parts of the globe or country (OECD, 2011; Gertler, 2010). Rather than playing in a zero-sum competition for inward investment, the key issue is how firms, sectors and institutions in particular geographic contexts reconfigure their existing knowledge base and localised capabilities to develop new areas of commercially viable specialisation and competence. While this approach does not eschew support for physical or research infrastructures, it assumes that returns on such hard investments depend on the quality of local workers and management, and the efficiency of community-based networks, in transmitting ideas and delivering services. In the new regionalism, the imperative is innovation – generating and applying new ideas to production processes and good and services – across all regions and sectors of the economy (OECD, 2011). In some places, the specific priority might be upgrading traditional manufacturing, while in others it is diversifying resource-based economies or growing leading-edge technology firms. In all cases, new forms of collaboration among business, research institutions, education and training providers, venture financiers, and government are critical for the knowledge flows – not only formal research but equally the informal or tacit know-how – that drive innovation.

There is no automatic process or linear pathway that connects the worlds of research, commercialisation and business. Regional innovation systems that grow clusters do not pop up just anywhere. Governments must invest in the knowledge infrastructure, catalyze networks and enable local actors to sustain their "innovative milieu". They devolve power to

the geographic scale where organisational synergies and policy interdependencies play out, and they must align their investments with local priorities. Such place-based intervention is integral to the new regionalism. Rather than layering new programmes on existing ones in a disjointed fashion, governments collaborate across different levels of government, and between public and private actors at the local scale to identify and cultivate assets that constitute unique and durable sources of competitive advantage.

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 for regional advantage (OECD, 2007; 2009). Central to this knowledge building has been the development of new governance models, policy strategies and implementation mechanisms. Regional development has always been a focal point for Canadian policy learning and the continuing period is no exception. As the renowned regional policy expert Donald Savoie puts it, Canadian federal governments must continuously "invent an in-house capacity" to implement national policies through "regional lenses" (Savoie, 2015). Over the past two decades, inventive strategies of federal metagovernance have emerged to deliver Canada's "new regionalism" through hybrid contracts that provide flexibility and adaptability. The rest of this paper outlines this Canadian governance approach and illustrates its concrete policy practice.

Canadian metagovernance: Regional policy through hybrid contracts

While there is a growing appreciation of the value of co-ordination among governments and across sectors, there is variation in how political systems adapt their governance structures and policy frameworks to the complexity (Bradford, 2008). Some countries have created institutional focal points such as the Council of Australian Governments or legislated national spatial plans; however, the Canadian regional policy framework has been more informal and diffuse. Broadly informed by the constitutional commitment to equalise opportunities and services across the country, Canada's regional policy is implemented in a "loosely coupled framework" (Clarke and Gaile, 1998) with multiple governments and community-based organisations coming together for joint work on development projects or territorial strategies through a range of collaborative mechanisms – agreements, contracts and memoranda of understanding. Key nodes in this decentralised public governance network include: federal regional cabinet ministers, federal RDAs, federal regional departmental councils, the Provincial Council of the Federation, First Ministers summits, federal-First Nations negotiations, and the federal whole-of-government policy framework. At various points in time, Canadian political leadership has imposed some coherence on the system through overarching policy projects such as the 1990s Social Union Framework and the New Deal for Cities and Communities in the first decades of the 2000s.

The decentralised and loosely coupled Canadian regional governance system has been aptly termed "metagovernance" (Doberstein, 2013; Bradford, 2014). Drawing on the second generation of governance research, Canadian policy scholars apply metagovernance to capture the diverse ways in which federalism's inter-governmental relations orchestrate territorial policy networks to address complex challenges through investment, experimentation and innovation. Avoiding the dysfunctionalities of either top-down policy mandating or bottom-up decentralisation, Canadian metagovernance seeks a more flexible assertion of public authority adapted to the conditions and contexts of a decentralised federation and regionalised economy. Governments mobilise and empower representative civil society networks to bring their localised expertise and community capacity to public problem solving. Accompanying the devolution, metagovernance retains emphasis on

issues of legitimacy, requiring that governments maintain democratic accountability by shaping and steering network activities, and establishing policy goals and reporting requirements. Through this mix of authority, knowledge and capacity, metagovernance brings into focus a flexible national policy framework that uses networked relations to adapt to territorial variation in partners and priorities.

The application of metagovernance to the Canadian regional policy experience directs attention to the repertoire of strategies, mechanisms and tools that federal governments deploy to "steer at a distance" (Bell and Hindmoor, 2009). While scholarly metagovernance research remains quite theoretical, more applied policy analysis investigates implementation issues, identifying the instruments that governments utilise (OECD, 2007; Bradford, 2010). Most important are contracts that set the ground rules for metagoverning: identifying partners, setting objectives, sharing information and ensuring engagement through credible commitments and mutual obligations. Contracts are the principal means for aligning national policy goals with regional priorities to be implemented through networked relations among public, private and community sectors. Policy research distinguishes between two types of contracts. Transactional arrangements follow classical principal-agent logic where the respective obligations and contributions of the parties can be established in advance, allowing the upper-level policy authorities to enforce compliance on subnational recipients or beneficiaries. Relational contracts offer flexibility to the contracting parties based on mutual recognition that precise outcomes cannot be specified in advance, and that through learning and experimentation shared goals will be revealed as focal points for joint investment.

Canada presents an interesting case where these two contracting types have been utilised independently over time and, most recently, in blended or hybrid forms (OECD, 2007). Transactional contracts were prominent in the early decades of federal regional economic development policy where prescriptive financial transfers were made to individual businesses and provinces. Following the 1987 reorganisation of regional policy delivery, the federal development agencies negotiated more relational contracts with community-based actors and provinces/territories in pursuit of localised planning for programme alignment. However, concerns about financial management and wasteful public spending in the wake of the so-called federal sponsorship scandal in the early 2000s brought new interest in policy mechanisms that combined the respective strengths of each contract type – the monitoring and accountability of transacting and the dialogue and experimentation of relating.

The precise implementation of metagovernance has evolved through political practice, adapting to different governing political parties and their particular "theory of federalism". With their Social Union Framework and New Deal for Cities and Communities, Liberal governments of the late 1990s and early 2000s embraced "collaborative federalism" that advances an activist role for the federal government through use of the federal spending power in matters deemed of national consequence in provincial jurisdiction, negotiation of multilateral inter-governmental policy accords, and federal-local partnerships with municipalities and community organisations. In contrast, the Harper Conservatives preferred "open federalism" that kept governments to their own constitutional responsibilities, limited use of the federal spending power, and relied on bilateral relations with provincial and territorial ministers to achieve sector-specific policy deals. The Trudeau Liberal government clearly situates itself in the collaborative federalism tradition, with a vision quite different from its Conservative predecessor. It is exploring various metagovernance strategies to work with provinces, territories and Indigenous leaders on aligning national goals with

regional priorities and local capacities. Although still in formation, the Trudeau government's collaborative vision and multilevel practice will be considered in the conclusion of this paper.

Regional development is one Canadian policy priority that persists through changes of government and shifts between collaborative and open theories of federalism. Since the early 2000s, a variety of territorially based national initiatives have been implemented by federal Liberal and Conservative governments, all utilising hybrid contracting for place-based policy (Bradford, 2007a). These initiatives include financial transfers for municipal and regional infrastructure, framework agreements for tri-level innovation in complex policy challenges, and learning pilots for knowledge transfer and community capacity-building. Each policy involves forms of hybrid contracting allowing flexibility in governance and adaptability in implementation. Evolutions are observed within initiatives as some launched transactionally and then incorporated relational elements where others reversed the progression as concrete funding opportunities emerged through joint dialogue. Hybrid contracts are now recognised in the central agencies responsible for transfer design. Specifically, the Treasury Board of Canada formally designates them as "other transfer payments", acknowledging their varying blend of the central conditionality of contribution agreements and the local discretion of grants (Government of Canada, 2015).

Table 1. **Metagovernance: A contracting continuum**

	Transactional	Relational	Hybrid
Information availability	Upfront	Over time	Ongoing
Co-ordination problems	Stated before signature	Solved after signature	Objectives in advance, adjustments in practice
Issue complexity	Generally mono-sectoral	Generally multi-sectoral	Sectoral focus, multiple partners
Enforcement	External	Often bilateral/third party	Central oversight and bilateral learning
Challenges	Risks	Uncertainty	Accountability and adaptability

Source: Adapted from OECD (2007), *Linking Regions and Central Governments: Contracts for Regional Development*, http://dx.doi.org/10.1787/9789264008755-en; and Charbit, C. and O. Romano (2017), "Governing together: An international review of contracts across levels of government for regional development", http://dx.doi.org/10.1787/ff7c8ac4-en.

Hybrid contracting is a prime instrument in Canadian metagovernance. It aligns national, regional and local priorities; builds joint implementation capacities; and demonstrates flexibility over time in connecting short-term projects to longer term goals as well as adaptability across space in customising support to communities. The metagovernance toolkit based on Canadian regional policy practice features three modes of intervention and collaborative mechanisms:

1. **Flexible regional governance:** Through Canada's six federal RDAs now covering the entire country, the federal government engages multiple policy-sharing partnerships implementing "explicit regional policy" (Bradford, 2007b). Functioning as institutional intermediaries, the RDAs connect governments, firms, researchers and community organisations to inform and facilitate strategic planning and the delivery of programmes and projects. They bring a regional lens to federal economic development policy and translate national goals into regional and community settings. Operating in a crowded policy space, each RDA co-ordinates with provincial/territorial development priorities while also advancing coalitions where the federal government has particular interest or obligation, for example, with constituencies historically underrepresented in mainstream development such as Indigenous peoples and ethno-cultural minorities. Collectively, the RDAs have

been leaders in multilevel governance, making extensive use of contracts for infrastructure investments and tri-level policy innovation. Each has evolved to incorporate the shifting priorities of the federal government and adapt them to regional conditions and capacities.

2. **Territorial policy adaptation:** Canadian federal and provincial governments have recently collaborated to embed a regional or local lens in horizontal policies that cross jurisdictions or departments. Delegating authority to community-based actors to adapt national programming, such territorial sensitivity is an "implicit regional policy" (Bradford, 2007b). Such practices arise particularly in efforts to extend regional development beyond traditional territorial competitiveness to incorporate social inclusion, cultural diversity and ecological sustainability. The premise is that challenges and opportunities in specific sectors may exhibit substantial variation in their regional expression. Effective implementation requires municipal and community input enabled by local federal or provincial/territorial officials who communicate feedback to central policy designers. In turn, local implementation capacity is built as actors mobilise knowledge and networks to meet national programme goals on terms matched to their community needs and aspirations.

3. **Community-based regionalism:** Canadian policy communities often collaborate through pilot projects or demonstration initiatives designed to generate knowledge that empowers federal or provincial policy designers **and** regional or local actors on the front lines of implementation (Doberstein, 2013). Given the highly decentralised nature of Canadian governance and policy, the learning is explicitly mutual with insights flowing both vertically from local to national levels and horizontally within community-based regional networks. Lessons generated aim to address local gaps in technical expertise or organisational capacity as well as to bring experiential knowledge and network expertise to upper level administration. Such pilot projects typically tackle "wicked problems" – those that are deep-seated and localised in their expression and therefore resistant to off-the-shelf solutions. Community-based regionalism involves "learning by doing", testing theories, sharing lessons, transferring practices and scaling successes into policy innovation.

Since the early 2000s, Canadian public policy has featured each of these three metagovernance regional strategies, all mixing and matching instruments for flexibility and adaptability. The result is a loosely coupled national framework for governance in a regionalised economy and decentralised federation. Eschewing one-size-fits-all templates, Canadian regional development policy seeks to adapt policies to local particularity while preserving equitable opportunity across space. The discussion now turns to case examples of implementation of Canada's three metagovernance strategies as depicted in Table 2.

Table 2. **Canadian regional development policy: An implementation continuum**

	Flexible regional governance	Territorial policy adaptation	Community-based regionalism
Logic of intervention	Regional representation and innovation	Local variation and programme tailoring	Place-based knowledge and capacity-building
Delivery mechanism	Institutional intermediary	Departmental devolution	Learning pilot
Purpose of contracting	Policy sharing	Delegated authority	Mutual empowerment
Logic of contracting	Hybrid contract (from transactional to relational)	Hybrid contract (both transactional and relational)	Hybrid contract (from relational to transactional)
Canadian example	Regional development agencies	Federal Gas Tax Fund	Urban development agreements

Regional development policy in action

Flexible regional governance: Institutional intermediaries

In 2015, all six RDAs were placed within the new federal Department of Innovation, Science and Economic Development. In the past, several of the RDAs reported to different ministers. The current reorganisation is designed to better align the activities of each RDA with the federal whole-of-government framework, enable greater mutual learning and knowledge transfer among the RDAs, and embed a shared pan-Canadian focus on the federal innovation agenda that seeks to balance strategic investments in high-impact firms and emerging sectors such as clean technologies, while advancing existing industrial strengths and economic diversification.

Each RDA (with the exception of the smaller CanNor and FedNor) operate with an approximately five-year renewable CAD 1 billion budget. As reported in Annex A, all of the RDAs divide their spending across the same three core priorities: 1) business innovation (60%); 2) community development (35%); and 3) knowledge mobilisation/policy advocacy (5%). With these three activities, the RDAs deliver numerous programmes and services. Programming can be grouped into four main policy instruments: financial assistance, knowledge mobilisation, community networks and infrastructure programming.

Financial assistance: RDAs use transfer payments to provide assistance for economic and community development to private businesses, non-profit organisations, and other levels of government. Such loans and grants are delivered through various mechanisms, including inter-governmental partnership agreements and contribution agreements with local organisations. The guiding principles of RDA investments are: first, that they are targeted to finance commercial and non-commercial development initiatives that would otherwise have been postponed or abandoned if left solely to market criteria; and second, all payments to other orders of government must respect jurisdictional responsibilities while ensuring accountability to citizens for expenditures and results. In making transfers, the RDAs comply with federal Treasury Board policy on transfer payments that distinguishes among conditional transfers (contributions), unconditional transfers (grants) and "other transfers" (terms and conditions set by special agreement for "flexible conditionality" as described below in the Gas Tax Fund). In all cases, the RDAs are expected to select the optimal transfer payment instrument based on risk assessment of the project and the proponent, striking the balance between managerial control and operational discretion. Through contribution agreements, the RDAs negotiate with project partners outlining the core objectives, funded activities, expected outcomes and performance measures to support programme management, programme evaluation and external reporting. If monitoring reveals non-compliance with the obligations set out in contribution agreements, the RDA can withhold payments. With ministerial approval and communication with the Treasury Board, the RDAs can amend the terms and conditions of contribution agreements based on evaluations or audits indicating problems, or through strategic policy reviews.

A special example of funding flexibility in Canada is federal "aboriginal transfer agreements" that often involve longer term programming and broad-based government-community collaboration. This transfer instrument includes a "flexible approach" when programme objectives can be better achieved by allowing the recipient to redirect funding among cost categories established in the agreement and permitting funding to roll over fiscal years. Where the relationship with the recipient extends to five years or more, the aboriginal transfer can take a "block approach" through a single multi-year funding agreement linked to multi-programme objectives. This allows flexibility to adjust the

relative priority of programmes in the block and to redirect funding among the programmes to address changing circumstances and the recipient's evolving priorities. Decisions about the flexible transfers are based on the recipient's demonstrated capacity to manage transfer payments through programme design and delivery to reporting and accountability.

Knowledge mobilisation: The RDAs have been active in policy research and advocacy. This has taken various forms, including partnerships with prominent think tanks to report on region-specific trends and priorities, working with educational institutions to promote youth entrepreneurship and scientific learning, and positioning regional firms in the global marketplace through the development of community-based strategic plans and international benchmarking of economic performance. These functions are labelled "policy, advocacy and co-ordination" (PAC) and such intelligence gathering and environmental scanning are integral to identifying and responding to opportunities and challenges in the regional economy. PAC provides economic analysis and well-grounded advice to support RDA priorities as well as federal ministerial decision making about policies and programming. Co-ordination work helps each region to create integrated approaches to development while advocacy brokers opportunities for regional businesses in federal and provincial procurement opportunities. Increasingly, the RDAs are undertaking regional risk analysis in consultation with local stakeholders and funding partners as a means to calibrate programming, channel expenditures and implement temporary, targeted initiatives responding to problems or pressures specific to the region or a sub-region within. As part of its PAC functions, the RDAs typically lead the regionally based federal departmental councils for horizontal co-ordination, participate in federal-provincial collaborations on labour force skills development, international business development, and global trade strategy, and consult with one another on best practice interventions and systems for performance measurement and programme review.

Community networks: The RDAs support the local activities of the community futures organisations (CFOs). Dating back to the mid-1980s, the CFOs bring together volunteer boards and RDA staff to plan and deliver business services, investment funds and community strategies. Decision making takes place at a local level through a board of directors, involving local volunteers and community organisations. The federal government contributes through the RDAs nearly CAD 100 million to support 258 CFOs located outside major metropolitan areas, except in Quebec where 15 CFOs are located in disadvantaged areas of the province's major cities. Funding can be used to provide repayable financing to local businesses, training for small and medium-sized enterprises, strategic community planning, and support for community-based projects. With its funding, the federal government includes broad policy directions that reflect evolving national priorities, such as outreach to Indigenous entrepreneurs, capital for social enterprises and youth employment. Local CFOs have considerable latitude to plan and deliver targeted support to industries or communities experiencing downturns. The RDAs provide technical support and assess CFO performance targets to ensure compliance with terms and conditions. Evaluations report positive CFO impact in improving access to capital and business services, strengthening community strategic plans, and adapting to trends revealed through regional research and analysis. Such flexibility is demonstrated as CFOs create regional collaborations to plan and deliver major infrastructure projects such as rural broadband, and make referrals to other federal or provincial programmes to minimise duplication and pool investment funds for greater business impact and scale economies. The CFOs are connected through national organisations and regional networks that share best practices and identify emerging issues.

Infrastructure programming: The RDAs play an important role in delivering federal infrastructure programmes in partnership with provinces, territories, municipalities and First Nations. In the context of the 2009 global recession, each RDA used its existing networks, sectoral knowledge and managerial capacities for timely and targeted implementation of the CAD 50 billion Canada Economic Action Plan's shovel-ready programmes: the Community Adjustment Fund, the Recreational Infrastructure Program and the Building Canada Fund. Rolled out over two years, the RDAs worked to make the investment provide both short-term employment stimulus and longer term promotion of economic growth and knowledge-driven innovation. As part of its economic recovery plan, the federal government also established two new RDAs, one for the northern territories and one for southern Ontario, ensuring that the two distinctive regions each impacted by the global recession would receive appropriate policy support. All infrastructure spending under the Canada Economic Action Plan was completed by 2011 and subsequent reviews found the ambitious programme was well-managed and delivered through the RDAs.

Canada's six RDAs all work with these four basic policy instruments, reporting to parliament through the Minister of Innovation, Science and Economic Development on their activities and performance. Beyond these common elements, there are differences in specific priorities and programmes, reflecting how each RDA adapts to its regional policy setting. Annex A describes in detail key aspects of this operational variation, highlighting projects from each of the six RDAs.

In sum, Canada's six RDAs have institutionalised governance flexibility in the design and implementation of regional development policy. They supply a "regional lens" that translates national goals into regional settings while also promoting those same subnational interests in federal policy making. They tailor support to the distinctive needs, priorities and capacities of regional economies at the same time that they adapt to shifting federal goals and evolving local conditions. Table 3 captures key performance features of Canada's flexible regional governance through the RDAs.

Table 3. **Flexible regional governance in focus**

Policy dynamics	Canadian mechanisms
Regional innovation	Institutional intermediary/regional development agencies
Flexibility "change over time"	Temporary and targeted measures; short-term-long term stimulus package; calls to action; consultation/learning; audit, evaluation, strategic review; research
Adaptability "variation across space"	Regional policy lens for hybrid contracts implementing national goals through regional/local "geographic clustering"
(Re)negotiation process	Federal-provincial management committees; federal-First Nations agreements
Strengths	Pan-Canadian coverage of regional innovation
Weaknesses	Federal-provincial duplication or policy cross-purposes

Territorial policy adaptation: Departmental devolution

Alongside the six RDAs which have acted as flexible institutional intermediaries for economic development, Canadian federalism features policy devolution whereby federal and provincial sectoral departments engage municipalities and regional or community organisations to deliver national programmes or services in locally sensitive ways (Burstein and Tolley, 2011). Where in the past, federal or provincial/territorial departments delivered programmes with set mandates, a recent trend in selected policy fields has been to use various governance mechanisms granting policy authority to local actor networks. Such networks may include municipalities, multi-sectoral stakeholders, community advisory boards or development agencies. Rather than just funding and oversight, this form of

departmental devolution provides for more adaptive implementation through shared decision making and trust-building from the head office to the front lines. Based on recognition that most policy problems, complex in their causality and interdependent in their effects, manifest themselves differently depending on the context in which they occur, the devolution strategy taps into the knowledge and capacity of local organisations and governments. The experience of poverty, homelessness and environmental degradation, for example, differs in rural versus urban settings, in communities that are demographically diverse rather than homogeneous, and in regions which are economically vibrant not stagnant. Top-down, inflexible or one-size-fits-all approaches are ill-suited to address both the particularity of the problem mix and community capacity to address it. Contribution agreements reflect the hybrid contracting logic – with the upper-level government funder setting general objectives and performance expectations while supporting the local governance network to select priorities, package services and allocate funding for the community.

While Canadian public policy has rarely seen formal or full devolution of policy authority from federal to provincial governments (labour market training is one recent example where the federal government transferred programming, funding and staff to the provinces), federal departmental devolution through provincial consent to local actors has been used in a variety of policy fields in Canada. Using the hybrid approach, Canadian policy officials are blending the directives and expectations of transactional contracts with relational elements responsive to changing community needs and maturing organisational capacities. Annex B describes in detail three leading examples of Canada's territorial adaptation of national policy, each demonstrating the balance between central governments accountable for public expenditures and local networks working creatively within the policy framework for customised interventions in social and physical infrastructure. The three programmes are in immigrant settlement, sustainable infrastructure and homelessness shelter.

Canada's regionalised policy approach through territorial adaptation has brought important local and community knowledge to federal programmes. It institutionalises place-based governance and embeds geographically distinctive knowledge and networks in national policy. In complex policy fields, territorial adaptation uses the principle of "flexible conditionality" in financial transfers to align federal goals, regional priorities and local capacities. Table 4 captures key performance features of the federal-local implementation networks.

Table 4. **Territorial policy adaptation in focus**

Policy dynamics	Canadian mechanisms
Territorial customisation	National policy frameworks and local implementation networks
Flexibility "change over time"	Federal objectives "localised" through "flexible conditionality"
Adaptability "variation across space"	Local governance entities; integrated community strategic plans
(Re)negotiation process	Results-based hybrid contract renewal
Strengths	Place-based decision making
Weaknesses	Overly prescriptive federal direction/weak community capacity

Community-based regionalism: Learning pilots

Canadian policy makers have implemented a host of place-based pilot initiatives to tackle "wicked problems", those that are deep-seated, causally complex and beyond the resources of any single actor. Established interventions or off-the-shelf solutions offer little guidance. In such cases, inter-sectoral and multilevel approaches are required for

governments and communities to learn about policy design and programme implementation. The explicit purpose of collaboration is to generate and apply problem-solving knowledge, supplying new direction for both governments and communities alike. Pilots and demonstrations to reach their learning potential require development of new evaluation tools that value equally policy experimentation, experiential knowledge and results-based accountability. Through dialogue and reflection governments gain insight into which interventions work best where and under what conditions. Successful innovations can be tested in other communities and lessons scaled up for regional policy refinements. In Canada over the last decade, place-based pilots have been launched by the RDAs as well as by the federal government working in partnership with various community organisations and stakeholder associations.

Annex C describes in detail three prominent examples of community-based regionalism, each illustrating the governance flexibility and implementation adaptability integral to pilot projects. The three initiatives are: 1) urban social development agreements; 2) neighbourhood revitalisation projects; and 3) sustainability policy knowledge-brokering.

Canada's version of community-based regionalism introduces elements of flexibility and adaptability into public policy through experimentation, learning and knowledge transfer. Targeted to wicked problems that are localised or regionalised in expression and for which existing approaches fall short, this approach supports innovation by generating new policy knowledge that is shared vertically among governments and horizontally across communities. The result is a type of mutual empowerment that can improve overall policy capacity. Table 5 captures key performance features of Canada's community-based regionalism.

Table 5. **Community-based regionalism in focus**

Policy dynamics	Canadian mechanisms
Knowledge sharing and capacity building	Learning pilots and demonstration funds
Flexibility "change over time"	Policy dialogue, learning by doing, winning ideas/experiments institutionalised as policy innovations
Adaptability "variation across space"	Project testing, knowledge generation and sharing
(Re)negotiation process	Community-based evaluation and securing new funding partners
Strengths	Time-limited low-risk experimentation
Weaknesses	Failure to learn and scale-up lessons for policy

Conclusions

This paper has reviewed the historical evolution and contemporary practice of Canadian regional development policy. Focusing on issues of flexibility over time and adaptability across space and issues, the discussion offered the concept of metagovernance to interpret the variety of structures, strategies and mechanisms deployed by governments – especially the federal government – to align national goals, regional priorities and community needs and capacities. Metagovernance usefully captures how the flexible Canadian policy system both shares authority through institutional intermediaries and departmental devolution, and adapts through collaborative governance and hybrid contracting. Case examples of regional development agencies, territorial policy adaptations and learning pilots illustrated how the diffuse initiatives are drawn together in a broad national framework that supplies direction and sets parameters.

Overall, there are key lessons to draw from the decades-long Canadian regional development policy experience. First, at a macro-historical level, as this brief review of

the successive waves of regional development suggests, Canadian regional policy making has exhibited a notable degree of flexibility in mobilising expertise to adapt structures, strategies and mechanisms to new regional ideas or development paradigms. Second, and in the specific contemporary context of the new regionalism, Canadian metagovernance has deployed hybrid contracting for exploring and advancing several dimensions of policy innovation: linking the goals, priorities and capacities of different levels of government and community; customising financial assistance by allowing contracting parties to sequence transactional and relational types over time; and learning about "what works where" through localised pilots that generate and transfer different forms of knowledge to policy partners.

Of course, Canadian regional policy lessons also include certain limitations. Each of the three main strategies – flexible regional governance, territorial policy adaptation and learning pilots – have gaps and weaknesses that have been the subject of considerable commentary and analysis (Bradford and Wolfe, 2012; Conteh, 2013). The RDAs face ongoing challenges to their legitimacy and relevance in regional policy spaces dominated by provincial governments and increasingly shaped by municipalities and First Nations. Identifying the federal policy niche and adding and measuring developmental value remains a work in progress for each RDA. National policy adaptations have not been without their critics, especially on the community front lines where local actors have sometimes found reporting regimes onerous or been distracted by unilateral policy shifts complicating implementation. While learning pilots have generated significant policy knowledge, both experiential and technical in nature, evidence of scaling-up insights to either reform existing approaches or launch innovations is harder to find.

Each of these concerns speaks to a larger policy question in Canadian regional development. Might it be time to create an institutional focal point for the presently diffuse activities of metagovernance? Other federations have moved smartly in this direction, creating permanent inter-governmental and cross-sectoral national tables or fora that facilitate structured dialogue, strategic action and sustained learning. Canadian regional development could now benefit from a more formalised and intentional national policy community, bridging ideas and action across the levels and sectors (Jenson, 2004). Existing flexibility and adaptability can be further leveraged for community benefit and good public policy.

Along these lines, the Trudeau government in its first year in office has emphasised multilevel collaboration and partnership with provinces, municipalities and Indigenous peoples (Dunn, 2016). The Prime Minister is also the Minister of Intergovernmental Affairs. With this priority, the government has revived traditional inter-governmental dialogue structures, such as First Ministers Meetings for national priorities like climate change and energy, while also implementing some novel approaches that may bring innovation – further flexibility and adaptability – to Canadian regional development policy.

The new processes are most evident in federal relations with Indigenous peoples and with municipalities. For example, in its relations with First Nations, the Trudeau government is considering a bolder collaborative model than the governance flexibility built into the existing aboriginal transfer agreements. Responding to both the Truth and Reconciliation Commission and the United Nations Declaration on the Rights of Indigenous Peoples, the federal government is exploring the "collaborative consent principle". Pioneered by the government of the Northwest Territories, this decision model works to achieve mutual agreement across all stages of the policy process from planning

to revenue-sharing for implementation "tailored to the matter at hand" (Fontaine, Phare, and Miltenberger, 2015). Prime Minister Trudeau has favourably referenced the collaborative consent approach as a promising model. In June 2016, a new institution was created – the Federal, Provincial, Territorial and Indigenous Forum for "promoting reconciliation in Canada". In a similar spirit of innovation through collaboration, the Prime Minister and several federal ministers have met with the Big Cities Mayors' Caucus to work together for a regionally tailored smart cities and green infrastructure agenda.

It is too early to know whether the Trudeau government's collaborative approach to federalism will endure or deliver substantial results. More certain is that Canada will continue to be an instructive case for the flexible design and adaptive delivery of the new regionalism.

In this spirit of cross-national policy learning, five key lessons emerge from the Canadian multilevel governance and multi-sectoral approach to regional development policy. These lessons might constructively inform ongoing policy adjustments and experimentation, and innovation in Europe, Canada and other jurisdictions grappling with spatial imbalances that challenge major goals of cohesion and innovation.

1. Establish a national "**institutional focal point**" comprised of representative regional development policy stakeholders (governments, business, community, researchers) to orchestrate and oversee the diverse policy networks and mechanisms. Steering functions could include priority setting, knowledge brokering, lesson sharing and capacity building. A key priority for such an institutionalised leadership table would be to build consensus around a **protocol for achieving flexibility and adaptability** within the contractual frameworks governing regional development policy. The Canadian experience deploys a variety of "policy adjustment mechanisms" and these should be formalised in a protocol that balances flexibility with the rights/responsibilities of the policy partners.

2. Through deep stakeholder consultation articulate a **shared vision of regional development** that is linked to specific leadership coalitions and implementation mechanisms. An animating vision embedded through practice would build regional identities, entrepreneurial cultures, and inter-community and inter-governmental relationships. It would provide the supportive context for regional development policy success.

3. Adopt a "**place-based policy lens**" with multilevel interventions implemented through **hybrid arrangements** that mix transactional and relational contracts in accordance with localised conditions, priorities and capacities. Build regional resilience through integrated strategies that balance rather than trade-off economic, social and environmental goals.

4. Implement the place-based policy so as to capture **spatial interactions** and leverage **community interdependencies** – urban and rural; suburban and urban; dispersed smaller centres (single industry or resource based) across larger subnational territories.

5. Nurture a regional development policy "**learning culture**". This combines "strategic foresight" with explorative and evaluative research regional policy capacity. A learning culture is foundational for a multilevel policy system that can adjust goals and instruments through project-based experimentation.

The Canadian experience suggests that these five lessons can improve the practice of multilevel regional development policy at governance scales ranging from European-wide to national governments and localised community networks.

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Annex A.
Regional development agencies in focus

Western Economic Diversification: Adjusting to low commodity prices

Western Economic Diversification (WED) was established to diversify the historically narrow economic base of Western Canada by assisting in the modernisation of traditional resource industries, strengthening the infrastructure of communities and supporting the transition to knowledge-based sectors. While growth in Western Canada continues to be largely resource-driven, the recent drop in commodity prices, particularly oil, has taken its toll on the region. Assessing the impacts across the four provinces within its remit, the WED reviewed its projects in consultation with stakeholders to identify new challenges and productive adjustments. The five-year Western Economic Partnership Agreement (WEPA) provided the WED with the joint decision-making tool to invest in programming focused on promoting research and development, commercialising new technologies, and supporting trade to help industries and communities to become more competitive through reduced dependence on natural resources. Co-chaired by senior federal and provincial officials across the region, the objectives and terms and conditions of the WEPA reflected input from experienced voices familiar with the sectors, markets, technologies and networks, ensuring a representative and viable investment portfolio with sub-regional and sectoral projects.

The WEPA also exhibited flexibility along several lines. First, while the federal and provincial governments share overall contributions to the agreement equally, the timing of specific cash flows was co-ordinated between the governments for optimal budgeting, for example, by delaying or accelerating expenditures in relation to different fiscal calendars. Second, the WEPA recognised that individual provincial priorities within the region evolve across strategic sectors or policy priorities, and ongoing project review and approval processes were a mechanism through which the funding partners could direct projects toward emergent, shared priorities, such as hosting Olympic and Paralympic Games or strengthening Indigenous peoples inclusion. Each provincial government was invited to define evolving priorities and the WED worked to align these with the broader federal regional development goals. Third, the WEPA's flexibility over time was manifest in the spin-off and follow-on projects from the technology, knowledge, networks or services resulting from the initial investment. WEPA projects are reported to have generated a host of impacts including commercialising new products, exploring new markets, adopting new technologies and building partnerships. Alongside these benefits, WEPA participants identified certain rigidities arising principally from differing federal and provincial decision criteria and reporting requirements, and from the unwillingness of some provincial governments to establish dedicated or stable funding sources, leaving the partners exposed to spending cutbacks or policy shifts.

Atlantic Canada Opportunities Agency: Making the regional case

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. The Atlantic Canada Opportunities Agency (ACOA) marked the policy shift away from closing disparities with the rest of Canada toward developing regional potential. Central to this transformation, the ACOA's priorities include bringing the knowledge-based

economy to traditional resource sectors and enhancing export growth through inter-provincial networks and international trade agreements. The ACOA is comprised of four regional offices, local field offices and an Ottawa office. In addition to its partnership funding agreements similar to the WED's WEPA, the ACOA is active in the policy, advocacy and co-ordination stream of regional development agencies' (RDAs') work. The agency works to ensure that federal departments are aware of Atlantic Canada's unique needs and economic circumstances in areas such as innovation and commercialisation, labour markets, natural resources and clean energy. The ACOA established a dedicated fund, the Atlantic Policy Research Initiative, to build policy capacity through engagement with research partners and economic and community stakeholders. Priority is placed on strategic topics such as the links between entrepreneurship and economic innovation, the potential value of import replacement as a tool for community economic development, small business access to global value chains and benchmarking Atlantic Canada against other jurisdictions.

Based on economic analysis and trends research, the ACOA deployed an innovative "call to action" for a regional "Clean Technology Initiative". Aligned with priorities on the federal innovation agenda and the Atlantic Canada Growth Strategy, the ACOA's Clean Technology Initiative is a CAD 20 million fund available to firms, non-profit organisations and communities that can be enhanced if the applicant demand warrants. In its advocacy work, the ACOA helped Atlantic Canadian small and medium-sized businesses take advantage of opportunities arising from major international free trade agreements and positioned regional firms for procurement contracts in federal investments in defence and shipbuilding industries. Focused on the core mission of building a competitive, innovative Atlantic Canadian economy, the AOCA makes strategic use of economic analysis, intelligence gathering and policy research to monitor the factors impacting regional growth and proactively address the risks. Together with provincial regional economic boards, the ACOA partnered with municipalities to enhance local economic development knowledge and tools. A robust local knowledge base underpins the ACOA's flexible approach to maximising the region's potential, influencing national policies and programmes, and co-ordinating with other governments and communities. Analysis informs innovative projects like the Clean Technology Initiative that bridge traditional industries, such as tourism and natural resources, and emergent sectors such as renewable energy and ocean technologies.

Canada Economic Development Quebec: Responding to crisis and change

Canada Economic Development Quebec (CEDQ) faces particular challenges operating in a context where respect for provincial jurisdiction and federal engagement are sensitive political issues. Accordingly, the CEDQ has focused on economic development that complements provincial initiatives in areas such as social enterprise, urban revitalisation, and targeted responses to economic distress and community transition. The CEDQ has supplied an economic development index to track growth across the provincial counties and municipalities, financed several research projects to benchmark Quebec's economic development and policy tools in relation to international competition, and funded an economic observatory for the province. The CEDQ's overall priority is assistance to low-growth areas that are dependent on traditional industries or experiencing economic shocks or natural disasters.

In these cases, the CEDQ demonstrates operational flexibility through a series of targeted or temporary initiatives that provide timely assistance to meet pressing local needs. Funded through supplementary or special allocations for emergencies, the CEDQ delivers support to a range of distressed communities, often in partnership with the local

community futures organisation. Examples include: CAD 35 million over seven years for town reconstruction and enterprise assistance in the Economic Recovery Initiative for Lac Magatic following a rail disaster; CAD 50 million over seven years for economic renewal and community transition in local economies historically based on chrysolite asbestos; and CAD 6 million over four years for communities impacted by the spruce budworm outbreak. In addition to temporary and targeted interventions, the CEDQ has worked with Indigenous communities for local economic development, consistent with its federal government mandate. For example, contribution agreements have been negotiated with First Nations representatives to build their own business networks to diversify and strengthen economic development. Overall, the CEDQ is viewed as a federal agency working productively to support economic development in Quebec by complementing provincial initiatives and identifying specific policy niches where the federal government adds unique value. An evaluation of the CEDQ concluded that it succeeds through "flexible, direct intervention" and "the ability to be a catalyst for local strengths."

FedDev and FedNor: Intermediating a crowded policy space

In Canada's most populous province, Ontario, there are two RDAs, known as FedNor and FedDev. Both are small in resources and capacities compared to powerful provincial economic development and innovation ministries, and unlike the WED and the ACOA, neither Ontario RDA has ever had its own federal minister or relative autonomy from the sponsoring federal departments. Operating as federal funding vehicles and delivery agents in a crowded provincial policy space, FedNor and FedDev must be nimble in their operations and adaptive in their priorities. Their policy value-added is demonstrated, not unlike the CEDQ, through strategic partnerships and alignment with provincial goals, and increasingly, municipal economic development aspirations. Beyond other governments, FedNor and FedDev partners include post-secondary institutions, not-for-profit organisations, firms and business networks, Franco-Ontarian associations and First Nations. Through the Northern Economic Development Program and Community Futures Program, FedNor has concentrated on industrial upgrading, diversifying resource sectors, retaining workforce talent and regional connectivity. It has recently worked effectively as an intermediary between the federal innovation agenda and the economic development priorities of the provincial government seeking complementarity of approaches through projects and initiatives. Working with First Nations, FedNor has been the lead federal partner on the Ring of Fire mining development, youth employment initiatives and region-wide partnerships with northern Ontario post-secondary institutions for enhanced business innovation. FedNor has also collaborated with provincial ministries in the implementation of longer term Ontario economic and social development plans for sustainable forestry, tobacco agricultural adjustment and accessible healthcare services.

With a nearly 30-year history of regional programming in Ontario, FedNor's successful intermediation between federal and provincial priorities has been instructive for FedDev, the RDA created in 2009 as part of the recession recovery package. Renewed in 2013 with a five-year CAD 1 billion budget, FedDev's Prosperity Initiative targeted strategic investments for enhanced productivity in traditional and emerging industries, regional economic diversification, and infrastructure renewal. A flagship project is the CAD 60 million Southern Ontario Water Consortium created in 2011, where FedDev leveraged seed investments from the provincial government and private business to create a platform across 8 universities, 60 industry partners and multiple municipalities for world-scale clean water research, testing and technology development. FedDev has supported Ontario's "Places to Grow" framework for the Greater Golden Horseshoe by adapting its programming to

specific restructuring challenges in different sub-regions. In the southwestern industrial belt, FedDev facilitated community economic transitions following plant closures or downsizing, while in more prosperous regions like Toronto and Kitchener-Waterloo it has supported technology clustering along the Ontario Innovation Corridor. FedDev's flexibility is evident in responding to special infrastructure projects, such as the CAD 8 million cultural revitalisation of Toronto's Massey Hall or CAD 12 million remediation of industrial sites in Brantford.

CanNor: Working with Indigenous peoples

CanNor was established in 2009, also part of the federal recovery plan. As the RDA for the three northern territories (Yukon, Northwest Territories and Nunavut) CanNor is important as the federal government plays a more direct governing role than in the provinces. Encompassing nearly 40% of Canada's land mass but home to only 113 000 people, the northern territories face unique development challenges and opportunities. Indigenous peoples make up the majority of many communities, making it imperative that CanNor build relationships and legitimacy with First Nations representatives. CanNor adapts to its policy environment through careful identification of community power structures, outstanding land claims, and collaboration with diverse networks of territorial and First Nations governance. Given that Indigenous populations are Canada's youngest and fastest growing, CanNor has made skills training a priority, tailoring programmes to retain youth in northern industries. Many resource-based development projects involve complex regulatory issues at the intersection of the environment and economy. CanNor's Northern Projects Management Office provides accessible and timely expertise and guidance, convening dialogue among industry, First Nations representatives and relevant federal and territorial departments to ensure community readiness, and reporting to the public on progress. CanNor also adopts a longer term development vision with an economic development index to track and stimulate diversification of industries and sectors. Following an initial evaluation of CanNor that identified weaknesses in the administration and monitoring of contribution agreements, the agency has taken corrective measures, such as targeted incentives for skilled and experienced programme officials to relocate north.

Regional development agency budgets

Each of the six RDAs allocates its budget among three core priorities: 1) business innovation; 2) community development; 3) knowledge mobilisation/policy advocacy. Details of individual RDA spending breakdowns are available through the agency website links below.

Table A.1.**Western Economic Diversification Canada**

CAD

2016-17 Main estimates	2016-17 Planned spending	2017-18 Planned spending	2018-19 Planned spending
173 391 536	173 391 536	172 658 701	143 478 701

Source: www.wd-deo.gc.ca/eng/19121.asp#sec1c.

Table A.2.**Canada Economic Development for Quebec Regions**

CAD

2016-17 Main estimates	2016-17 Planned spending	2017-18 Planned spending	2018-19 Planned spending
303 119 941	303 119 941	255 407 651	235 596 508

Source: www.dec-ced.gc.ca/eng/resources/publications/rpp/2016-2017/329/index.html#fnb5.

Table A.3.**Atlantic Canada Opportunities Agency**

CAD

2016-17 Main estimates	2016-17 Planned spending	2017-18 Planned spending	2018-19 Planned spending
308 197 204	308 197 204	305 049 456	291 691 456

Source: www.acoa-apeca.gc.ca/eng/publications/ParliamentaryReports/Pages/RPP_2016-17_SecI.aspx#PE.

Table A.4.**Western Economic Diversification Canada**

CAD

2016-17 Main estimates	2016-17 Planned spending	2017-18 Planned spending	2018-19 Planned spending
26 233 451	26 233 451	25 109 964	21 922 964

Source: www.cannor.gc.ca/eng/1455641518517/1455641579623.

Table A.5.**FedNor**

CAD

2016-17 Planned spending	2017-18 Planned spending	2018-19 Planned spending
54 043 384	54 118 384	51 258 384

Source: https://www.ic.gc.ca/eic/site/017.nsf/eng/07571.html.

Table A.6.**FedDev Ontario**

CAD

2016-17 Main estimates	2016-17 Planned spending	2017-18 Planned spending	2018-19 Planned spending
234 447 852	234 447 852	220 375 907	184 983 723

Source: www.feddevontario.gc.ca/eic/site/723.nsf/eng/02302.html.

Annex B.
Territorial policy adaptation in focus

Immigrant settlement: Local immigration partnerships

Canada's immigrant settlement sector has recently experienced intense pressure from global economic change and the increasing ethno-racial diversity of newcomers with complex needs (Bradford and Andrew, 2010). In 2005, the federal Department of Citizenship and Immigration Canada and the Ontario Ministry of Immigration and Citizenship concluded the first Canada-Ontario Immigration Agreement to enhance services through community-based planning around the needs of newcomers and implementation of locally specific integration strategies. The Association of Municipalities of Ontario and the city of Toronto were also partners bringing knowledge of local priorities to the negotiation. Through the Canada-Ontario Immigration Agreement, a call was issued for institutional innovation through "local immigration partnership councils" (LIPs) to co-ordinate mainstream and settlement services for newcomers, including language training, health, education and labour market programmes. The federal government contributed about CAD 10 million annually to assist the LIPs in three tasks: establishing a local partnership council with multi-sectoral representation that includes municipal government, settlement agencies, mainstream community organisations and employers; researching and developing a local settlement strategy to be implemented over a three-year timeframe to improve access to and co-ordination of immigrant integration services; and submitting an annual action plan tracking outcomes for immigrants, outlining priorities for the coming year and reporting on the strategy's implementation to date including partnership strategies beyond the federal funding window.

Within three years, nearly 50 councils were established, including partnerships with provincial francophone agencies. LIP structures bridged the municipal and community sectors in regionally sensitive ways. In larger cities with robust immigrant settlement networks, service providers often led while in mid-sized cities municipalities came forward, sometimes in partnership with mainstream organisations such as the United Way or the local economic development corporation. Planning priorities similarly varied by region. In more remote communities, immigrant attraction drove the process; in mid-sized cities, challenges of service enhancement and immigrant retention prevailed; and in the Greater Toronto Area, with multiple agencies in play, the priority was service integration for better immigrant settlement. Through place-based implementation, the LIPs expressed Ontario's varied immigration geography, drawing on the experiential knowledge of frontline service providers and newcomers themselves for relevant programming. Not surprisingly, the federal government praised the LIPs for their local innovations in regional policy challenges, and expanded programme coverage to other provinces and regions. In 2015 and 2016, the LIPs demonstrated their adaptability in mobilising local resources to help settle the 25 000 Syrian refugees arriving in Canadian regions through the federal immigration policy.

Homelessness reduction: Homelessness Partnering Strategy

The Homelessness Partnering Strategy, originally known as the National Homelessness Initiative, works with communities to provide stability to increase shelter options for homeless Canadians (Klodawsky and Evans, 2014). The programme began in the late 1990s when homelessness became more visible in Canadian cities as federal and provincial

governments withdrew from social housing. Under pressure from big city mayors, in 1997 the federal government announced a three-year CAD 753 million National Homelessness Initiative for shelter needs and community supports but not social housing supply. Initially proposed for only the 10 largest cities, extensive consultations expanded the eligibility to include 51 additional communities, with dedicated funding streams for remote communities and First Nations. The key programme was the CAD 305 million Supporting Communities Partnership Initiative that provided funding for municipal and community partnerships to implement local solutions, supplying emergency shelter and levering supports for more permanent housing. In 2007, with the change of federal government, the initiative was rebranded the Homelessness Partnering Strategy, allocating CAD 1.9 billion over five years with a further five-year renewal in 2013. The 61 communities receiving funding are required to convene a representative group of stakeholders including officials from all three levels of government to ensure that local plans are comprehensive in issue and client coverage and align with existing provincial, territorial or municipal programmes. The contribution agreements are managed by the sponsoring federal department and programmes are delivered by community organisations in co-operation with the government.

A notable innovation in both the National Homelessness Initiative and the Homelessness Partnering Strategy is the presence of governance models tailored to meet the specific needs and capacities of different communities. Under the community entity model, an incorporated community organisation takes the lead in deciding the projects to be funded under the contribution agreement and the appropriate delivery vehicle. In the shared delivery model, the responsible federal department, with the assistance of a regional officer, makes funding decisions based on community advisory board recommendations. Although communities are involved in the planning, development and implementation of programmes in both models, decision making rests with the community under the community entity model and shifts to the federal government under the shared delivery model. In some cases, cities began using a shared delivery model but later shifted their approach to the community entity alternative. While not a national social housing programme, Canada's local governance approach to combating homelessness has been seen as a strong success and a "groundbreaker" for extending departmental devolution to other complex policy fields where regionalised programming is required. The programme's adaptability was evident in several dimensions: the initial big city design was greatly expanded based on public input indicating greater regional need; community planning empowered a sector-wide network to build further funding partnerships; and the flexibility of the two governance models enabled many communities to build the capacity to move from the shared delivery to the community entity model. Finally, while communities often found the reporting requirements onerous, the result was an evidence base allowing the initiative to progress from an initially ad hoc crisis response to become a regular federal programme, one recognised by UN-Habitat as best practice in urban social governance.

Sustainable infrastructure: Gas Tax Fund

For many years Canada's big city mayors called on the federal government to share revenues from fuel taxes to address municipal fiscal challenges and infrastructure. Between 2005 and 2007 the federal, provincial and territorial governments concluded 13 transfer agreements for a national Gas Tax Fund (Adams and Maslove, 2014). The terms and conditions are a prime example of hybrid contracting. Wanting to avoid both the disputes that accompanied conditional grants/transactional contracts and the ceding of policy direction associated with unconditional grants/relational contracts, the federal government consulted extensively with mayors, municipal associations and provincial/territorial governments. The

result was a CAD 5 billion "other transfer payment" to be paid over five years through provincial/territorial governments to municipalities. To ensure that the monies were spent on the municipal infrastructure intended by the federal government, several basic principles were outlined: provinces/territories could not claw back their current level of infrastructure support; in exchange for predictable funding, municipalities would select projects in approved sustainability categories reflecting federal environmental and infrastructure objectives; municipalities would be accountable for demonstrating the value of new investment by issuing annual expenditure reports benchmarking performance, with penalties for non-performance or non-compliance; and funding would meet needs of smaller communities and big cities such that eligible categories included urban transit priorities, rural needs in roads and bridges, and regional strategies for community energy. For enhanced impact with larger regional projects, neighbouring municipalities were permitted to pool, bank and borrow against their allocations.

The Gas Tax Fund's hybrid contracting has been lauded for its mix of flexibility and accountability in aligning federal policy objectives with municipal or regional infrastructure priorities. The emphasis on local knowledge and sustainability planning was evident in the federal requirement that municipalities develop "integrated community sustainability plans" to situate infrastructure investments in a longer term framework and collaborative approach. The federal government encouraged integrated planning by offering capacity-building support and flowing the bulk of the funds in the concluding years, giving municipalities time to formulate optimal investments. In addition to encompassing urban and rural infrastructure priorities, the Gas Tax Fund's adaptability was further demonstrated in implementation where in several provinces the administering agency was not the government but municipal associations. In Ontario, Quebec and British Columbia, these representative bodies drew on their knowledge and networks to strategically direct and creatively manage the federal investment. The Gas Tax Fund's hybrid transfer was well-received and made permanent in 2008. Municipal officials prefer it to traditional government infrastructure programmes that require time-consuming project-by-project applications, and the federal government views it as a sound design for long-term infrastructure investment merging joint economic and environmental goals.

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Annex C.
Community-based regionalism in focus

Tri-level policy innovation: Urban development agreements

Between 1981 and 2010, Western Economic Diversification Canada (WED) implemented a series of urban development agreements (UDAs) as experiments in multilevel, spatially targeted cross-sectoral policy making to co-ordinate public investments, align programmes and services, and promote social innovation (Bradford, 2014). The UDAs expressed a wider shift in federal regional development policy from redistributing opportunity or enticing individual firms to lagging regions, toward catalysing development networks in cities and communities as engines of revitalisation and innovation. Established as pilot projects in Winnipeg and Vancouver, the UDAs practice collective decision making in a "nested" inter-governmental structure with three basic tiers: at the apex is the Political Table or Policy Committee comprised of federal and provincial ministers and mayors responsible for overall direction; reporting to the politicians is the Administrative Committee with senior officials from all three levels of government and responsible for administration of the agreement and its partnerships; at the operational level, a community-based office delivers projects, conducts outreach and facilitates public awareness of the UDA.

The UDAs utilise hybrid contracting. The Vancouver Agreement, an initially unfunded partnership, began with a relational approach, emphasising dialogue, information sharing and community consultations to identify priorities within a population health framework. It was estimated that some 300 community organisations were active in the troubled Downtown Eastside and could potentially be engaged through the Vancouver Agreement. The federal government brought 12 departments to the table, the provincial government 19 ministries and agencies, and the municipality 13 organisations, including the Vancouver School Board and the Vancouver Coastal Health Authority. An Integrated Strategic Plan emerged and the provincial and federal governments allocated a combined CAD 20 million to fund specific projects engaging the three levels of government with community partners, including North America's first Safe/Supervised Injection Site based on a three-year exemption from federal drug legislation, provincial investment in targeted health and wellness support, and community policing practices to ensure public safety in the area; and multiple community economic development projects that used public procurement and equity contracting for social entrepreneurship and vulnerable resident employment. For these funded projects, the Vancouver Agreement gravitated to transactional contracts with traditional results-based accountabilities.

In Winnipeg, the progression of contracting types was reversed. There, UDAs were substantially funded. In the first two five-year agreements, tri-level government investment of CAD 196 million levered an additional CAD 600 million from public and private sectors. Major capital spending transformed the inner-city built environment, and urban development corporations became vehicles for business development and neighbourhood revitalisation. Subsequent UDA renewals in Winnipeg responded more to community concerns about social inclusion and the participation of disadvantaged groups in project planning, and the governance relationship moved from the transactional to the relational as the partners explored more grass-roots community building and social economy approaches with special emphasis on Indigenous peoples.

With their dual emphasis on policy collaboration and pooled funding, the UDAs will inevitably mix relational and transactional instruments in implementing projects. Along the hybrid continuum, the substantially funded Winnipeg UDAs were more transactional, where the initially unfunded Vancouver Agreement followed a more relational logic. The flexibility of the UDA model and its adaptability to different local conditions are its strength. Agreements can deliver large-scale, place-based investments where federal-provincial support is necessary for community implementation of local priorities (such as affordable housing or skills training), and also customised funding when a community has a winning idea but not the resources to experiment (such as social procurement or harm reduction). A survey of UDA government partners found that nearly three-quarters of respondents had "very often" changed their work based on information acquired or lessons learnt through collaborative governance. The UDAs in Winnipeg and Vancouver offered a model to be applied in other Canadian cities (Regina, Edmonton and Victoria) and received international awards in public administration.

Federal-community action research: Neighbourhood revitalisation

In the early 2000s several research reports described growing spatial concentrations of poverty in Canadian cities, reinforcing policy concerns about negative "neighbourhood effects" that blocked individual and family progress (Bradford, 2014). The federal government responded with Action for Neighbourhood Change (ANC), a two-year CAD 7 million action research project launched in 2005. The ANC supported integrated approaches to revitalising distressed neighbourhoods in five cities across Canadian regions: Halifax, Toronto, Thunder Bay, Regina and Surrey. Its origins were in the federal homelessness initiatives that embedded a prevention framework into housing policy to address root causes. Four federal programmes representing three federal departments joined forces in the ANC: Canada's Drug Strategy (Health Canada), the National Crime Prevention Strategy (Public Safety and Emergency Preparedness Canada), and the National Literacy Secretariat and the Office of Learning Technologies (both at Human Resources and Social Development Canada). Alongside the inter-departmental collaboration, the ANC connected urban neighbourhoods to federal policy through partnership with three national community organisations: the United Way of Canada, the Tamarack Institute for Community Engagement and the Caledon Institute of Social Policy. A National Steering Committee comprised of government officials, community organisation representatives and local neighbourhood leaders provided overall guidance and direction.

The terms and conditions of the ANC were set out in a framework agreement concluded by the HRSDC and the United Way of Canada, the lead organiation for the community partners. Notably, the five government agencies came to agreement on two contribution agreements rather than the usual five, and on a single reporting and evaluation framework. Such flexibility expressed the shared ownership among the participating departments and simplified government reporting for community actors. The agreement identified four core activities: policy development, action research, neighbourhood planning and knowledge transfer. The goal was to build the capacity of neighbourhood residents, organisations, businesses and service providers to develop a common vision of change, and to strengthen the responsiveness of existing policies and programmes to that local vision and identified problems The United Way of Canada selected a distressed neighbourhood in each of the five participating communities and supported a local facilitator to work with community residents and key stakeholders to develop and implement a renewal strategy.

Conceived as a pilot, the ANC strategies were to generate capacity-building, encourage policy dialogue and disseminate knowledge across regional neighbourhood networks. The Policy Dialogue convened by the Caledon Institute joined departmental officials and neighbourhood leaders in discussion along a continuum of collaborative challenges, from routine information sharing on mandates to more demanding policy change through local feedback. A "neighbourhood theory of change" was tested for place-based interventions, identifying local coalitions and investment targets, and a "neighbourhood vitality index" was created to blend quantitative and qualitative data. Piloting the tools came through "project pool" grants for resident-led design and delivery of grass-roots initiatives such as youth leadership, neighbourhood clean-up and community service hubs. These experiences were catalogued and disseminated through ANC Community Stories that facilitated further local collaboration through municipal and provincial anti-poverty or social inclusion initiatives. The summative evaluation of the ANC concluded that the project had made "outstanding progress" in relation to its core objectives. While the ANC action-research project did not find a willing government partner when its mandate expired, its lessons shape community-building and neighbourhood revitalisation in cities across Canada.

Federal-associational knowledge brokering: Green Municipal Fund

In 2000, the federal government used another financial transfer mechanism for a novel partnership approach to sustainable regional and local development. It endowed the Federation of Canadian Municipalities (FCM) with CAD 500 million (adding another CAD 125 million in 2015) to manage a Green Municipal Fund (GMF), a long-term source of financing for municipal governments and their partners to improve air, water and soil quality, and to protect the climate. The GMF is a perpetual endowment fund with annual funding limits to ensure prudent management. In 2015-16, the GMF approved CAD 58 million in loans and grants for a wide range of municipal sustainability initiatives including capital projects, feasibility studies and field tests of innovations. With the endowment, the federal government recognises several realities simultaneously: that municipalities are the primary stewards of Canada's physical infrastructure; that local officials have direct or indirect influence over close to half of all the greenhouse gas emissions in Canada; and that the FCM was a high-performing representative association able to manage and steer funding for citizen and community benefit. The FCM has embraced the GMF's knowledge development/dissemination and capacity-building missions, supporting training and peer learning programmes about sustainability.

In 2015-16, the GMF tested new models of peer learning through initiatives such as the Leadership in Asset Management Program, the Leadership in Brownfield Renewal and Partners for Climate Protection. The FCM also launched a GMF pilot project to improve its framework for gathering and disseminating the lessons learnt from funded municipal sustainability projects. While all municipalities benefit from knowledge and information, timely access to the most relevant materials and appropriate intelligence increases the likelihood of project success. To enhance the quality of its knowledge brokering, the GMF pilot project involved developing both stronger policy content and training of front-line staff to share the most practical knowledge and assist municipalities in its local application or adaptation. The GMF is also pioneering implementation of infrastructure projects and measurement frameworks that demonstrate "triple bottom line" investment returns, testing practical and flexible approaches for governments to balance or integrate environmental, social and economic goals. In 2015, the GMF was recognised by the United Nations Local Governments for Sustainability as one of the world's most effective initiatives in providing funding and knowledge for sustainable community development.

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