

TAKING STOCK OF THE REGIONAL ECONOMIC DEVELOPMENT PROCESS

EXECUTIVE SUMMARY APRIL 2001

OBJECTIVES AND METHODOLOGY

In 1995, the Task Force on Community Economic Development released its report, *Community Matters: The New Regional Economic Development*. It recommended that a professional approach to community economic development be taken to facilitate stronger regional co-operation and co-ordination. Based on these recommendations, twenty Regional Economic Development Boards (RED Boards) were established. These organizations each signed a Performance Contract with the provincial and federal governments committing them to:

- _ provide leadership in the development and implementation of a regional strategic economic plan
- _ coordinate business development support
- _ support organizations and communities within their regions
- _ coordinate social and economic initiatives
- _ Promote public participation and community education in regional economic development.

The Taking Stock project was a participatory exercise that gathered input from RED Board volunteers and staff, provincial and federal government officials, and economic development stakeholders from all parts of the province. The focus was on how the zonal economic development process is working and how it can be improved. The purpose of the exercise was to:

- _ clarify organizational mandates, determining how the partners are meeting the challenges of the five core functions and the Performance Contracts.
- _ analyze the internal and external issues relating to RED Board resources, present strategies, and performance.
- _ identify strategic policy issues including the quality, focus and implementation of the Strategic Economic Plans, and the levels of consultation and collaboration between RED Boards, Government and major stakeholders within the zones.
- _ formulate effective strategies to manage the issues.

HOW IT HAS TURNED OUT

The term of the RED Boards has covered one of the most tumultuous economic periods in the history of Newfoundland and Labrador. In 1994 the province was reeling from the collapse of the groundfish industry. Today the province is leading the country in economic growth, unemployment is falling, and new investments in the economy are at historic highs. Even so, serious challenges remain in reducing unemployment further, increasing viable career choices for young people, and spreading the benefits of economic growth throughout the province.

During this period of change, the RED Boards have played an important role in facilitating partnerships to transform and improve the economy. These partnerships involve communities, volunteer organizations, and government. Examples of RED Board leadership in economic development are found in every part of the province. In Labrador West, the Hyron Economic Development Corporation helped develop a partnership between the mining industry and the College of the North Atlantic to educate the 'workers of the future' and help stabilize the region's workforce and economy. The Long Range Regional Economic Development Board, in partnership with the Bay St. George South Area Development Association, is working with local farmers to improve the viability of sheep farming through better utilization of by-products. The Emerald Zone Corporation has created a program to assist and mentor local businesses to grow their enterprises on the Internet. Focused assistance by the Schooner Regional Development Corporation has nearly doubled the number of cod farms on the Burin peninsula in the last two years. The Mariner Resource Opportunities Network has led the development of a community capacity building program, which is being widely used by many RED Boards and sub-zonal organizations and is also being purchased by organizations outside the province.

All of the RED Boards have success stories. Types of economic activities undertaken by the RED Boards include:

- facilitation of partnerships with and within the private sector
- prospecting and recruitment of new businesses and investment to the province
- initiation of demonstration and pilot projects in new and high-risk ventures
- developing successful partnerships with government departments in economic development initiatives
- provision of organizational and technical support to small business groups
- promotion of innovation and technology transfer in traditional and emerging industries
- development of tourism infrastructure and regional tourism initiatives
- provision of leadership and assistance in the start-up of tourism and other industry associations
- facilitation of the development and use of information and communications technology as a tool for business growth and economic development
- promotion of spin-off opportunities for small business and entrepreneurship linked to major industries such as mining and offshore oil
- promotion of government investment in new and risky business sectors
- facilitation of training programs for workers in existing and new industries
- facilitation of business and entrepreneurial training and participation by youth, women, and disadvantaged groups
- assistance in the development of proposals for community and business initiatives

The purpose of Taking Stock was to review the regional economic development process, how it is working and how it can be improved. In almost every case, it was found that the structure of the regional economic development process is sound. Participants from government, stakeholder organizations and RED Boards, while

sometimes frustrated, overwhelmingly hold the opinion that the current arrangements for regional economic development are superior to previous approaches.

At the same time the process still has a way to go to live up to its potential. Regional cooperation in some areas is still hindered by competition and lack of trust between communities and groups. Within the boards, issues of structure, representation and management sometimes reduce effectiveness and efficiency. Strong grassroots support has, in many cases, not been developed adequately. RED Boards have questioned government's commitment to the process, and call for stronger political and moral support, as well as adequate financial resources to fulfill their role. Structural problems within and between government departments mean that development assistance is sometimes not as effective as it could be.

A challenge in reviewing the zonal process was the necessity to view RED Boards generally. The twenty RED Boards have evolved to meet local needs and capabilities, and have been able to access different resources. Some regions of the province have stronger traditions of regional cooperation than others, and more of a history of community-based development. For these reasons different boards have encountered different challenges. Each board has its own outlook, 'personality' and experiences. The issues outlined in this report are those found through the consultations. It is important to note that they do not surface in all cases.

STRATEGIC ECONOMIC PLANS

The Taking Stock consultations heard generally positive comments about the initial strategic planning process undertaken by RED Boards, particularly its effect in creating stronger regional cooperation. While the Strategic Economic Plans generally reflect regional aspirations, most are now becoming quite out-of-date relative to changing economic circumstances and opportunities.

If SEPs are allowed to become 'old', they become less relevant as economic development tools. Strategic economic planning by RED Boards should be treated as a continuous and 'living' process. This can be achieved most effectively by integrating future SEP reviews with the workplan process undertaken as part of the annual renewal of Performance Contracts. This ongoing, incremental approach to reviewing SEPs will be more relevant, easier to achieve, consume less energies, and divert less attention away from ongoing responsibilities than larger reviews every so many years. RED Boards must change the oil while the engine is running.

Several measures are recommended to improve the functional value of the SEPs. Stronger linkages between RED Board planning and planning by government departments will contribute to more complementary and achievable plans. More active planning participation by sub-zonal groups must take place in order to instill community ownership and support of the SEPs. More focused efforts must be undertaken to ensure planning is supported by objective research and analysis of regional capabilities and opportunities.

INSIDE THE RED BOARDS

The degree to which RED Board decision-making reflects the needs and aspirations of sub-zonal stakeholders and the geographic make-up of their zones varies considerably. Most Boards have had difficulty relying on volunteer Board members to adequately represent and communicate with sub-zonal interests. Another issue is the large size of most Boards, which affects the efficiency of decision-making and the costs of Board meetings. Among some Boards, there is a concern that seats are being held by organizations that are only marginally active. To address these issues, Boards should be willing to undertake ongoing reviews of their composition, membership, and size to ensure they operate effectively and efficiently, and are always representative of active leadership organizations in their regions.

RED Boards should seriously consider the establishment of a pan-provincial organization to represent their common interests at the provincial level. A provincial lobby will achieve a higher level of influence over policy and program directions than twenty individual voices competing to be heard. They should also forge stronger pan-provincial networks linked to economic sectors that are identified as a high priority for development. This should include pan-provincial forums to address issues of mutual interest such as planning, technology transfer, business development, and market development.

While the need has long been identified for regional economic development training for volunteers and practitioners, the response has been weak and piecemeal. Most practitioners seeking training still have to go outside the province to find appropriate programs. Discussions should be reopened with Memorial University to request the establishment of educational programming in regional economic development that will meet the needs of existing practitioners in the province. A series of workshops, "Capacity Building for Regional Economic Development," has now been initiated, with trained facilitators delivering workshops at the regional level. This workshop series is timely and will begin to address some of the training issues raised during the Taking Stock exercise.

THE RED BOARD IN THE ZONE

Business Development Support

While RED Boards as a whole have clearly brought a stronger business orientation to the regional development process, there seems to be considerable variation in the level of business development activities undertaken by RED Boards. Some Boards are making very tangible progress in contributing to business development, while others have been less successful.

With one or two exceptions, strong collaboration is not taking place between RED Boards and the province's Community Business Development Corporations. This has created confusion about the types of business support activities that RED Boards can provide without duplicating the CBDCs. A stronger partnership between

the RED Boards and BDCs would serve to harmonize efforts to develop regional economies.

A number of RED Boards have undertaken aggressive programs of business prospecting to attract new businesses to their regions. There needs to be greater coordination of prospecting strategies between RED Boards. Prospecting should reflect the comparative strengths of different regions and should be more closely linked with the priorities outlined in each Board's SEP. Boards should ensure that adequate background research and information is compiled prior to promoting their regions to potential investors.

A major theme emphasized throughout this report is that RED Boards should be more decisive about their priorities for business development. Primary criteria that should guide these decisions include (i) what are the best and most beneficial opportunities for development, (ii) where can RED Board efforts can make the greatest difference, and (iii) how to achieve a reasonable balance so that all areas of the zone can derive benefit.

Support of Communities and Sub-Zonal Organizations

It was originally envisioned that RED Boards would have close organizational ties with local development groups throughout their zones. Unfortunately, the resources have never materialized to the level necessary to support the original expectations of RED Boards in this role. Consequently, the Taking Stock consultations revealed a fair amount of dissatisfaction among sub-zonal groups with their level of interaction with the RED Boards. RED Boards acknowledge the problem, but say that they are limited by a lack of resources for community outreach and communications.

Overall, it can be said that community buy-in of the zonal process is a work in progress, with wide differences between zones and often within zones. Boards are slowly gaining credibility where they are making concerted efforts to build bridges out to communities, but community buy-in is much weaker in areas where outreach is not strong. This is a key activity that must be targeted for improvement. More effort and resources must be directed to building bridges and providing support to sub-zonal groups, who ultimately are the vehicles for economic development

Additional core monies should be found to enable Boards to hire dedicated outreach staff. Their responsibilities should be liaison with sub-zonal organizations, as well as broader communications aimed at increasing community awareness and support.

Coordination of Social and Economic Initiatives

Economic development is the primary function of RED Boards. A majority of RED Boards are providing strong leadership in emerging areas of the new economy. RED Boards primarily view themselves as catalysts to help generate economic activity and create a climate of opportunity in their regions.

There is broad agreement that RED Boards should primarily be planners and facilitators, but there is less agreement on the appropriate role of Boards with respect to implementation of economic initiatives. The issue is not whether Boards should hand off responsibility for implementation, but when this should occur. While there may be danger in RED Boards becoming too involved in implementation, but there is also a danger in walking away too soon. While there is no clear rule that differentiates between planning and implementation, from the outset of initiatives RED Boards should always establish strategies for how implementation will take place and who will be responsible. Strategies should address the need to develop sub-zonal capacity for project implementation, as well as the appropriate timeline to pass this responsibility to another organization.

Many of the Boards now employ staff specialists responsible for business support to emerging sectors identified as a high development priority. There was a generally enthusiastic response from businesses that are recipients of this service. They indicated that the technical expertise of these specialists has been invaluable in helping to move their industries ahead. Overall there has also been a favourable response from government staff involved with these emerging sectors. Due to the competing responsibilities and time restrictions in their own jobs, they have welcomed the additional contribution that RED Board specialists are able to bring to the development effort. The Boards have argued that this success should be built upon through more stable, long-term funding to employ staff specialists. This would bring greater stability to the process, and a higher likelihood of a favourable outcome to development initiatives.

From a broad perspective, effective economic development must incorporate social strategies that deal head-on with human resource issues such as unemployment, poverty, and participation by disadvantaged groups in economic activity. From a practical standpoint, this should involve clear targets to address needs such as basic education, skills training for the unemployed, access to daycare, and support for the working poor. While recognizing the need for stronger integration of these concerns into economic planning, many RED Board members feel that they have limited capacity to address this issue. Some expressed the view that the need to accommodate social interests is slowing down the economic agenda. They feel that Boards should concentrate first on moving the economic agenda ahead, with a secondary emphasis on social concerns.

The province now has a Strategic Social Plan (SSP), which focuses on three main strategic directions: (i) building on community and regional strengths, (ii) integrating social and economic development, and (iii) investing in people. RED Boards are represented on the SSP regional committees. Through interaction with these committees, RED Boards may be able to develop a stronger sense of how social initiatives can be better integrated into the economic agenda. With the advent of the SSP, the time may be ripe to revisit how social development can best be accommodated in the zonal process. The social development function of RED Boards should be reviewed in the light of the new Strategic Social Plan. This review should clarify the importance of social development issues in the zonal process,

assess the effectiveness of designated social seats as a mechanism to represent social development needs, and determine if there are more effective ways to represent social development issues at the RED Board table.

Public Participation and Community Education

Public participation and community education are essential to ensure the long-term impact of RED Boards. This core function relates to a fundamental issue referenced by all focus group – that of communications. RED Boards, community and government stakeholders all agreed that a fundamental weakness in the zonal process has been the lack of information going to the public about the new regional economic development vision and the role of RED Boards. This has resulted in low public awareness of the zonal process, leading in many cases to misperceptions and negative public opinion.

Broad-based public support and participation in regional economic development is essential to long-term sustainability of the process. Community and regional economic development must be strengthened through higher public awareness. This requires public relations and communication strategies at all levels – from government as well as RED Boards. Inadequate community relations remain a major void in the zonal process, which must be addressed in the immediate future. According to one RED Board respondent, *‘In order to get broad community buy-in, information must be shared with the public so that will develop a sense of ownership of the RED Board. Reporting back to the communities is absolutely essential.’*

Resource Needs

Insufficient resources are hindering the ability of RED Boards to properly carry out their responsibilities. It is critical that RED Boards be given sufficient core resources to communicate properly with local communities and sub-zonal organizations. Only through the engagement of local stakeholders can they fulfil their role as facilitators of economic development.

A separate but related issue concerns resources to implement economic initiatives. The absence of a convenient funding mechanism for initiatives deflects Boards away from the productive work of regional development to fundraising and administration. Future agreements should allocate funds for special development initiatives, which are justified by a Board’s SEP, workplan, and activities.

PARTNERSHIPS BETWEEN RED BOARDS AND GOVERNMENT

Community Matters stressed that the provincial and federal government should play a strong partnership role in the zonal process in order for the approach to be effective. The report stressed the importance of real and visible support from the political and administrative arms of government. Now that six years have passed since the REDB process was initiated, it must be concluded that this support has not yet developed to the degree that was felt to be necessary by *Community Matters*.

A major objective in the creation of RED Boards was to make government more accessible and responsive to regional development needs and opportunities.

Unfortunately, RED Boards, as a group, do not seem to have acquired the legitimacy that is necessary to realize greater responsiveness from government. Stronger credibility with government can only be realized through strong, visible buy-in from communities. It is essential that RED Boards devote more efforts to building bridges with community partners and the general public.

RED Boards should also focus attention to building stronger relations directly with politicians. MHAs and MPs should be actively recruited as partners in regional economic development. More effort must be devoted as well to engaging senior officials in key government departments.

The government agencies responsible for providing direct support to RED Boards are the Department of Industry, Trade, and Rural Development and the Atlantic Canada Opportunities Agency. These agencies co-manage the Comprehensive Economic Development Agreement, which provides core funding support to RED Boards. DITRD provides support through its regional and field offices located throughout the province and the Regional Planning and Development Division located in St. John's. Direct ACOA support is provided through Development Officers in its Federal/Provincial Programs Division and its District Offices located around the province.

Discussions with senior officials of DITRD and ACOA revealed a strong commitment to the zonal process and to strengthening their partnership with RED Boards. They feel that now is the time to acknowledge weaknesses in the process and work together to overcome them. They feel that the initiative to establish RED Boards as regional catalysts for economic development has been successful. They feel that the process is still maturing and must be given time to show its worth. The immediate priority for government and the RED Boards is work better together to strengthen the process.

Partnerships between RED Boards, DITRD and ACOA are formalized by Performance Contracts. These outline the RED Board core functions, accountability requirements, and commit ACOA and DITRD to supporting RED Board economic development activities. Both RED Board representatives and government employees expressed dissatisfaction with the reporting and renewal procedures for Performance Contracts. They feel that the process has become too regulatory, with less of a developmental emphasis than was originally envisioned. All partners should emphasize a stronger cooperative approach to the annual renewal of Performance Contracts. The semi-annual reporting procedures should be more open and frank about issues and problems. Where possible, the partners should implement Integrated Work Plans, which include government inputs and activities. This two-way reporting increases accountability and openness.

Community Matters also advocated strong partnerships between RED Boards and government line departments involved in economic development. Several departments were very active during the development of zonal strategic economic plans, providing advice and technical expertise. This fostered a climate of

cooperation, but also created expectations that have been difficult to satisfy due to differences in focus and priority, and the inevitable constraints imposed by scarce resources and bureaucracy.

The generally positive relationships that existed between RED Boards and line departments during the development of zonal economic plans have clearly waned. Departmental staff have said that they are not sufficiently consulted in the development of zonal initiatives. Every department talked to during the Taking Stock exercise mentioned this flaw. Lack of consultation is a critical weakness in the process. For the process to grow and succeed, closer collaboration and cooperation are required. It is essential that RED Boards and government staff begin to refocus their energies into building more cohesive and productive relationships. As stated by one government respondent, “ *The new regional development must be given an opportunity to mature – there is a danger in drawing conclusions too soon. There is no magic bullet. The big challenge for everybody is to recognize our strengths and accept our weaknesses. And then move in the same direction, building on our strengths*”.