



THE EVOLUTION OF LOCAL ECONOMIC DEVELOPMENT IN CANADA

Policy Brief



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UKRAINE MUNICIPAL LOCAL
ECONOMIC DEVELOPMENT

Table of Contents

ABSTRACT	1
1.0 PROJECT DEFINITION	2
1.1 Problematique	2
1.2 The consultants	3
1.3 Project definition and approach	3
1.4 Methodological considerations	4
2.0 UNDERSTANDING LOCAL ECONOMIC DEVELOPMENT	5
2.1 The evolution of LED in Canada	6
2.2 Some thoughts on the drivers of LED change	10
3.0 THE CONTEXT OF LOCAL ECONOMIC DEVELOPMENT IN CANADA TODAY	12
3.1 The role of governments in LED	12
3.2 Government of Canada (federal government)	13
3.3 Provincial governments	19
3.4 Municipal governments	22
3.5 Some thoughts on LED delivery/governance	23
3.6 Typical LED functions	24
3.7 Key players, partners and participants in LED	27
4.0 LESSONS LEARNED AND BEST PRACTICES	28
5.0 FINAL THOUGHTS	30
Understanding the language of local economic development	31
Common local economic development acronyms	34

Abstract

Local economic development (LED) refers to the process in which local governments engage to enhance economic prosperity and quality of life. Worldwide, there is a resurgence of interest and commitment to LED in large measure because it has proven to be particularly effective in fostering broad-scale development and perhaps most importantly, because it is premised on sustainable sharing of responsibilities. LED helps all citizens realize and equitably benefit from economic development. Canada has a long track record in LED.

Today, some element of LED is present in virtually every city, town and village in Canada. This experience offers some insights that have broad application beyond our borders. This paper looks at the evolution of LED in Canada with a special emphasis on what lessons this evolution might offer in a broader application of LED principles in Ukraine.

1 PROJECT DEFINITION

“Never doubt that a small group of thoughtful committed citizens can change the world; indeed, it’s the only thing that ever has.” —Margaret Mead

Worldwide, there is a resurgence of interest and commitment to local economic development (LED) premised on the desire to not only more significantly foster broad-scale development, but most importantly to do so in a manner that engages local citizens and communities, fairly considers all citizen interests, prioritizes equitable and sustainable sharing of responsibilities and results in a greater realization and more equitable distribution of the benefits of economic development. In short, there is growing awareness and commitment to the understanding that as individual citizens and communities prosper, so too do regions, provinces and countries.

1.1 Problematique

In May 2011, pursuant to the Municipal Local Economic Development Program (MLED), the Federation of Canadian Municipalities (FCM) contracted Lochaven Management Consultants Ltd. to undertake research focused on the study of the evolution of LED in Canada.

Specifically, the terms of reference for this assignment stated that the project was intended “to broadly review the evolution and context of LED in Canada to outline why and how it has evolved as it has (a look at rationale and context as well as models and methods); what lessons have been learned in the process; and what best practices have been gained that might offer replicable foundations for application in Ukraine. This investigation will be closely integrated into a parallel investigation undertaken simultaneously in Ukraine (An Analytical Study of the Legal Framework on LED and its Practical Implementation). This parallel project will broadly investigate and assess the enabling environment in Ukraine relative to the evolution, application and utilization of Canadian LED best practices; identify and assess apparent gaps/shortfalls; and make recommendations for relevant change/improvement.”¹

¹*Ukraine Municipal Local Economic Development Program (MLED) Terms of References — The Evolution of Local Economic Development in Canada — A Review of Concepts, Applications and Best Practices.*

The analysis was to be comprised of the following component areas: understanding of LED, context of LED in Canada today, as well as lessons learned and best practices in LED delivery in Canada.

1.2 The consultants

Lochaven Management Consultants Ltd. was established in 1987. Since its inception, the company has built a global reputation for excellence and is internationally recognized for its work in economic and private-sector development. The company has a diverse clientele that includes a range of public and private sector interests; communities and regions worldwide; provincial, national and foreign governments; large NGOs; multinational companies; international organizations such as the Organization for Economic Cooperation and Development (OECD); and multilateral development organizations such as the World Bank and the United Nations Development Programme. The geographical breadth of successful assignments extends to efforts in Canada, United States, the Russian Federation, Ukraine, Georgia, China, Indonesia, Czech Republic, Slovakia, Poland, France and Hungary.

1.3 Project definition and approach

The project definition is particularly complex. Not surprisingly when it comes to LED principles and practices, there is much that can be shared from one jurisdiction to the next. In that regard Canada has much to offer; however, in drafting a proper framework to better understand and appreciate LED in Canada, we need to consider two perspectives.

On one hand, by definition local economic development is a practice driven by and focused on local communities; thus, within the context of that definition, LED in some form is present in virtually every city, town, village and hamlet of Canada yet the context and methodology by which LED is pursued and effected is as unique as each community in which it is present.

Secondly, the practice of local economic development is not a new concept in Canada. We can track initial evidence of Canadian LED efforts to Confederation; despite the emphasis on building a strong national government, individual settlements were so remote that their very survival depended in large part on individual residents taking responsibility and action for their community's well-being.

LED in Canada does have some consistent themes and is not as amorphous a concept as one would imagine. Despite its apparent longevity and the broad array of sharable principles, lessons learned and best practices, when we think about LED in today's context, it appears in many respects to be a practice still in its development stage.

The research methodology encompassed herein included a process of scoping², literature review/investigation and in-depth descriptive research³ of qualitative secondary and primary data based on the firm and its partners' substantial LED experience.

²Scoping is the process of defining exactly the issues to be addressed, the information to be collected, and the analysis required to properly assess the impacts of a venture/project. Scoping is a process within which various methods are applied to ensure a proper consultation with key stakeholders is undertaken; and a realistic evaluation and prioritization of impacts is ensured.

³Exploratory research is used to define direction by following a less structured and more flexible approach. Descriptive research is highly structured and comprehensive, most commonly highly quantitative and focused. Utilizing both approaches in a single research effort maximizes the effectiveness of the overall research effort.

1.4 Methodological considerations

As with any consulting effort, certain limitations are inherent from the methodology of investigation and the assumptions made. These limitations do not preclude the value of the observations made nor the conclusions drawn within this report. We have endeavored to ensure the effects of any shortcomings in either our methodology or our research have been minimized; nonetheless, it is important for the reader to be aware of the more significant methodological qualifications, including:

- **Duration of assignment:** This engagement allowed for a one-month schedule, which dictated that the report be based primarily upon an analysis of secondary information and insights drawn from the firm's own expertise and experience. In recognition of the dynamic changes happening within the context and application of LED, the project may have benefitted from a more comprehensive investigation involving a broader investigative effort of both primary and secondary information, especially in respect to ascertaining a broader range of current/topical lessons learned and best practices.
- **LED in the Canadian context:** The defined terms of reference and the boundaries of the investigation focused on the evolution of LED within Canada. It should be noted that there are other interesting LED applications, insights, lessons learned and best practices from the experiences of other jurisdictions that may have application in Ukraine. These observations are not part of the assignment and as such are not part of this paper. While we have limited our base of research, there are admittedly some aspects of our investigations that extend into the broader North American context, particularly in those instances where these observations are critical to understanding LED in Canada.

Notwithstanding the collective importance of these methodological considerations, we are confident that the analyses and observations in this report are relevant, realistic and supportable.

2

UNDERSTANDING LOCAL ECONOMIC DEVELOPMENT

From the beginning, let's put aside certain confusions and inconsistencies regarding what local economic development (LED) is in Canada before we move forward with an investigation of how and why it has evolved as it has.⁴ It is important to be clear that Community Economic Development (CED)⁵ and Local Economic Development (LED), while similar are not synonymous, despite the fact that a good part of the literature tends not to differentiate between the two terms. CED encompasses the economic development⁶ efforts undertaken by and on behalf of a collective group of individuals not necessarily defined by their shared political geography but rather most often defined by their common ideas and values.

On the other hand, LED encompasses the economic development efforts of a singular political entity—normally that of a village, town or city, i.e. local versus regional or rural versus national. This is not to say that the two concepts are independent of each other. In fact, it is quite possible that a LED effort could also be a CED effort if the shared ideas and values were consistent with a defined political entity.

While “economic development” is often confused with economic growth or industrial development, it is generally accepted to be a proactive collaborative process within which there are a multiplicity of efforts that collectively serve to improve economic progress and quality of life. As such, economic development can and often does involve a number of stakeholders—government, non-government, community and private sector organizations—focused on a variety of outcomes such as new business start-ups, greater sectoral diversification, job creation, increased productivity, sustainable growth, improved quality of life and so forth.⁷

⁴We understand that the evolution of the practice itself has modified the definition and thus we are in a sense shooting at a moving target. This is particularly true for the concept of economic development where the practice has changed dramatically; however, rather than bogging down in that exercise we have tried to cover this in our narrative on the evolution of LED in the following section of the report.

⁵“Community economic development” was first used in the United States. In Canada, CED first occurred in rural areas in the early 1900s. These experiences were closely linked to the Desjardins cooperative movement in Quebec (1900) and the Antigonish cooperative movement in Nova Scotia (1930). Both the Desjardins and Antigonish cooperatives used the development of individual credit unions as a local solution in response to high interest rates being charged by larger moneylenders.

⁶More correctly socio-economic development.

⁷Adapted from the Economic Development Association of Canada.

LED refers to the process in which the local government, or some agency, authority or organization on behalf of the local government, engages to enhance a community's capacity to effect economic progress in both a quantitative and qualitative manner.

2.1 The evolution of LED in Canada

As with any practice, the practice of economic development generally and LED specifically has evolved significantly since Confederation and particularly so over the past six or seven decades. Change has occurred on two fronts: the responsibility for LED and the practice or methodology by which LED is achieved.

While with Confederation the drive was to build a strong federal government broadly responsible for all of Canada's economic circumstances and prospects and by implication the economic well-being of provinces⁸ and municipalities alike, over the recent past this movement has reversed. Today there is a substantive devolution of economic development authority from more senior levels of government to individual municipalities who now find themselves increasingly responsible for all aspects of their own economic well-being. There are a number of pragmatic and ideological reasons why this devolution has occurred.

In the first instance, all orders of government find themselves striving to cope with the burden of programming and service responsibilities and their associated costs; not the least of which includes massive demands of an aging infrastructure exacerbated by increasing citizen demands for more and better services. All this stress is occurring in an atmosphere of severely limited resources, especially financial, but made worse by significant HR challenges and daunting global pressures. From a senior government perspective, the pressure to opt out or devolve a growing number of programs and services is significant. This is not to say that senior levels of government do not want to have their influence, it's just that they cannot afford to fully pay for it; therefore, certain programming from the federal government has been pushed to individual provinces and certain programming from the federal and provincial governments has been pushed to individual municipalities.

While today there are some federal and provincial LED programming initiatives, these tend to support LED efforts initiated and undertaken at the local level rather than federally or provincially implemented, e.g. Canada's Community Futures Program or Alberta's REDA (Regional Economic Development Alliances) Program or Saskatchewan's Enterprise Regions.

Notably the structure of these programs and their respective mandates ensures at some level that certain federal and provincial imperatives related to LED are still realized. Regardless, this opting out by senior levels of government means that, more so today than at any other time in Canada's history, local governments are charged with the responsibility to think critically about how they choose to approach economic development, whether through a formal and explicit economic development function or through complementary and linked community and sustainability planning processes.

On an ideological basis there has also been a move to grant individual municipalities and citizens a greater say over issues that affect them directly. In defence of this move, there is a growing body of research that confirms LED is more effective and more successful if local

⁸With Confederation, each province had certain inalienable rights and responsibilities and each municipal incorporation had certain rights and responsibilities. Arguably in both cases these included an array of "economic development" rights and responsibilities, but many municipalities and provinces lacked adequate capacity to participate and willingly or unwillingly allowed certain federal incursions into selected areas of provincial and/or municipal jurisdiction. Perhaps the most obvious examples are federal incursions in healthcare, energy, labour and manpower.

communities make local decisions on local issues. This bottom-up planning has become increasingly popular because it empowers municipal governments to react to local issues with local solutions.

Devolution has also had a significant influence on approach. The following chart illustrates the impact of devolution on LED, i.e. contrasting top-down development with a bottom-up approach.

TRADITIONAL TOP-DOWN DEVELOPMENT POLICIES	LOCAL ECONOMIC DEVELOPMENT (BOTTOM-UP)
Top-down approach in which decisions about the areas where intervention is needed are taken in the centre	Promotion of development in all territories with the initiative often coming from below
Managed by the central administration	Decentralized, vertical cooperation between different tiers of government and horizontal cooperation between public and private bodies
Sectoral approach to development	Territorial approach to development (locality, milieu)
Development of large industrial projects to stimulate other economic activity	Maximizing the development potential of each area to stimulate a progressive adjustment of the local economic system to the changing economic environment
Financial support, incentives and subsidies as the main factor for attracting economic activity	Provision of key conditions for the development of economic activity

In terms of the practice or methodology by which LED is implemented, its evolution in Canada has been quite dramatic. Not surprisingly, the largest changes in LED focus and implementation have happened in the past 30 years as local communities became more involved and more proficient in the process. Not unlike other Western countries, the convergence of technology and globalization, coupled with changing societal trends and increased competitive pressures, have been significant contributors to LED evolution in Canada.

Most authorities on economic development describe the evolution of practices and methodology through three fundamental waves or phases. In fact there are five—three fundamental phases and two lesser though important influencers of LED practice in Canada. These phases represent different historical epochs and reflect different economic, social, environmental and technological circumstances as well as different political and global environments. Within the context of today's LED efforts, we still see evidence of all these practices.

Phase one: industrial development focus (1930s to 1960s)

Often described as “smokestack chasing” the first wave of LED in North America had its basis in the desire to firmly and visibly solidify the economic foundation of a municipality by attracting one major enterprise to relocate or start anew in the community. Much of this effort was outward looking. The tools employed to achieve success normally included providing incentives such as inexpensive land, grants, subsidized loans and hard infrastructure investment or eased environmental regulations. The first evidence of industrial parks occurred during this phase.^{9,10}

⁹Boothroyd, Peter and H. Craig Davis (April 1993). “Community Economic Development: Three Approaches”. *Journal of Planning Education and Research* 12 (3): p.230-240.

¹⁰Turner, Robert C. (Fall 2003). “The Political Economy of Gubernatorial Smokestack Chasing: Bad Policy and Bad Politics?” *State Politics and Policy Quarterly* 3 (3): p.270-293.

This was a very competitive game. Some communities did exceedingly well by encouraging and supporting substantive new investments, jobs, and markets. Other communities did not fare as well and sometimes wasted valuable resources on a fruitless chase (opportunity cost).

In other cases, arguably worse, communities succeeded with a short-term benefit from a new investment but suffered substantively with long-term readjustments as the beneficial impacts of grants and giveaways to the enterprise wore off and the company was forced to close when faced with the realities of its locational choice. In the instance where the attracted enterprise inordinately distorted the local economy (effectively creating a single industry town) community vulnerability was especially concerning and problematic with enterprise closure.¹¹

Phase two: small business development focus (1970s to 1990s)

With the publication of Dr. David Birch's controversial but highly acclaimed research¹² on the role of small business in economic development, a new wave of LED practice was borne. LED activities in Canada and the United States turned to a predominant focus on the development and implementation of strategies to expand and retain small firms, with a particular interest on promoting and fostering local small and medium-sized enterprises (SMEs). The focus of retention and growth of local businesses included activities such as community direct payments¹³ to businesses, technical support (including operational and management counselling), and business start-up assistance.

During this time, initial business development activities such as finance loans and entrepreneurial tools, training and advice expanded throughout many communities. In Canada this phase was the precursor to the establishment of business development centres (BDCs); one-stop centres; and the emergence of numerous federal and provincial SME support programs.

Business/investment attraction activities characteristic of phase one still occurred but instead of a focus on large industrial enterprises and hard infrastructure investment, attraction efforts targeted a more diverse array of enterprises in terms of size, economic "fit" (sustainability), and sectoral representation.

Phase three: broadened foundation for effective CED (early 1990s)

The third phase of LED took place in the early '90s. It was characterized by a declining emphasis on traditional industrial attraction and retention efforts to one with broader and more innovative foundations: public-private partnerships¹⁴, regional networks and associations of communities, enhanced local human capital capacities, and industrial clusters. Developments stressed the importance of innovation and collaboration as a means to nurture local municipalities. Within

¹¹In Canada in the late '60s and early '70s, the federal government, through the Department of Regional Economic Expansion, actively supported "smoke stack chasing". In terms of cost-benefit, the experience was a financial failure and the program lasted no more than five years. While this program no longer exists, it is interesting to note that there have been substantive funds allotted to assisting communities in transition (i.e. single-industry towns).

¹²Between 1974 and 1979, David Birch examined for the first time in a statistical way which types of firms in the U.S. economy were creating and destroying jobs. His finding was that it was the millions of very small and new firms which were the main source of new jobs. Ian Dale and Anna Morgan, *Job Creation: The Role of New and Small Firms*.

¹³Community direct payments are defined as the provision of direct remuneration to organizations and/or business entities

¹⁴The definition embraced by The Canadian Council for Public-Private Partnerships is "a cooperative venture between the public and private sectors, built on the expertise of each partner, that best meets clearly defined public needs through the appropriate allocation of resources, risks and rewards." www.pppcouncil.ca/resources/about-ppp/definitions.html regarded as in the public interest.

the context of this third phase, LED efforts looked at all facets of the business environment, seeking to make it more conducive to enterprise success. Communities invested in soft infrastructure projects¹⁵, encouraged collaborations with the private sector, and targeted inward investment attraction built on competitive advantage.

Phase four: sustainable CED (late 1990s)

As LED grew in significance and sophistication, efforts were increasingly directed at a holistic approach that stressed the importance of the balance between economic growth and quality of life. LED planning and implementation became more inclusive, built from broad stakeholder engagement and multidisciplinary partnerships. LED efforts during this period encompassed comprehensive, multi-faceted strategic approaches with innovative solutions.

While investment/business attraction remained significant, retention and revitalization was emphasized. Communities started to take on serious efforts to grow local firms, providing them with a competitive local investment climate, supporting and encouraging networking and collaboration.

Interestingly as well, during this period new and occasionally multiple LED initiatives existed in singular municipalities—some cooperating with each other and others taking on an independent approach. Successful communities were those who managed to forge strong collaborations. At this time, various LED governance methodologies were evidenced with some efforts driven by public-private coalitions, some strictly private, and others strictly public. This topic is discussed further in the report.

Phase five: LED (2000 to present)

LED in Canada has evolved significantly over the recent past. Today in most municipalities LED is an approach that recognizes economic, environmental and social well-being are interdependent aspirations and thus each LED program is necessarily multi-dimensional. The challenges of balancing these interests are complex and ever-changing. To be effective, solutions must be rooted in local knowledge and led by local citizens.

For the most part we can see evidence of all phases of the LED evolution in each LED effort today regardless of the community, though each aspect might have a different emphasis. In terms of detailed application, there is no common approach to LED. Because each municipality has a unique set of opportunities and problems, each municipality must develop an approach to LED that is specific to its own needs, challenges and opportunities.

Successful LED efforts in Canada are almost exclusively characterized by the following traits:

- Premised on the economic realities of the 21st century:
 - We are in a global economy
 - The pace of change will continue to accelerate
 - The components of competitiveness can no longer be pursued separately
 - Partnership with the private sector is critical
 - Innovation is the only sustainable competitive advantage
- Inclusive, representing broader stakeholder interests
- Well-planned and strategic, with established goals and well-defined objectives and activities that yield measurable outputs, outcomes and impacts (value for money)

¹⁵Soft infrastructure includes those institutions and authorities required to broadly maintain the social, economic, cultural and environmental health of a community. For LED, it implies maintaining those key factors necessary to create and maintain a positive business environment.

- Proactive, not simply waiting for something to happen and not simply reacting when something does
- Independent, yet community responsive as well as apolitical, yet transparent and accountable
- Long-term focused

2.2 Some thoughts on the drivers of LED change

There are a number of reasons why LED efforts in Canada have evolved the way they have and will continue to do so. In the years ahead we expect that the practice will continue to become more significant and important than it is today. Globalization¹⁶, significant and irreversible structural changes across most industry sectors, changes in technology and changes in traditional political/regulatory approaches will collectively ripple down to influence LED practice. It is difficult to exactly envision Phase six LED; it most certainly will be exceedingly more complex, competitive and costly. Building resiliency, revitalization and optimism through effective community engagement processes, a long-term strategic vision, collaborative partnerships, flexible planning processes, and a comprehensive, robust and relevant business development program will form the core of the LED process in the future.

On a macro scale a number of emerging events and trends will play a key role in determining how LED efforts are structured. A summary of selected drivers of change can be encapsulated in three categories.

Economic drivers of LED change

- Declining importance of commodities in the costs of production
- Impact of global strategic alliances between multinational corporations on their investment and buying behaviors
- Oversupply of manufacturing production in key global sectors
- Synchronization of economies
- Increasingly mobile capital, making finance easier to access nearly everywhere
- Changing employment dynamics from primary and manufacturing to the service sectors

Technological drivers of LED change

- Technological advances and increased efficiency in production processes
- Major advances in logistics giving rise to reduced need for, and costs, of shipping
- Absence of national boundaries in Internet communication, i.e. e-commerce and e-government
- Importance of information services and information technology in all economic sectors
- Technological advances necessitating higher skill requirements

¹⁶Globalization has created an environment where even small businesses and small municipalities have ready access to world markets. The upside of this is that even small communities and their resident enterprises can access world markets; the downside is an increasingly more competitive local market. For municipalities whose growth is premised on locational advantage, what was once a locational advantage may no longer be true.

Political/regulatory drivers of LED change

- Falling trade barriers
- Regional trade groupings and regional integration
- Global environmental and labour standards
- Increasing democratization bringing increased pressures and expectations from individuals and groups
- Widespread privatization of whole industries and decentralization of government services

3

THE CONTEXT OF LOCAL ECONOMIC DEVELOPMENT IN CANADA TODAY

“The current period of growth is characterized by a paradoxical consequence of globalization in which the ever greater integration of national and regional economies into the global one accentuates rather than minimizes the significance of the local context for innovative activities...”

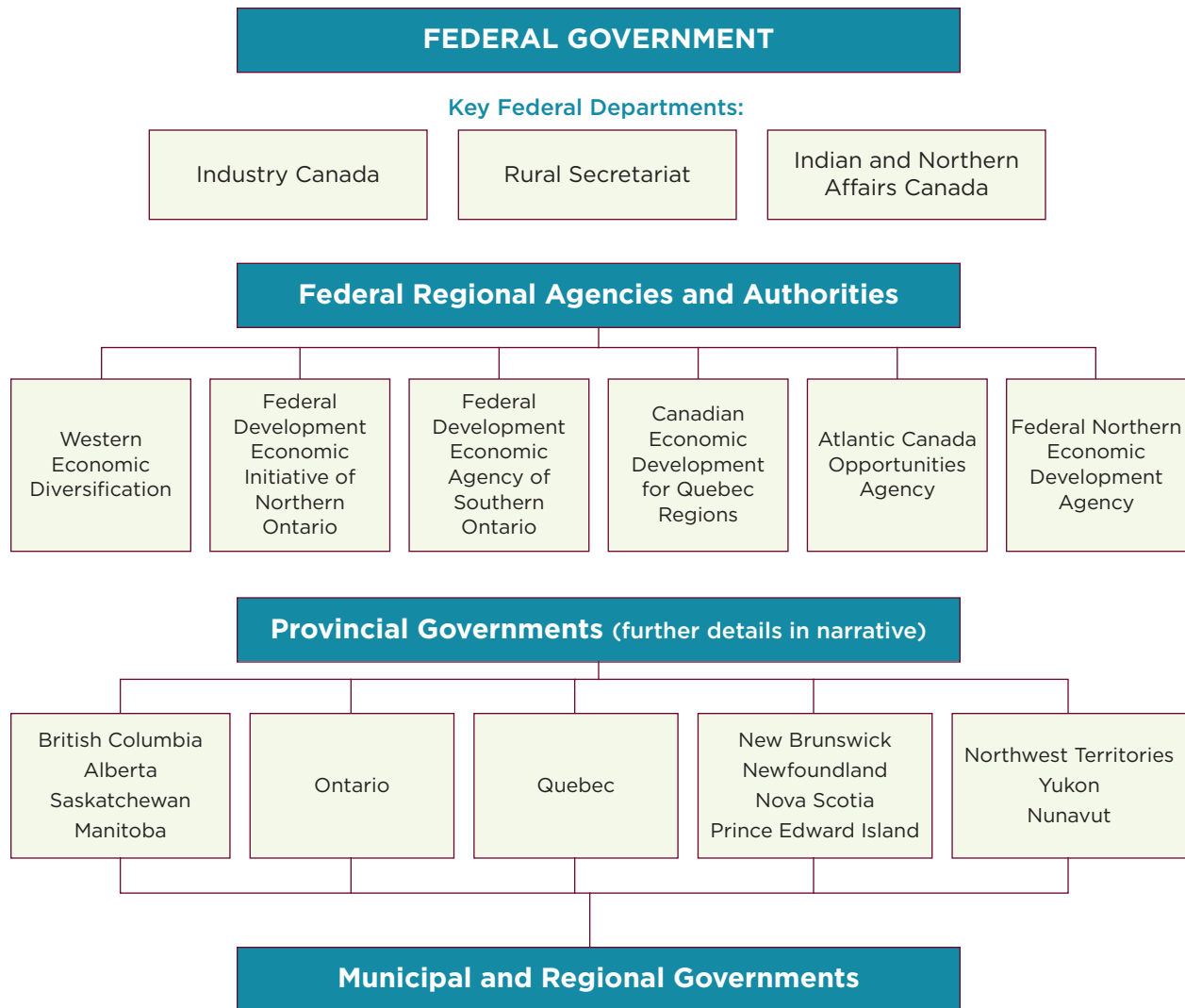
—David Wolf, *Social Capital and Cluster Development in Learning Regions* (2001)

LED in Canada has changed significantly over the recent past and will continue to do so in the future. The pace of change will accelerate with programming and services becoming increasingly more costly and complex. In part this evolution is a consequence of a variety of geopolitical factors in the face of local realities. Success in LED requires a necessary response to both external (what we do) and internal (how we do it) stimuli. Externally we might consider LED in the context of technological advancement and its impacts on the competitiveness of local enterprises, but internally we must look at the adequacy and capacity of the organization or those responsible to effect positive change and the enabling environment in which an appropriate adaptation might best be realized.

LED in Canada has been and still is the direct and/or indirect responsibility of all orders of government. Today's governments work collaboratively to further economic development on a national, provincial and municipal level. The current federal government framework with the establishment of economic development departments that further empower provincial, regional and municipal initiatives and programs has facilitated a broader dispersion of the benefits of economic development throughout Canada.

3.1 The role of governments in LED

The premise of governmental involvement in LED implies that economic development as a government activity must include an effort to encourage private investment in a particular jurisdiction for the purposes of generating or retaining jobs, expanding the tax base and increasing the general level of economic well-being. Canada's Constitution divides the responsibilities of government into federal and provincial/territorial jurisdictions. Municipalities in turn are subject to provincial legislation.



3.2 Government of Canada (federal government)

Beyond the Government of Canada’s mandate to support broad-based economic development in Canada, it has a history of supporting municipal or local economic development. This LED support was delivered both indirectly and through direct interventions. Until the 1960s, economic development was a direct responsibility of federal and provincial governments with little local municipal involvement. Federal support to LED efforts at the time was primarily focused on the initiation of major infrastructure projects and the location or relocation of large manufacturing enterprises.¹⁷ These programming efforts demonstrated only moderate success, largely because of a lack of synergy and coordination between federal and provincial governments.

¹⁷In 1969, the Canadian government established the Department of Regional Economic Expansion (DREE). This department identified areas in Canada in need of infrastructure expenditures and initially focused on Atlantic Canada and Quebec. Eventually, this department expanded to all areas of the country; however, federal efforts at regional economic development have been largely unsuccessful, partially because they have been subject to numerous changes in form, scope and objectives. Michael J. Skelly, Intergovernmental Committee on Urban and Regional Research (April 1995).

As part of the devolution or decentralization process coupled with a firm realization that LED is best guided and implemented by local citizens, direct funding of LED by the federal government has visibly diminished; however, several federal programs focus on assisting regions and communities to achieve greater success in their LED efforts.

Legislative/legal/regulatory framework for LED (federal government)

While regional disparities and the implied rationale to support regional and local development as distinct from national programs have existed since Confederation, initially these challenges were not severe enough to be considered a problem separate from achieving national economic growth. Shortly after the Great Depression, the differences in unemployment in the various regions of the country became too large to ignore. In 1956, the Royal Commission on Canada's Economic Prospects confirmed the problem¹⁸ and noted that differences existed not only in fiscal capacities but also in opportunities for growth. During the late '50s and early '60s, the Government of Canada announced specific regional and local development initiatives.¹⁹

In a further effort to provide greater cohesion to these local and regional development efforts, the Government of Canada created the Department of Regional Economic Expansion (DREE) in 1969 to promote economic expansion and social adjustment in selected regions of Canada. This program focused its attention on identified "growth poles"²⁰.

A major policy review of DREE in 1972 concluded that regional disparities were too complex to be effectively dealt with by one federal department and that a more comprehensive approach was required. The focus shifted from a policy-based approach that focused on correcting and/or ameliorating regional disparities to one of supporting each region of the country to seek out and realize its full potential for economic and social development. This review led to a restructuring of federal thinking around how to deal effectively with regional development. DREE remained the lead federal agent, but in a more flexible, multi-dimensional approach involving cooperation between federal and provincial governments.

DREE was subsequently decentralized with the federal delineation of four main economic regions—Western Canada, Ontario, Quebec and Atlantic Canada. Through Acts of Parliament, the federal government created four federal-provincial or pan-provincial institutions focused on the four recognized economic regions. In 2009, two additional regional development organizations were created.

¹⁸Guy Beaumier, *Regional Economic Development in Canada*, Economics Division, Government of Canada (October 1998)

¹⁹These initiatives included the Agricultural Rehabilitation and Development Program (ARDA), whose purpose was to improve the standard of living of farmers on marginal land; the Fund for Rural Economic Development (FRED), which was designed to provide federal-provincial rural development programs in designated areas; the Atlantic Development Board, which administered the Atlantic Development Fund for financing development projects in Atlantic Canada; and the Area Development Agency (ADA), which promoted economic development in high unemployment areas through financial incentives for manufacturing enterprises.

²⁰Growth pole theory assumes that economic development tends to occur around certain focal points or poles and that growth does not proceed equally in all places at the same intensity because different areas offer different opportunities. Regional development efforts, therefore, were to be aimed at these focal points in slow growth regions to start the process of self-sustaining growth. The benefits, it was assumed, would then radiate outward into the surrounding areas.

FEDERAL DEPARTMENT/AGENCY	PROVINCE/TERRITORY
Atlantic Canada Opportunities Agency	New Brunswick Newfoundland and Labrador Nova Scotia Prince Edward Island
Economic Development Agency for Quebec Regions	Quebec
Canadian Northern Economic Development Agency	Northwest Territories Yukon Nunavut
Federal Economic Development Initiative in Northern Ontario	Northern Ontario
Federal Economic Development Agency for Southern Ontario	Southern Ontario
Western Economic Diversification	Manitoba Saskatchewan Alberta British Columbia

In addition to these provincial or pan-provincial/territorial departments, the federal government provides a range of technical and financial assistance initiatives in support of LED (though not exclusively focused thereon) through Industry Canada (business information, trade and investment information, business planning), the Rural Secretariat (programs aimed at enhancing rural competitiveness), and Indian and Northern Affairs Canada (specific entrepreneurial training, financing programs for aboriginal peoples).

Federal departmental mandates, roles and responsibilities

The mandates, roles and responsibilities for each of the provincial or pan-provincial/territorial departments are outlined below. Federal government funding provided to the six regional agencies is further distributed for LED organizations and initiatives at a regional and municipal level through each of these institutions' budgets.

Atlantic Canada Opportunities Agency

In 1987, the Atlantic Canada Opportunities Agency²¹ was established as a special five-year economic development program to build economic capacity for Atlantic Canada (New Brunswick, Newfoundland and Labrador, Nova Scotia and Prince Edward Island). This agency works to create opportunities for economic growth in Atlantic Canada by helping businesses become more competitive, innovative and productive and by helping communities diversify their local economies.

Primarily, this agency works to strengthen the Atlantic economy through:

- Enterprise development: Improving the business climate by assisting in business start-up, expansion and capacity building
- Community development: Supporting individual communities to enhance economic growth, develop opportunities for the local economy and improve infrastructure

²¹www.acoa.ca

- Policy, advocacy and coordination: Representing Atlantic Canada at a national level in areas such as policy development and collaboratively working with other departments to ensure coordination of policies and programs

Economic Development Agency for Quebec Regions

Originally established in the early '70s as a regional development office of DREE, this agency officially became the Economic Development Agency of Canada for the Regions of Quebec²² in 1998. Formalized through an Act of Parliament in 2005, it was given autonomous legal status to promote economic development and diversification in Quebec.

Priorities of this agency include:

- Facilitating community adjustment to economic shocks by providing support for regional efforts for economic recovery
- Strengthening SME performance by supporting value chain development, fostering business start-up and expansion and enhancing innovation in the business community
- Supporting community development by enhancing regional assets and fostering new business creation and development
- Supporting regional economic development stakeholder decision-making processes

Canadian Northern Economic Development Agency

A new stand-alone agency established in 2009, the priority of the Canadian Northern Economic Development Agency²³ is to strengthen economic activity in the North and deliver programs tailored to the unique needs of the North (Northwest Territories, Yukon and Nunavut). The objective is to provide the foundations for a prosperous economic future for those who live, work and support their families in Canada's North. This agency focuses on delivering entrepreneurial support, enhancing infrastructure and managing initiative funding for the regions.

Federal Economic Development Initiative in Northern Ontario

In 1987, the federal government introduced this initiative as a five-year regional adjustment program designed to promote business development primarily through the provision of direct financial contributions to the province. Funding has continued with a mission to promote economic growth, diversification, job creation and sustainable self-reliant communities by working with community partners and other organizations.

Specific roles of this organization include:

- Improving small business access to financing, information and markets
- Establishing partnerships with financial institutions to provide new tools for higher risk financing
- Marketing and implementing special initiatives designed to overcome barriers to accessing capital faced by aboriginal people, youth, women and francophone Canadians
- Improving access to information by facilitating the upgrading of telecommunications infrastructure

This federal department works to enhance community alliances by directly supporting LED delivery organizations.

²²www.dec-ced.gc.ca/eng/index.html

²³www.north.gc.ca/index-eng.asp

Federal Economic Development Agency for Southern Ontario

Officially launched in 2009, this agency²⁴ was established to help southern Ontario communities and businesses diversify and strengthen their local economies. The agency works to provide tools for regional partners to build on their economic strengths and help communities become more competitive, innovative and productive. It focuses its efforts on supporting innovation and the commercialization of products and/or processes and supporting sustainable CED initiatives.

Western Economic Diversification

Established in 1987, this department's mandate²⁵ is to improve the long-term economic competitiveness of the West and the quality of life of the region's citizens. Promoting the diversification of the economy of Western Canada (Manitoba, Saskatchewan, Alberta, British Columbia), it administers programs that advance innovation, business development and CED initiatives in rural and urban areas.

The main activities include:

- Increasing technology commercialization by supporting the creation and growth of knowledge-based clusters in new economic sectors that contribute to an increase in knowledge-driven and value-added economic activities
- Expanding trade and investment by increasing participation and improving trade corridors for small business
- Increasing business productivity and competitiveness by enhancing access to business financing and information

All these regional departments and/or agencies stress the development of extensive partnerships and collaborations. The mandates, roles and responsibilities of other key federal departments and agencies, while less directly involved in LED, are outlined below.

Industry Canada

Industry Canada's²⁶ mandate is to foster a growing, competitive, knowledge-based Canadian economy. This department works with Canadians to improve the country's conditions for investment, and increase Canada's aggregate share of global trade. It focuses on three main activities:

- Advancing the Canadian marketplace by developing and administering economic framework policies that promote competition, innovation support, investment and entrepreneurial activity
- Fostering a knowledge-based economy by investing in science and technology to generate enhanced knowledge and provide skills and training that Canadians need to compete and succeed in the global knowledge-based economy
- Building competitive businesses that drive sustainable wealth creation by encouraging innovation and productivity

Industry Canada promotes economic development in communities and encourages the development of skills, ideas and opportunities across the country.

²⁴www.feddevontario.gc.ca/eic/site/723.nsf/eng/home

²⁵www.wd.gc.ca/eng/home.asp

²⁶www.ic.gc.ca/eic/site/ic1.nsf/eng/home

Rural Secretariat

The Rural Secretariat²⁷, established in 1998, is responsible for developing, coordinating and implementing a government-wide plan to better respond to the needs and concerns of rural Canadians. The secretariat works with federal, provincial and territorial departments to identify and assist key issues that affect rural communities. Its primary goal is to provide rural communities and regions with the information, tools and services to adapt to changes and develop more competitive regions by taking advantage of diversity and unused potential.

Indian and Northern Affairs Canada

This federal department has evolved since 1966 and is responsible for meeting the Government of Canada's obligations and commitments to First Nations, Inuit and Métis. The objectives of Indian and Northern Affairs Canada²⁸ include:

- Improving social well-being and economic prosperity
- Developing healthier, more sustainable communities
- Increasing aboriginal participation in Canada's political, social and economic development

Economic development is key to this department's mandate and it works to increase the work-force participation of First Nations, Inuit and Métis people. Programs provide funding to community organizations for economic development projects and services to community members.

Effects of federal government programming on LED

The Government of Canada is interested and committed to supporting LED. The structure of that support has changed over the years from one in which the municipality was not a full partner in the exercise to the current situation in which the local municipality is at least a partner and arguably the leader of various initiatives. Initial federal government support had a heavy regional bias framed on solving ills, reflecting the priorities of the day, but this emphasis has changed. Even though there remains a regional bias, it is less driven by looking backwards (solving disparities) and more focused on moving forward (building community competitiveness).

The federal government's regional economic development efforts had less impact than anticipated though they did contribute to a better appreciation of the importance of regional differences, and by implication local differences, in defining realistic programming. The introduction of federal agencies and authorities with a regional emphasis was a response to this.

It is evident that the federal government will continue to play an important role in fostering LED, although arguably that support will be less hands-on and less proscriptive because of the reluctance to implement any explicit urban-based policies that could be seen to further accentuate regional (especially urban-rural) differences in Canada.

²⁷www.rural.gc.ca/RURAL/

²⁸www.ainc-inac.gc.ca/index-eng.asp

3.3 Provincial governments²⁹

Under the Constitution, provincial governments in Canada have a broad range of powers and jurisdictions for which they are authorized to control and monitor through the enactment of selected legislation. In general, provincial governments are responsible for property and civil rights, administration of justice, natural resources and the environment, education, health and welfare.

Not surprisingly, provincial governments have always played a significant role in regional economic development, most visibly through public investments in transportation, hospitals and healthcare facilities, educational systems, social programming and other initiatives that impact directly on the well-being of residents. Because municipalities exist pursuant to the jurisdiction of provincial legislation, provincial governments have also played a significant role in facilitating and supporting LED.

Provincial departmental mandates, roles and responsibilities

Provincial governments in Canada participate in regional and local economic development by way of various departmental structures, special committees and programming initiatives. Provincial governments work to leverage federal programs and funding to maximize economic and social benefits.

The following table highlights a number of provincial measures that support LED. It should be noted that there are numerous examples of joint provincial-federal initiatives that successfully support LED.

PROVINCE	DEPARTMENT	MANDATES/ROLES/RESPONSIBILITIES
British Columbia	Ministry of Community Sport and Cultural Development	Promotes sustainable, liveable communities that provide healthy and safe places for British Columbians
	Ministry of Social Development	Focuses on delivery of employment programs that provide citizens with assistance to find, secure and maintain sustainable employment
Alberta	Ministry of Agriculture and Rural Development	Manages programs to facilitate the development of the agriculture and food industry and sustain the natural resource base of the industry while encouraging the development of rural communities
	Ministry of Culture and Community Spirit	Focuses on culture, community development, the voluntary sector and maintaining heritage sites in Alberta
	Ministry of Employment and Immigration	Develops programs, policies and services to promote labour force development

²⁹Territories in Canada differ from provincial governments in Canada. Where provinces are constitutionally autonomous, territories are subordinate to the federal government meaning the federal government has the power to create territories, as well as to decide what powers and jurisdictions they will enjoy.

PROVINCE	DEPARTMENT	MANDATES/ROLES/RESPONSIBILITIES
Saskatchewan	Ministry of Advanced Employment and Immigration	Fosters development of an educated, skilled and productive workforce that meets the labour demands of a growing and innovative economy
	Ministry of Tourism, Parks, Culture and Sport	Promotes tourism enhancement, quality of life and economic growth for regions and municipalities
Manitoba	Ministry of Entrepreneurship, Training and Trade	Focuses on growing industry, trade and employment
	Ministry of Housing and Community Development	Supports and revitalizes neighbourhoods through community development initiatives and by providing a variety of quality, affordable, accessible housing options for citizens all ages and incomes
Ontario	Ministry of Economic Development and Trade	Works to grow the economy of the province by encouraging and supporting businesses of all sizes to help them innovate and compete in the global economy
	Ministry of Labour	Advances safe, fair and harmonious workplace practices essential to social and economic well-being
Quebec	Ministry of Economic Development	Supports economic development, innovation and export trade by encouraging coordinated action among players in the economic, scientific, social and cultural areas to promote job creation, economic prosperity, scientific development and sustainable development
New Brunswick	Ministry of Economic Development and Tourism	Focuses economic development through investment attraction, business retention and expansion and cluster development
Nova Scotia	Ministry of Economic and Rural Development and Tourism	Focuses on productivity and innovation, investment, workforce development, tourism, procurement, international commerce, and the provincial gateway as core economic drivers
	Ministry of Labour and Advanced Education	Works to protect the public and maintain and grow a safe and prosperous workforce with a strong focus on safety, skill development, regulation, education and building partnerships
Newfoundland and Labrador ³⁰	Department of Innovation, Trade and Rural Development	Focuses on the creation and maintenance of a competitive economic environment that encourages and supports private sector business growth and long-term sustainable employment opportunities
	Department of Business	Provides leadership for business development and growth

³⁰Newfoundland and Labrador establishes departments that are headed by ministers appointed by the government. These departments are the equivalency of ministries in other provinces.

PROVINCE	DEPARTMENT	MANDATES/ROLES/RESPONSIBILITIES
Prince Edward Island ³¹	Department of Innovation and Advanced Learning	Oversees the implementation of the provincial innovation and economic strategy that focuses on fostering a more prosperous and vibrant economy that is able to flexibly adapt to a changing world
	Department of Fisheries, Aquaculture and Rural Economic Development	Provides quality advice, assistance and information to rural clients and develops new approaches to community development and delivery of employment programs
Northwest Territories ³²	Department of Industry, Tourism and Investment	Works in partnership to provide quality programs and services that promote and support economic prosperity and community self-reliance
Yukon	Department of Economic Development	Works to develop a sustainable and competitive economy to enrich the quality of life; pursues economic initiatives with a shared vision of prosperity, partnerships and innovation; and forges partnerships with First Nations in the economic development of the territory
Nunavut	Department of Economic Development and Transportation	Builds foundations for a strong economy and ensures the safe and effective movement of people, knowledge and goods throughout the territory

Legislative/legal/regulatory framework for LED (provincial government)

Through provincial legislation (municipal acts and municipal government acts), provincial governments maintain substantive control over all activities of local governments. In fact, the provinces often play a central role in setting local government budgets and priorities as well as controlling their powers to handle municipal issues. Each province is committed to supporting strong, sustainable communities and, limited resources notwithstanding, is often a keen supporter of LED programming by direct financial support (e.g. hiring experts or cost-sharing a business incubator) or by substantive technical support (e.g. training local economic development officers or organizing business clusters and trade missions).

Effects of provincial government programming on LED

Provincial governments have been significant players in the LED scene and are uniquely positioned to be even more significant players. As the federal government backs away from a direct role in LED, increasing expectations will fall on provincial governments. As a result, expect to see more stakeholder partnerships (public, private and non-profit collaborations) and a greater emphasis on agglomeration as provinces seek to stretch their resources in a highly complex discipline. Finally, it can be expected that municipalities will demand more provincial support.

³¹Prince Edward Island establishes departments that are headed by ministers appointed by the government.

These departments are the equivalency of ministries in other provinces.

³²The Northwest Territories establishes departments that are headed by ministers appointed by the government.

These departments are the equivalency of ministries in other provinces.

3.4 Municipal governments

As noted, powers are granted to municipal governments through acts administered by each province. Municipal institutions in each province are slightly different. Municipal governments depend on real property taxes for most of their revenue; however, they are still subject to the laws and regulations of the province. In some provinces, several municipalities in an area may belong to a tier of municipal government that provides more regionally oriented services. Depending on the province, this tier may be referred to as a county, regional municipality or regional district. Regional municipalities formed in highly populated areas where it was considered more efficient to provide certain services to the local community on a regional scale.

Municipal mandates, roles and responsibilities

Municipalities in Canada have a broad economic development mandate. Activities that municipalities undertake with direct and indirect LED implications include:

- Protection of persons and property, which includes the management of local policing and firefighting services
- Local transportation such as management of public bus and rail services, as well as municipal roadway construction and maintenance
- Planning and development, including municipal zoning and industrial/economic development, land use planning
- Public utilities, including the management of local sewage systems, water treatment, and electric utilities
- Local social-welfare services, such as management of local health, library and educational facilities, and social assistance services
- Parks, recreation, and culture, including the development and management of local parks and green spaces, public recreation facilities, as well as local art and cultural programs and events

As described above, until the late 1960s, the bulk of what we think of as traditional economic development had been managed by provincial and federal governments with limited local involvement. The concentration of these LED efforts was predominantly focused on infrastructure (e.g. water and wastewater, roads and transportation) and large-scale manufacturing or smokestack chasing. By 2000, local governments were the pre-eminent players in local economic planning and implementation. Concurrently, the methodology of development became more inclusive and more broadly based with such considerations as quality of life taking on an increasingly important consideration.

Just as each community or region is unique in terms of its socio-economic circumstances, so too are the various LED approaches; however, there are certain consistent themes. Local governments remain focused on business retention and expansion, but community development, entrepreneurship and innovation, and amenity- and place-based infrastructure development are playing a greater role in shaping LED efforts.

Legislative/legal/regulatory framework for LED (municipal governments)

For local governments to become effective coordinators and facilitators of LED, substantial legislative changes are needed. While local governments have been expected to take on a greater LED role than in the past, the revenue tools and fiscal environment have become more constrained. The result is an emerging need for local administrations to self-fund LED activities.

Effect of municipal/local governments on LED

Local governments have been playing a role in economic development planning for some time but the level of significance varies greatly across the local government landscape. While there is a trend toward local governments assuming more formal economic development roles, there is still a large discrepancy in the level of participation between municipalities. This discrepancy reflects the evolving and voluntary nature of economic development as a local government service. In fact, there are many municipalities that do not necessarily take an active role in LED activities at all.

Municipalities that undertake LED activities are using a number of innovative strategies:

- Organizing more formalized efforts where none may have previously existed
- Engaging in advocacy and relationship building with other orders of government
- Developing new economic development strategies or refining existing ones
- Working at fund leveraging to self-fund LED activities in their regions

3.5 Some thoughts on LED delivery/governance

By design, local governments can adopt any number of models or organizational structures to implement LED programming. Local government delivery of economic development can take a variety of forms: some local governments employ an economic development officer (EDO), others cover the economic development function through the planning department, while others fund an arms-length organization or contract an external organization on a fee-for-service basis. The decision as to which is the most appropriate governance model is seldom an easy decision as each model has costs and benefits; however, the choice of approach is often the outcome of considering the relative merits of each in terms of financial commitment, stakeholder engagement, community support, partnering or collaboration potential, and flexibility.

Importantly, it should be noted that seldom do municipally driven LED efforts exist in isolation as the only LED or quasi-LED effort. Matters of complementarity and synergy play a significant role in deciding on governance models, as well as the focus and scope of LED efforts.³³

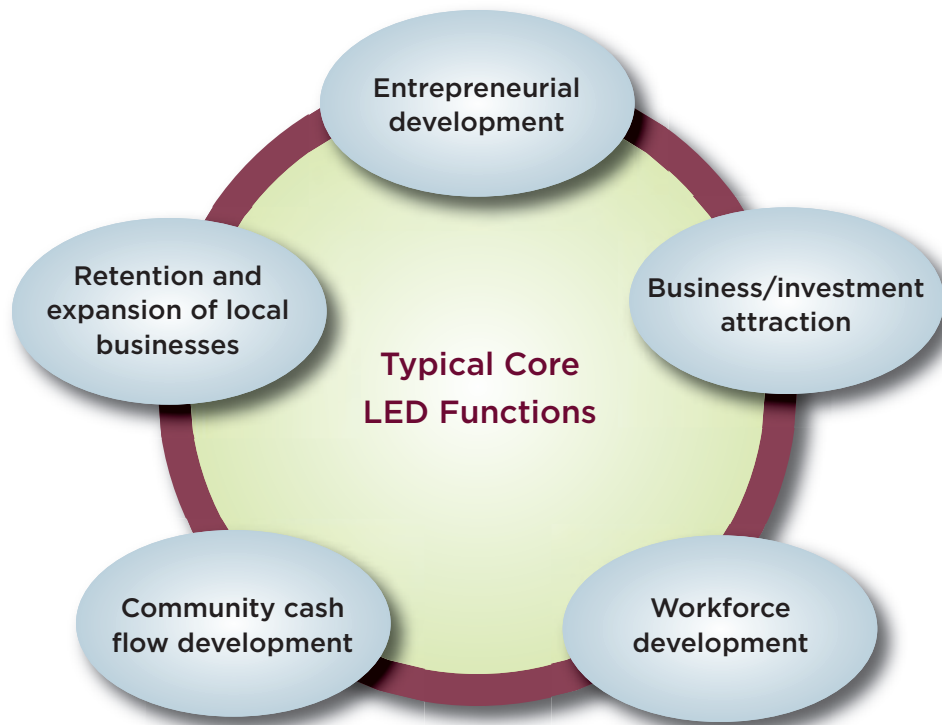
³³The classic example of potential conflict or collaboration is in the instance where a municipality decides to pursue a specific LED program where a federally funded Community Futures Development Corporation exists. The Community Futures Program is a federally funded initiative through the economic development departments outlined in the federal government section of this report. Community Futures (CFs) takes a grassroots approach to community and economic development with an emphasis on creating jobs outside major urban centres. There are 269 CFs across Canada. They are non-profit corporations run by volunteer boards of directors, supported by salaried staff. The mandate of each corporation is community and business development. Each CF delivers a variety of services ranging from strategic economic planning, technical and advisory services to businesses, loans to small and medium-sized businesses, self-employment assistance programs, and services targeted to youth and entrepreneurs with disabilities.

The following table offers a comparison of three possible LED delivery models: an in-house effort, an arms-length delivery and a blended public-private partnership.

	PRIVATE	PUBLIC	PUBLIC/PRIVATE
FUNDING SOURCES	This was a very competitive game. Some communities did exceedingly well by encouraging and supporting substantive new investments	Government funds (taxes), grants	Government funds (taxes), grants
GOVERNING BODY	Board of directors elected by membership	Mayor and city council elected by public	Elected and appointed individuals
LEGAL FORM	Non-profit	Government agency	Non-profit
OPERATIONAL ADVANTAGES	<ul style="list-style-type: none"> • Not restricted by political boundaries • Structure allows maintenance of confidentially on important issues (e.g. identity of prospects) 	<ul style="list-style-type: none"> • Effective in providing infrastructure (e.g. roads, sewer and water lines) • Direct access to incentives: property tax abatement, urban development assistance grants, etc. • Access to policy makers 	<ul style="list-style-type: none"> • Not restricted by political boundaries • Structure allows maintenance of confidentially on important issues (e.g. identity of prospects)
REPRESENTATION	Speaks effectively on business sector's interests	Speaks effectively on public sector interests	Structure allows input from all sectors of community via elected city officials
BOARD SIZE	Tends to be small: 5 to 10 members	Tends to be large: 15 or more members	Tends to be moderate: up to 13 members
EXAMPLES	Development corporations, chambers of commerce	Ports, local government programs	Economic development organizations

3.6 Typical LED functions

There is no standardized list of functions and responsibilities carried out by every LED effort in Canada. As mentioned, LED means different things to different people and as such the approach and individual functions and activities will necessarily differ from municipality to municipality. The following list is a collective perspective and includes the major functions typically addressed by a community LED function in Canada. In terms of implementation, there are five general components that influence the quality and effectiveness of the LED process.



Retention and expansion of local businesses, where activities may typically include:

- Identifying opportunities for joint ventures
- Developing business clusters
- Assisting with negotiations concerning joint ventures
- Providing assistance on preparing business plans and project plans
- Providing advice on market analysis and economic opportunities
- Providing advice on product development and identification of target markets
- Identifying management capabilities and recommending training requirements
- Determining start-up costs, forecasting sales and conducting a break-even analysis
- Assisting with financing and marketing planning
- Conducting financial analysis on proposed business plans and opportunities
- Providing advice on licensing, taxation and business requirements
- Conducting site visits
- Providing aftercare services such as assisting with bookkeeping, establishing cash controls and providing training
- Maintaining files and records on local businesses and economic development opportunities

Business/investment attraction, where activities may typically include:

- Identifying sectoral opportunities for economic development (e.g. mine support, tourism, forestry, arts and crafts)
- Acting as a liaison between local organizations, businesses and individuals and representatives of government, business and industry concerning economic development
- Developing partnerships within the community to develop and promote opportunities
- Assisting local organizations, businesses and individuals to take advantage of economic development opportunities and major projects
- Assisting with the development of job creation projects
- Conducting surveys and research on market opportunities
- Assessing marginal citizen-centred programs
- Identifying capital development program opportunities
- Identifying community training and development requirements to take advantage of economic development opportunities

Entrepreneurial development, where activities may typically include:

- Providing funding
- Providing business incubators
- Providing assistance on preparing business plans and project plans
- Providing advice on market analysis and economic opportunities
- Providing advice on product development and identification of target markets
- Identifying management capabilities and recommending training requirements
- Determining start-up costs, forecast sales and conduct a break-even analysis
- Assisting with financing and marketing planning
- Providing advice on licensing, taxation and business requirements
- Conducting financial analysis on proposed business plans and opportunities

Workforce development, where activities may typically include:

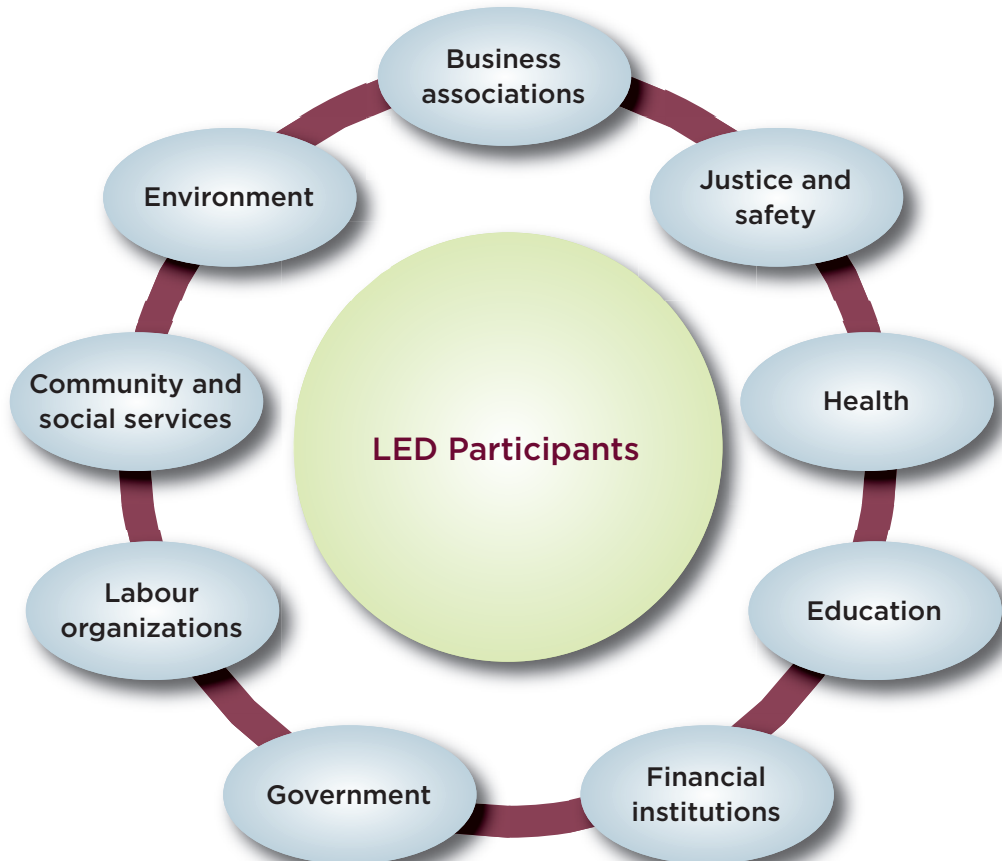
- Researching trends and gap analysis
- Providing training and professional development initiatives at the provincial, regional and municipal levels
- Participating in workforce planning at the provincial, regional and municipal levels
- Participating in reviews of national training packages
- Exploring recruitment, selection and retention issues at a regional and municipal level
- Convening tripartite consultation processes on workforce issues
- Exploring occupational health and safety issues

Community cash flow development, where activities may typically include:

- Conducting ongoing research and investigations into private and public sector economic development funding opportunities
- Maintaining an inventory of programs and contacts
- Reviewing and testing innovative funding modalities (e.g. P3)
- Pursuing outside investments
- Developing unmet support services (e.g. consulting, research, project management)
- Consulting with industry and government representatives concerning eligibility requirements for funding
- Preparing proposals for funding to support community economic development

3.7 Key players, partners and participants in LED

In Canada, the principal foundation of any successful LED effort is giving ownership and responsibility for LED to local citizens. To achieve this aim, the initial planning and subsequent implementation processes are usually highly inclusive and transparent. While membership from community to community may vary, effective LED almost always results from a broad and inclusive collaboration of economic, social, environmental and governmental interests and stakeholders.



4

LESSONS LEARNED AND BEST PRACTICES

Canada's history of LED implies that there is at the very least a substantial base of lessons learned and best practices in terms of designing, organizing, managing and implementing various LED programs and policies. While some lessons are site specific, others have broader applications and relevance. Some common themes stand out:

A multi-faceted and multi-functional approach to LED is needed: LED cannot be one dimensional, i.e. focusing only on business attraction. LED initiatives that experience the greatest success are multi-faceted and multidisciplinary: they address broad issues of sustainability, noting that community sustainability requires a balance of economic, social and environmental objectives. Successful LED possesses a comprehensive mindset that sees a wide scope of problems, opportunities and solutions while considering the distinctive characteristics of the individual community.

Development of partnerships and collaboration contributes to positive LED programs: LED is best achieved through a partnership of governmental authorities and agencies, private sector businesses, not-for-profit organizations, and citizen engagement. Each partner has an important role to play. The most successful LED organizations take a collaborative approach and supplement their activities through close relationships with other representative groups that can aid or even take on part of the LED effort. LED can be a heavy burden requiring immense dedication and commitment, substantive resources and unique expertise. Pursuing avenues in which that burden can be shared and where synergies can be achieved is critical.

There is a need to transition from closed local economies to open global systems: Globalization means municipalities, regions and countries must adapt their economic development focus, or "think globally, act locally." To do so, there must be a significant focus on community competitiveness to develop, nurture and support specialized businesses, skilled labour and innovation. The best LED approaches are those that leverage inherent community and regional strengths to gain comparative³⁴ and competitive advantages³⁵.

³⁴As it is used here, comparative advantage is defined as a situation in which a municipality (and by implication a business or businesses within the municipality) can produce a good or service at a lower opportunity cost than a competitor from another municipality or region. Comparative advantage thus facilitates specialization in order to gain from trade.

³⁵Competitive advantage is defined as a strategic advantage one entity has over its rivals within a specific competitive industry. Competitive advantage strengthens and better positions the municipality within its operational environment (competing with other communities and regions).

LED should have a long-term focus while acknowledging short-term successes: Significant measurable results may be decades in the making, but to maintain momentum and interest, LED leaders must repeatedly evaluate progress and identify short-term successes. Recognizing interim achievements not only contributes to momentum, but reinforces the role and importance of LED programming. Regularly measuring and communicating short-term successes builds engagement and facilitates forward progress.

Strong local leadership with a strong community vision is key: Local leadership is essential to LED. Leadership does not imply one leader but rather the engagement of an array of community-minded individuals, business leaders and representatives of key stakeholder organizations to collectively participate and drive the LED process. To ensure leadership is effective, a broadly held LED vision is critical, one that not only holds the attention of citizens but that is realistic in light of circumstances and prospects, relevant to a range of citizen interests, and has a strong sense of community ownership.

LED needs to be a participative and proactive process: LED is a highly competitive and complex process. Success is not about waiting for something to happen; rather it is about going out and making things happen. To do this effectively requires significant dedication and commitment, a broad and diverse range of experience and expertise, and significant human and financial resources. These characteristics are seldom in a single organization; therefore, broad community collaborations and partnerships are essential pre-requisites to successful LED.

LED activities and programs should be transparent and accountable: Transparency and accountability contribute significantly to the effectiveness of LED efforts. When individual citizens and stakeholders know what is happening they are more likely to get involved and support the process. The greater the community commitment to the process, the more effective the effort will be. Transparency requires inclusiveness, open communication and ready access by individual citizens to information on LED efforts. With transparency, accountability is implied.

5

FINAL THOUGHTS

Though they are still writing the book, Canada has a history of LED from which a broad base of lessons learned and best practices can be gleaned. Many of these thoughts and ideas will have ready application to circumstances in Ukraine, while others may be less relevant. Perhaps the most important lesson of all is that the process of LED did not occur overnight but rather evolved over decades. And the modalities and innovative models were developed in a unique socio-political culture where individual action and initiative was encouraged by the state.

As a discipline, LED is becoming increasingly complex and costly. While a global marketplace opens up opportunities, it also threatens old ways and systems. Looking forward we expect that LED will continue to gain further support in Canada as senior levels of government continue to devolve responsibilities and local municipalities take greater control over their own destinies.

Understanding the language of local economic development

Local Economic Development has a language all of its own. Some of the more common terms are identified and defined here.³⁶

Community service organizations (CSOs) refer to organizations that emerged in the 1990s and are institutions that are not part of a governmental body. The most commonly adopted definition is an organization that is non-governmental and not-for-profit that has a presence in public life, expressing the interests and values of its members or others, often community groups, NGOs, labour unions, charitable organizations and the like.

Brownfields is a general term used for sites that have been developed in the past that may or may not be contaminated. Sustainable economic development strategies encourage beneficial reuse of these sites, even though this may be more expensive than building or developing new, undeveloped greenfield sites.

Business incubators are an economic development tool primarily designed to help create and grow new business in a community within a specific building or location. Business incubators help emerging businesses by providing various support services such as assistance with developing business and marketing plans, building management skills, obtaining capital and accessing more specialized services. They provide flexible space to rent, shared equipment and administrative services in a managed workspace.

Business retention strategies refer to systematic efforts designed to keep local companies content at their present locations within the area. Strategies include helping companies cope with changing economic conditions, addressing new markets and even assisting with internal company problems.

Business start-up support refers to the full range of services available to people starting in business for the first time. Initiatives include training, business advisory support, business networking and mentoring and financial assistance. Grants, loans and interest rate subsidies are traditional methods; a more innovative approach to financial support is trying to attract private sector investment rather than public sector.

Clusters are groupings of related industries and institutions in an area or region. The industries are connected in many ways. Some industries in the cluster will be suppliers to others, some will be buyers from others, and some will share labour or resources. The important thing about a cluster is that the industries within the cluster are economically linked, they both collaborate and compete and are dependent upon each other to some degree. They take advantage of synergies.

Entrepreneurial training refers to programs that provide guidance and instruction on business basics such as accounting and marketing so that businesses improve their chances of success.

³⁶http://info.worldbank.org/etools/docs/library/166856/UCMP/UCMP/session5-6_ledcontext.htm

Export development services refers to programs that can help businesses diversify their customer base, expand operations and become more profitable. Export services include assessing company capacity for exporting, market research, information services on exporting, trade regulations, transportation, etc..., international lead generation and trade shows/exhibitions or promotional marketing trips.

Foreign direct investment (FDI) is investment attracted from abroad. It can mean either greenfield investment (i.e. investment in building new facilities on hitherto undeveloped sites) or portfolio investment (i.e. buying into an established business). Inward investment means nearly the same; however it could include investment from within a country as well as from abroad.

Forward strategy refers to arrangements to continue the life of projects after initial project funding stops—sometimes described as an exit or succession strategy. This should be established at the outset of all projects that are likely to need ongoing capital or revenue resources after the initial period of establishing the project.

Greenfields refers to factories and offices being built on land that has not been developed. Greenfield investments also imply that facilities are designed and built for investors, rather than the investor buying a facility already built.

Growth node is a physical location where industry and/or commercial development is deliberately directed to reduce growth pressures in elsewhere in the city or to redistribute growth within a city.

Hard infrastructure includes all tangible physical assets that contribute to the economy of a city. For example, transport infrastructure (roads, railways, ports, airports), industrial and commercial buildings, water, waste disposal, energy, telecommunications etc... See also soft infrastructure.

High road techniques stress the need to make more efficient use of resources and invest in processes, technological innovation and employee skills, viewing labour as an important commodity and skill enhancement as a crucial targeted investment. It entails mobilization and upgrading of local resources and maximization of local strengths and advantages to balance relatively higher wage rates.

Indigenous businesses is a term that refers to local businesses, usually those that have developed in the community. Increasingly, the term refers to all businesses in an area whether they are locally grown or not.

Low road techniques promote area competitiveness through lowering production costs, especially wage rates—this is not a sustainable approach.

Mobile manufacturing (or service sector) investment is where manufacturing or service companies have a wide choice of location choices; consequently, they are in strong negotiating positions when it comes to choosing where to locate their businesses.

One-stop business service centres are facilities where business persons can go to obtain advice and support to help them establish and expand their businesses. Sometimes these centres also issue licenses and permits needed by businesses to start, operate or expand. They improve the local business environment by reducing the number of separate agencies and offices a business may need to approach for advice or to apply for various licenses and permits. They save public and private time and improve efficiency as a result.

Soft infrastructure relates to the less tangible aspects of LED such as education and training provision, quality of life infrastructure such as park, leisure and library services, housing, business support, business networking and financing services.

SMEs is an acronym for small and medium-sized enterprises. There is no definitive delineation between a small and medium-sized business. As a general reference, small is often from 5 to 20 employees, medium from 20 to 200. Businesses with fewer than five employees are usually called micro-enterprises. This is a guide only.

Stakeholders are people with a stake, interest, or investment in a community issue or outcome. Their interests may stem from professional or personal interest in an issue or from a commitment to achieve some outcome. For example, health professionals and parents of chronically ill children might be stakeholders in the health services delivery system. Elected officials may be stakeholders if public dollars need to be spent for health or if their constituents need health services.

Supply chains refers to products and processes that are essential to the production of a good or service. For example, to produce frozen fish, the supply chain inputs will extend from fish catching, handling, processing, and freezing to packaging, storing and distribution. These are all elements of a supply chain. Holistic LED strategies try to capture as much of the higher value end of the supply chain in their area. In the fish processing example, packaging, storing and distribution will add value and be at the higher end of the value chain.

Common local economic development acronyms

- CBO** Community-based organization
- CPR** Crisis prevention and recovery
- CSO** Civil society organizations
- LTA** Long-term agreement
- NGO** Non-governmental organization
- PRSP** Poverty reduction strategy paper
- SGP** Small grants programme (of the Global Environment Facility)
- SMEs** Small and medium-sized enterprises
- PB** Partnerships Bureau

The Federation of Canadian Municipalities' international programs are undertaken with the financial support of the Government of Canada provided through Foreign Affairs, Trade and Development Canada.



Foreign Affairs, Trade and
Development Canada

Affaires étrangères, Commerce
et Développement Canada

Canada