GENERAL DISTRIBUTION

OCDE/GD(94)35

REGIONAL PROBLEMS AND POLICIES IN CANADA

ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

Paris 1994

012889

FOR TECHNICAL REASONS, GRAPHS ARE NOT AVAILABLE ON OLIS

* * * * * * * *

Regional Problems and Policies in Canada will be published in the summer of 1994.

* * * * * * * *

Foreword

This report forms part of a series of country reports on regional problems and policies undertaken by the OECD Industry Committee's Working Party on Regional Development Policies.

The Preparation of the report was preceded by a study visit to Canada from 21 to 29 September 1992 to obtain first-hand information on Canadian regional problems and recent policies. Since 1987 a new policy of regionalised economic development has been implemented with emphasis on "tailoring" programmes and activities to local needs and opportunities.

The study visit began in St. John's, Newfoundland, with briefings providing an overview of regional development in Canada. It emphasised the highly decentralised responsibility for economic development and introduced the four separate agencies: the Atlantic Canada Opportunities Agency (ACOA); the Federal Office of Regional Development (Quebec) (FORD-Q); the Federal Economic Development Initiative in Northern Ontario (FedNor); and Western Economic Diversification (WD).

The OECD Working Party was then introduced in detail to the activities of ACOA in the four Atlantic provinces, especially its focus on entrepreneurship and the development of small and medium-sized firms. Briefings illustrated how the Agency is meeting the challenges of rural development and sectoral adjustment in Newfoundland and Labrador (one of the most disadvantaged provinces of Canada) in response to the impact of global economic change on the natural resource sectors, especially the fishing industry. Site visits in and around St. John's demonstrated the application of technology (telecoms and IT) to rural development, building on established expertise in marine industries, and the exploitation of the tourism potential of the area.

The Working Party then travelled to Quebec. In Montreal, briefings were provided on the Quebec economy. They demonstrated the need to diversify from resource-based sectors and traditional industries and to renew the economic base of Montreal. The regional development activities of the Federal Government (through FORD-Q) and the Government of Quebec were described, together with an outline of urban initiatives in Montreal as a prelude to a tour of the eastern and south-western parts of the city and a site visit to a high-technology company. The Working Party was also taken to the Lac St. Jean Region to review examples of tourism development as well as agriculture and natural resources.

For the final part of the study visit, the OECD Working Party travelled to Winnipeg, Manitoba, to study the activities of Western Economic Diversification which is responsible for contributing to the diversification and development of the western provinces. The Working Party was briefed on the economic conditions of western Canada and the unique organisational structure and market-driven programmes of WD. A panel of business people also provided the view of the private sector. A range of site visits illustrated how federal, provincial and municipal governments are encouraging: horizontal diversification, especially in key sectors such as aeronautics, pharmaceuticals and health care; vertical integration in areas such as food processing; and the attraction of replacement industry to compensate for closures resulting from defence cuts.

The Working Party was accompanied during the visit by representatives of the four agencies: ACOA, FORD-Q, FedNor and WD. Extensive briefings and discussions were held involving a range of federal, provincial and municipal officials as well as representatives of the private sector and other organisations. Comprehensive background information was provided before and during the visit. The Working Party was unanimously appreciative of the organisation and informative nature of a full and diverse programme and the great hospitality shown to it by all concerned.

This report reviews the issues studied by the OECD group during their study visit and their subsequent reactions. The report has been prepared by Mr. John Bachtler, Consultant. It is published under the responsibility of the Secretary-General.

REGIONAL PROBLEMS AND POLICIES IN CANADA

Table of Contents

I. Introduction

Over the past decade, since the previous visit to Canada by the OECD Working Party on Regional Development Policies, regional policies in Canada have changed radically. Based on the objective of "tailoring economic development programs for unique regional circumstances", the federal government approach to regional development has been decentralised -- since 1987 -- to four region-specific agencies in Atlantic Canada, Quebec, northern Ontario and Western Canada. Programmes and initiatives have been tailored to foster local economic development opportunity.

Although the four agencies operate a range of independent private sector funding programmes, much of the federal expenditure on regional development is allocated in partnership with the provinces through federal-provincial agreements. In addition, each of the agencies has advocacy and procurement functions to maximise federal funding and sourcing in each of the regions.

The following report examines these issues in detail. Following this Introduction the report begins with a summary of the main regional disparities across Canada with respect to demography, employment and unemployment, output and income and industrial structure. Chapter III then reviews the constitutional framework and evolution of regional development in Canada, in particular the rationale for the change in approach to regional development during the mid-1980s. This chapter also examines the use of federal transfers in reducing inequalities in income between the provinces.

The review of specific regional problems and policies in each of the Canadian regions -- Atlantic Canada, Quebec, Ontario and Western Canada -- is provided in Chapters IV to VII. In each case, an overview of specific regional characteristics and problems is followed by a description of the objectives, functions, activities and expenditure of each of the federal agencies -- ACOA, FORD-Q, FedNor and WD. The role of the provincial governments of Newfoundland, Quebec, Ontario and Manitoba in regional development is also noted. In the case of Quebec, economic development activities in Montreal are highlighted. Some of the case study examples of regional development examined by the OECD Group are mentioned to illustrate the application of various federal and provincial measures in practice.

The final part, Chapter VIII, discusses the conclusions to emerge from the report. It is based largely on the discussions of the OECD Group both during their study visit to Canada and their subsequent review of the visit in Paris.

II. Regional Disparities in Canada

Regional disparities in Canada are determined significantly by the country's geography and history. Across a massive land area (see Figure 1), with a distance of 7 000 km from St. John's in the east to Victoria in the west, there are wide regional differences in resource endowment, climate and market accessibility. Historically, settlement of the country began in the east; Newfoundland and Nova Scotia were the first to be settled, often by transient fishing communities. Industrialisation and population growth led to a westward shift, and the former reliance on exports of fish, forestry and agricultural products of the maritime provinces in the east were superseded by manufactured products such as automobiles from the cities of central Canada (Toronto and Montreal). The development of the western provinces also added agricultural products, notably grain, from the prairie provinces and forest products from British Columbia.

The current economic geography of Canada is dominated by Ontario, the most populous province with over one-third of the national population and employment, 41 per cent of Canadian GDP and more than half of the country's manufacturing exports. Quebec accounts for a further quarter of the population, employment and GDP of Canada.

Other than Ontario and Quebec, many indicators of socio-economic development for the other Canadian provinces follow a general west-east gradient. From British Columbia in the west, via the prairie provinces of Alberta, Saskatchewan and Manitoba, to the Atlantic provinces, ending with Newfoundland in the east, indicators such as GDP per capita, earnings and productivity decline. By contrast, unemployment rates rise. These patterns are examined in greater detail in the following sections which review demographic trends, employment and unemployment, output and income, industrial structure and new business formation.

Demography

Canada is one of the largest countries in the OECD, covering almost 10 million square kilometres. However, with a population of some 27.3 million, Canada is also the most sparsely-populated country with a population density of less than three people per square kilometre. Much of the area is unfavourable to large settlement, and many parts are virtually uninhabitable; the Yukon and Northwest Territories cover about 39 per cent of the area of the country but contain less than 0.5 per cent of the national population. The Canadian population has historically been concentrated close to the border with the United States reflecting the location of arable land and natural resources. Most people live in central Canada, with the provinces of Ontario and Quebec accounting for 62 per cent of the total population (see Table 2.1).

Over the post-war period, the population has grown from 14 million in 1951 to 21.6 million in 1971 to 26.7 million in 1991. Although the population has risen in all provinces, the rates of growth have been greatest in central and western Canada, primarily because of international immigration and because of sustained inter-regional migration which has benefited British Columbia and Ontario in particular. Over the 1981-91 period, population growth in Ontario and British Columbia reached 15-16 per cent.

The population of Canada is highly urbanised. Three-quarters of the people live in urban areas, particularly in central and western Canada, and 61 per cent of the population are based in metropolitan areas of more than 100 000. Furthermore, urbanisation is increasing; over the last five years, three-quarters of the population growth has taken place in the 25 largest cities.

Employment and unemployment

Canada has a total labour force of 13.8 million people, representing a participation rate of 66 per cent -- 75 per cent for men and 58 per cent for women -- rising from 54 per cent in 1951. As in other developed countries, the main post-war trend has been one of rising female participation and a decline in male participation rates.

The participation rate varies considerably between provinces (see Table 2.2). In Ontario and the western provinces, the percentage of people in the labour force exceeds two-thirds (with a maximum of 73 per cent in Alberta) whereas in Quebec and Atlantic Canada, the participation rate is lower (except for the province of Prince Edward Island), the lowest rate being in Newfoundland (55 per cent). The distribution of employment across Canada reflects the distribution of population and the participation rate. Ontario and Quebec together account for over half of the country’s total employment.

Like other OECD countries, Canadian unemployment has risen sharply during the current recession. During the first part of 1992, the rate exceeded 11 per cent reflecting the slow pace of recovery and a rise in productivity. Unemployment levels vary greatly across the country; in 1991, unemployment rates ranged from 7.4 per cent in Saskatchewan to 18.4 per cent in Newfoundland compared to a national figure of 10.3 per cent.

Output and income

In terms of national income, Canada is a prosperous country with the seventh highest level of GDP ($675[1] billion in 1991) in the OECD. Much of the GDP generation is concentrated in central Canada (see Table 2.3). Ontario alone accounts for a large GDP share (relative to population and employment) of 41 per cent, reflecting the province’s position as the industrial and economic heartland of the country, and Quebec contributes a further 23 per cent. By contrast, Atlantic Canada accounts for a comparatively small share (6.3 per cent) relative to population size. These disparities are confirmed by the provincial differences in per capita GDP. Ontario and Alberta have GDP per head levels 20-30 per cent higher than the national average, whereas Newfoundland and Prince Edward Island are 30 per cent below the national per capita level.

Industrial structure

The industrial structure of the provinces varies considerably, especially with respect to the employment shares of the primary and manufacturing sectors (see Table 2.4). In central Canada and British Columbia, the **primary** sector is very small (3-5 per cent of total employment), whereas in parts of Atlantic Canada (Newfoundland and Prince Edward Island) and three of the western provinces (Alberta, Manitoba and Saskatchewan), the employment shares exceed ten per cent. In Saskatchewan, the primary sector accounts for more than one-fifth of total jobs, mainly because of the importance of agricultural employment.

For **manufacturing**, the inter-provincial variations in industrial structure are reversed. The provincial shares of manufacturing employment are highest in central Canada, with around one-fifth of all employment in Ontario and Quebec; in Atlantic and parts of western Canada, manufacturing accounts for 10-12 per cent; while the lowest shares are in Saskatchewan, Alberta and Prince Edward Island.

By contrast, with the differences between provinces in primary and manufacturing employment shares, the relative size of the **services** sector is broadly the same at 47-49 per cent across most provinces, although slightly higher in Manitoba and British Columbia. The shares of the remaining sectors -- transport, trade and construction -- are also similar between provinces.

With respect to the distribution of individual businesses across Canada, the shares of total businesses in each province correspond broadly to the distribution of population with the exception of Alberta and British Columbia which have higher shares of total registered businesses (see Table 2.5). Interestingly, recent trends in new firm formation indicate much greater disparities, with particularly high rates of new start-up in parts of Atlantic Canada. Over the period 1979-89, the number of registered businesses increased by 84 per cent in Newfoundland and 61 per cent in Prince Edward Island compared to the national figure of 49 per cent. Most other provinces were within ± 5 percentage points of the national average, apart from Manitoba where new firm formation over the 1979-89 period appears to have been especially low (33 per cent).

III. Regional Development Policies in Canada

The constitutional framework for regional development

The framework for regional policy in Canada is shaped by the constitution of the country. Canada is a confederation of ten provinces and two northern territories which enjoy some of the powers of the provinces while being under the jurisdiction of the federal government.

The federal government has jurisdiction over all subjects of general or national concern, such as defence, immigration, international trade, money and banking. The provincial legislatures have jurisdiction over all matters of a local nature, including provincial taxation, education, health, natural resources and social services. Constitutionally, the provincial governments have the right to raise revenues by way of direct taxation.

The balance of powers is not always allocated to one or the other level. There are several areas where both the federal and provincial governments have concurrent powers, for example concerning agriculture and fisheries. Such areas of shared responsibility, and the emergence of new policy areas, have periodically required extensive parliamentary or judicial review and federal-provincial negotiation to achieve consensus.

Constitutionally the federal government has strong powers to take control of matters under provincial jurisdiction and to disallow provincial legislation, but these powers of disallowance have fallen into disuse. However, the federal government has the legal right to raise taxes in all provinces by any mode or system of taxation. The revenue, or federal spending power, can be used to fund federal programmes that fall in areas of exclusive provincial jurisdiction -- according to conditions laid down by the Federal Government -- under arrangements known as "co-operative federalism".

In common with other OECD countries with federal constitutions such as Germany or Austria, regional economic development in Canada is a shared federal-provincial responsibility and goal. Regional development encompasses many of the areas in which the provinces and the federal government have concurrent responsibilities and consequently require the co-operation of both jurisdictions.

Historically, the federal government has had responsibility for developing the national territory, developing transcontinental transport infrastructure and implementing national industrialisation policies. During the post-war period it has also tried to promote regional development pro-actively through measures to reduce inter-provincial disparities and the regionalisation of national programmes. This federal involvement in regional development was often highly centralised; over the period 1969-86, Ottawa had an extremely important role in the planning and direction of regional development initiatives. However, since 1986 it has no longer been possible to identify a "national" regional development policy. Instead federal initiatives have been targeted to the needs of individual regions, and federal regional development responsibilities have been decentralised to four entirely separate agencies.

The provincial governments have traditionally exercised jurisdiction over the exploitation of their natural resources, infrastructure development and public services. Under regional development approaches since the 1960s and 1970s, substantial federal spending has been co-ordinated by special federal-provincial agreements whereby both levels of government participate in the design and management of the agreements, and implementation is carried out by the provincial governments.

The evolution of regional development

Early measures

Regional policies in Canada have a long and varied history. The first explicit recognition of regional problems by the Federal government dates back to the British North America Act, 1867, which provided special grants and allowances first to New Brunswick and then to Nova Scotia. The deteriorating position of the Atlantic Provinces in the late 19th and early 20th centuries led to further, larger subsidies from the Federal Government to help the fishing communities and improve transportation links between the Maritime Provinces and central Canada. Early legislation also included the Prairie Farm Rehabilitation Act which was introduced in the 1930s to rehabilitate drought-stricken areas and bring some security to Prairie farmers in western Canada. Measures included land utilisation, water development and conservation and tree planting.

These and subsequent measures introduced prior to the 1950s did not represent an explicit policy of regional development by the federal government. Many of the early regional development initiatives were mainly resource based, oriented towards the needs of farming and fishing communities. Federal aid for economically depressed regions consisted primarily of transportation subsidies to assist individual industries, and ad hoc grants to the poorer provinces to counter the problems of insufficient revenues.

Equalisation and structural measures

Following the Second World War, federal government concern with persistent regional economic imbalances increased. The perceived undesirable consequences of significant disparities between the provinces led to regional development becoming a specific part of national economic policy. In 1957, the federal government initiated the fiscal equalisation programme involving payments to all provinces whose fiscal capacity was below the national average to ensure the provision of reasonably comparable levels of public services across the country for reasonably comparable levels of taxation. The annual equalisation transfers to low income provinces, which continue to the present day, have risen progressively from $138 million to $8 billion.

Recession conditions in the late 1950s prompted a range of further measures to promote structural change in the lagging regions, notably in Atlantic Canada. Going beyond industry and income maintenance programmes, policies were designed to generate structural adjustments in the "underdeveloped" regional and provincial economies.

The first regional development measure was introduced in 1960 in the form of accelerated depreciation allowances for firms locating in designated regions. Subsequently, the Area Development Agency was created in 1963 with powers to provide incentives in the form of capital grants and tax allowances (generally provided on an automatic basis) to industries to locate or expand in areas of acute and persistent unemployment.

The problems of rural poverty and underdevelopment were addressed on a nation-wide basis by the Agricultural and Rural Development Act. Under projects initiated by provincial governments and part-funded by the Federal Government, productivity measures addressed alternative land use, soil and water conservation and general rural development.

Experience with the Agricultural and Rural Development Act led to a subsequent broadening of the scheme to provide a more comprehensive -- but also more targeted -- approach to rural economic and social development through the Fund for Rural Economic Development (FRED). Based on measures of regional disparity, five areas of concentrated and severe rural poverty were designated for eligibility for industrial and rural development initiatives.

Some region-specific agencies were also established during the 1960s. In the Atlantic Provinces, the Atlantic Development Board was created with the objective of strengthening the general economic development "climate" through infrastructure investment. A similar agency was established in Quebec in the form of the Eastern Quebec Development Board.

The Department of Regional Economic Expansion

By the mid-1960s it had become clear that the proliferation of economic development agencies and measures was associated with duplication, overlap in areas of responsibility and lack of co-ordination -- between individual agencies and between federal and provincial levels of government. Consequently in 1969 the Federal government created the Department of Regional Economic Expansion (DREE) to take over responsibility for developing and co-ordinating programmes and policies to counter regional economic disparities. The objectives of DREE were the reduction of unemployment, underemployment, low productivity and the raising of labour force participation rates in the worst-off problem areas and regions.

Initially the mandate of DREE was to focus on economic development problems in Atlantic Canada and the Gaspé region of Eastern Quebec. The subsequent realisation by the central government of the need for regional development programmes in other disadvantaged parts of the country led to a broadening of the coverage of regional development policy to other parts of Quebec and to most other provinces.

DREE operated through three main types of measure. First, DREE undertook infrastructure development through so-called Special Area Agreements. Under the Special Areas programme, 23 areas were designated as growth points or activity centres in regions with inadequate employment opportunities but with potential for successful economic development. Six centres in Eastern Quebec and Atlantic Canada and 14 centres in other parts of Canada were eligible for a range of transportation and utility-based infrastructure support as well as financial incentives to industry. Three other centres in Ontario and Western Canada were eligible for industrial incentives alone. These areas were designated by federal-provincial agreement, with the federal government providing the funds and the provincial governments taking responsibility for programme implementation.

The Special Areas programme, which was seen as experimental, lasted for only three years. A review of regional development in 1972 concluded that countering regional disparities required a more comprehensive approach, that nationally applied programmes should be complemented by selective and flexible measures, and that greater emphasis should be placed on development potential as opposed to area problems.

The review led to a new approach to regional development based on ten-year, federal-provincial framework "General Development Agreements (GDAs)". These GDAs set out the agreed development objectives and priorities of both orders of government for the provincial economy concerned. Within this framework, specific development opportunities were pursued by "Subsidiary Agreements". These covered a wide range of development projects -- from the construction of industrial and social infrastructure to financial assistance for resource development, secondary industry and tourism projects.

A set of measures implemented by DREE, under the Regional Development Incentives Act, comprised grants and loan guarantees to manufacturing and processing industries and certain types of service industry projects locating within specially designated slow-growth regions. These areas comprised Atlantic Canada, most of Quebec and Northern Ontario. Following the 1972 review the industrial incentives programmes was reformed to extend its scope and decentralise its administration. Larger areas were designated, eligibility criteria became less stringent, and aid ceilings were introduced limiting aid to 25 per cent of capital costs and 30 per cent of salaries.

Lastly, DREE’s mandate was to promote the regionalisation of other government policies with regional implications, e.g. monetary policies, human resources and immigration policies. Among sectoral policies modified to incorporate a regional dimension, regionally differentiated tax concessions and national employment insurance eligibility criteria were introduced, and various federal administrative authorities decentralised activities and decision-making responsibilities to provincial centres.

The Department of Regional Industrial Expansion

Although DREE’s sectoral and geographical remit widened during the 1970s, its regional development approach was nevertheless increasingly considered to be too restricted in scope. In 1982, a new strategic approach was announced based on the view that regional development required more than the efforts of one department, and that all economy-related government departments needed to be more sensitive to regional development concerns, issues and opportunities.

A further important aspect of the new approach was the broadening of the regional development focus of the Government's economic strategy to include all regions of Canada. It was argued that, in view of the existing and forecast resource developments in the West and offshore of the Atlantic provinces, every region -- and not just the traditionally prosperous areas -- had major opportunities for economic development.

Under the revised approach, a new central agency was created -- the Ministry of State for Economic and Regional Development -- serving a new Cabinet Committee for Economic and Regional Development to give regional development issues a higher priority in Government economic decision-making. The aim of the Ministry, operating in a decentralised manner through Regional Offices in each province, was to ensure the inclusion of the regional perspective in the work of all economic development departments. The role of the Ministry was the overall co-ordination of policy; the design and implementation of individual initiatives was the responsibility of the relevant sectoral department.

In addition to the new organisations serving the Cabinet, a new Department of Regional Industrial Expansion (DRIE) was established, merging the regional programmes of the existing DREE with the industry, small firms and tourism components of the Department of Industry, Trade and Commerce. DRIE's role was to focus the Government's industrial policies and programmes in support of economic development strategies and, in particular, to operate the revised federal-provincial agreements (now known as "Economic and Regional Development Agreements"), while the Ministry of State for Economic and Regional Development became responsible for the overall co-ordination of policy.

Reflecting the severe cyclical problems affecting the national economy in the early 1980s, the focus of regional development under the new approach shifted away from the disadvantaged regions for a time to place greater emphasis on national and nation-wide assistance. Under DRIE, the programme of incentives for private industry (IRDP) made available financial assistance for firms throughout Canada, ranging from investment grants for new plants and plant modernisation to financial and technical assistance for product development, research and marketing.

While the assistance was available throughout the country, the eligibility of regions for particular kinds and levels of assistance was determined by its "Development Index". A variety of socio-economic characteristics (including provincial fiscal capacity) were taken into account in calculating the Development Index and for the subsequent ranking of regions for purposes of assistance eligibility.

At provincial level, counterparts to DRIE were also created. In 1969 the Quebec government created the Quebec Planning and Development Bureau as a permanent agency for intergovernmental and interdepartmental co-ordination, acting as the main partner of DREE in Quebec.

New policy directions: the 1986 Speech from the Throne

In the early to mid-1980s it was perceived that the policy efforts by DREE, and latterly by DRIE, were not achieving sufficient success. There was growing recognition that, despite a variety of efforts over the previous 25 years, unacceptable levels of regional disparity continued to exist. An assessment of regional policy up to the mid-1980s noted:

> "most observers conclude that Canadian [regional policy] efforts have largely been unsuccessful. The objectives it has been designed to achieve -- reduction in income and unemployment disparities among regions -- have not generally been met. Income differences have been reduced but mainly because of personal and inter-governmental transfers. Differences in unemployment have fluctuated but there has been no downward trend in the gaps. Overall, there has been some positive adjustment in the structure and performance of the weaker provincial economies. Unfortunately we cannot readily determine whether this is due to regional policy impacts or to other factors".[2]

From a policy perspective, there were several reasons that suggested that a change in direction was necessary: poor results from "national" initiatives such as the IRDP which was also considered unfair and inappropriate; a perception of remoteness of decision-making; the inability of Atlantic Canada to shake off the recession of the early 1980s; in the West, the rapid decline in commodity prices; and the lack of diversity in approach. In addition, there was concern that the system of transfer payments, while beneficial in redistributing wealth to the poorer regions, was not sufficiently stimulating growth from within those regions, and that some components of the transfer system, notably unemployment insurance, were acting as a disincentive to work and private sector initiative generally.

These concerns led to a fundamental restructuring of regional development policy, announced in the Speech from the Throne in 1986 which laid the foundation for the current structure of regional development operating in Canada. The rationale of regional development policy was redefined as one of helping the regions to realise their economic potential.

The main features of the new policy comprised a decentralisation of administration and authority away from Ottawa to give regional agencies the primary responsibility for regional development within their local area. Programmes and measures were to be "tailored" to suit local needs and opportunities, with more flexibility in the mechanisms of business assistance and in the range of programming. More direct interaction between agencies and the local community in the design and implementation of programmes was encouraged, especially with business, labour, academics and provincial governments.

In 1987, the new policy resulted in the creation of two major regional development agencies:

-- the Atlantic Canada Opportunities Agency (ACOA), to develop and implement programmes contributing to the long-term economic development of the Atlantic provinces; and

-- Western Economic Diversification (WD), to develop and diversify the Western economy to make it less vulnerable to international economic developments and fluctuating commodity prices.

A new "flagship" economic development department -- the Department of Industry, Science and Technology -- was also created to promote the effective integration of advanced technology and competitive industrial capacity. The Department took responsibility for regional development in Northern Ontario [implemented, from 1987, as the Federal Economic Development Initiative for Northern Ontario (FedNor)] and for Eastern Quebec. Subsequently in 1991, regional development for Quebec as a whole was decentralised to a new agency, the Federal Office of Regional Development-Quebec (FORD-Q). Each of these agencies/initiatives is examined in detail in the subsequent four chapters (IV-VII)[3].

Federal transfers

The previous sections have focused almost exclusively on federal efforts to reduce regional disparities in employment opportunities. Before examining the current structure of regional economic development in more detail, it is important to note that a key component of regional policy continues to be the system of transfer payments, first introduced in 1957, to ensure regional equity in public services and income. These federal-provincial transfer payments have expanded enormously over the post-war period, amounting to about $39 billion in 1992-93.

The transfer payments are justified on several grounds:

-- to reduce interprovincial disparities by ensuring that all provinces can provide approximately comparable services, regardless of their capacity to raise tax revenue, especially in areas such as education, health care and social services;

-- to promote national economic management by stabilising provincial economies in situations when, because of economic downturn, revenues fall while spending responsibilities increase;

-- to offset interprovincial "spill-over effects" by inducing provincial or other jurisdictions providing services (for example in the field of education and training) to take a broader view and provide a level of service more appropriate to the national interest rather than solely provincial or local interests; and

-- to develop and maintain national standards, by providing federal funds to promote programmes (or common standards) of national importance in areas that formally lie within provincial constitutional responsibility.

The majority of transfer payments are accounted for by three programmes: Established Programs Financing; the Canada Assistance Plan; and Equalisation. The Established Programs Financing (EPF) is the largest single source of federal assistance to the provinces (over $20 billion in 1992-93), supporting health care and post-secondary education services in all parts of Canada. The allocation to each province is calculated on a per capita basis (c.$750 per head in 1992-93); given the population distribution across Canada, almost two-thirds of EPF goes to Ontario and Quebec.

The Canada Assistance Program (CAP), totalling $7 billion in 1992-93, also provides transfers to every province to support the provision of social services and social assistance. As with EPF, the Program is allocated largely in accordance with population. CAP transfers to Alberta, British Columbia and Ontario since 1992 have been limited to a five per cent growth rate.

The main mechanism for redistributing revenues is the Equalisation program ($8 billion in 1992-93) which organises transfers to the lower-income provinces to ensure reasonably comparable levels of public services. Equalisation payments are calculated on the basis of a formula that compares the revenue-raising capacities of the provinces. Thus, in 1992-93 Ontario, Alberta and British Columbia received no Equalisation payments; the other seven provinces were allocated varying amounts ranging from about $450 per head in Saskatchewan to $1 500 per head in Newfoundland.

The importance of transfer payments, as a proportion of total provincial revenue, varies considerably across the country. In Alberta, British Columbia and Ontario, transfer payments account for about one-fifth of provincial revenue. Elsewhere, they represent one-quarter and one-third of revenue in Saskatchewan and Quebec, and between 39 and 44 per cent in Manitoba and the Atlantic provinces.

The system of transfer payments has, over the post war period, made a significant contribution to regional equity in public services and income. In the context of Atlantic Canada, the Savoie Report noted that federal transfers to provinces and individuals had enabled the Atlantic provinces to bring their total fiscal capacity close to 95 per cent of the national average by 1987.

Public service had also improved; for example in the field of health expenditure, Newfoundland moved from 46 to 81 per cent of the national average over the 1962-1979 period; in the field of education, the gap had narrowed to seven per centage points. A similar narrowing in regional disparities in basic household necessities was recorded. The Savoie Report concluded: "It is frequently suggested that Canada’s regional policy has failed. This is not so. An important component of that policy has been highly successful".

IV. Atlantic Canada

Regional problems in Atlantic Canada

Atlantic Canada comprises four provinces -- Newfoundland & Labrador, Prince Edward Island, Nova Scotia and New Brunswick (see Figure 2) -- covering an area of 501 000 square kilometres. The region is sparsely populated, containing only 2.3 million people (8.7 per cent of Canada’s population), many of whom live in small towns and villages. Only three cities have more than 100 000 people (St. John’s and Halifax, the provincial capitals of Newfoundland and Nova Scotia respectively and Saint John in New Brunswick). The population has grown slowly over the past 50 years relative to the rest of Canada largely because the region has not attracted the level of immigration experienced in the western and central parts of the country and because of a small net balance of out-migration.

The labour force of Atlantic Canada is highly dependent on primary industries -- agriculture, fishing, forestry and mining -- and resource-based, export-oriented manufacturing industries, notably fish products and newsprint (Newfoundland and Prince Edward Island) and pulp, paper and wood products and food production (New Brunswick and Nova Scotia). A substantial service sector is supported by interprovincial transfer payments. The labour force participation rate (59.2 per cent) is considerably lower than the national figure, mainly due to the rural nature of the region and the seasonal nature of much employment.

Seasonality also contributes to a high level of unemployment in Atlantic Canada, averaging 14 per cent in 1991 compared to a national rate of 10 per cent. The persistence of high unemployment in Atlantic Canada has been attributed to the provision of preferential unemployment benefits, although structural factors include low productivity, high transport costs, weak urban structure, inadequate investment and a lack of technological innovation.

The Atlantic provinces also have a history of lower earned income per capita. In 1991, income per head in Atlantic Canada was $17 800, around three-quarters of the national figure of $22 800. Part of the disparity is ameliorated by the effect of taxes and transfers.

Many of the current regional problems of Atlantic Canada are associated with the dependency on resource industries, the most acute problems being in the fishing industry. In recent years, Northern Cod fish stocks off the shore of Atlantic Canada have declined to an extent where initially catch quotas and latterly a two-year moratorium on cod fishing has had to be introduced. In addition, the industry is suffering from a five-year shutdown of commercial salmon fishing and widespread closure of the caplin fishery. These restrictions have affected communities along the entire east and north-east coasts of Atlantic Canada, particularly in Newfoundland where over 20 000 jobs are directly affected.

Other resource-based sectors, such as forestry, mining and hydroelectric development have also experienced setbacks related to fluctuations in demand or prices or because of lack of competitiveness. Structural adjustment in the pulp and paper industry, for example, is requiring the closure of mills or technology-based rationalisation. The downturn in the international minerals markets has affected employment in the region’s mineral communities, and changes in world markets for agricultural products is forcing adjustment in the agricultural sector.

In diversifying employment within both resource and non-resource economic activities, the region has considerable potential. Opportunities include the development of secondary processing fish, wood and mineral products and exploiting new resource opportunities in areas like fish farming (aquaculture), hydroelectric power or oil. The exploration for offshore oil and gas has generated significant discoveries; the Hibernia Oil Field discovered in 1979 contains in excess of 525 million barrels of recoverable oil; the Terra Nova Field has an estimated recoverable reserve of 70-130 million barrels. However, as with the expansion of the existing nucleus of high-technology industries, the region suffers from some fundamental structural problems in its industrial base (low productivity, historic underinvestment) and in the labour market (relatively high levels of illiteracy, lack of education and training).

The Atlantic Canada Opportunities Agency

The Atlantic region has been a primary focus of regional development support throughout the history of regional policy in Canada with a range of region-specific programmes and the highest levels of assistance under the centrally administered policies. With the introduction of a decentralised approach in 1987, the Atlantic Canada Opportunities Agency (ACOA) was the first of the regional agencies to be created with a funding allocation of $1.05 billion over a five-year period.

The Agency’s mandate is "to provide a strategic partnership with the people of Atlantic Canada in the renewal of the Atlantic entrepreneurial spirit". Specifically, ACOA’s objectives are to foster long-term economic renewal of Atlantic Canada through: a self-sustaining entrepreneurial climate; more successful small and medium-sized businesses; more lasting employment opportunities; increased earned income; national policies and programmes that reflect the aspirations and opportunities of Atlantic Canada; and an expanding competitive economy.

In promoting these objectives, ACOA has established seven strategic priorities:

-- Innovation and technology transfer;
-- Entrepreneurship development;
-- Trade and investment support;
-- Human resources development;

-- Procurement and industrial benefits;
-- Investment support;
-- Economic diversification.

In practice, these priorities are operationalised through two main programmes -- Action and Co-operation -- as well as Advocacy and Co-ordination functions. The Action Programme comprises a package of assistance (grants, loans, interest-rate subsidies, loan insurance and equity support) for small and medium-sized enterprises as well as the provision of information, advice and consultancy and access to technology. Action Programme assistance may provide up to 50 per cent of investment costs. Eligible projects encompass both commercial and non-commercial operations involving activities such as innovation, business studies, capital investment, supplier development, market development and business support. From inception of the Agency (June 1987) until 30 June 1992, the Action Programme supported more than 8 500 projects with grants and other contributions in excess of $770 million and involving the creation or safeguarding of nearly 56 000 jobs.

Under the Co-operation Programme, ACOA and each of the four Atlantic provincial governments enter into a series of cost-shared, federal-provincial co-operation agreements on an annual basis in areas of strategic importance to both levels of government. These agreements -- the successors to the Economic and Regional Development Agreements -- fund infrastructure initiatives targeting the business environment for entrepreneurship, market and trade development, innovation and technology transfer, human resource development and a sustainable environment. Agreements are also signed between ACOA and non-governmental organisations.

Over the period June 1987-August 1992, agreements worth almost $600 million were signed under the Co-operation Programme for projects ranging from agriculture development, forestry and fisheries, through minerals, energy and industrial development projects to transport, tourism and cultural initiatives (see Table 4.1). In many of these agreements, ACOA is the implementing Federal department, but Federal partners include a variety of other Federal organisations, *e.g.* Industry, Science and Technology Canada, the Department of Energy Mines and Resources and the Department of Fisheries and Oceans.

The Advocacy and Co-ordination functions involve advocating the region’s interests and co-ordinating (Federal) economic programmes and policies in Atlantic Canada to ensure maximum impact. In recent years, activities targeted by ACOA include fisheries, offshore mining, tourism, transportation, trade policy, environment and shipbuilding.

A practical example of ACOA Advocacy and Co-ordination is the recent initiative to promote diversification in the fishing industry. In response to the decline in fish stocks and subsequent moratorium, the Federal Government was persuaded to launch a $584 million, five-year assistance package in 1990 covering the whole of Atlantic Canada but concentrating on Newfoundland where the impact of fish decline was most severe. Part of the package is a $90 million Fisheries Alternatives Program, administered by ACOA, providing various types of subsidy to encourage **fishery dependent communities to diversify their economy**. Under the Program, up to 65 per cent of the capital costs of a project may be assisted. By June 1991, 674 projects had been approved involving a total commitment of $48.7 million, 80 per cent of which was spent in Newfoundland.

The organisational structure of ACOA is characterised by considerable decentralisation. The President of ACOA, who has deputy minister status, is based at the Agency head office in Moncton (New Brunswick). Four vice presidents, who have substantial decision-making authority, are based in provincial offices in the capitals of each of the four Atlantic provinces (Charlottetown, Halifax, Fredericton and St. John’s); and implementation of smaller programmes and projects is undertaken through a network of area offices in each province. Close links are maintained with the federal government via the ACOA President, who reports to a federal Cabinet Minister with responsibility for ACOA, and through a fifth vice-president based in Ottawa.

Regional development by the Government of Newfoundland and Labrador

Newfoundland and Labrador is distinct from the other maritime provinces in several respects: it is a relatively recent member of the Confederation (joining in 1949); it is geographically separate with a lower population density and greater dispersion of population; and it has a separate culture originating in the southern parts of the British Isles. However, as noted above, Newfoundland shares -- to a magnified extent -- many of the regional economic problems of other provinces in Atlantic Canada, especially resource dependency. Ten per cent of Newfoundland’s labour force is directly engaged in fishing or fish processing, and a further five per cent in forestry products.

The economic development priorities for Newfoundland of both federal and provincial governments are to ensure security in resource-related industries but to promote non-resource based economic activities through business development, higher levels of literacy and technical training and economic diversification. These priorities are reflected in the ACOA Co-operation Program agreements signed over the 1987-91 period which target not only forestry, fisheries and mineral exploitation but also development of the agri-food sector and tourism (see Table 4.2).

The role of the provinces in economic development in Atlantic Canada is based partly on the Federal-provincial agreements under the ACOA Co-operation Program. In addition, the provincial governments undertake their own economic development initiatives. In Newfoundland and Labrador, the province launched its latest five-year, Strategic Economic Plan "Change and Challenge" in 1992. The Plan specifies several guiding principles on which development in the province is to be based:

- A focus on strategic industries, exploiting Newfoundland’s comparative advantage in marine-related industries;

- Adaptation of the education and training system;

- Competitiveness on domestic and world markets;

- The private sector is the "engine of growth";

-- Innovative and technologically progressive industries to enhance productivity and competitiveness;

-- Consensus among government, business, labour, academia and others to work together;

-- A "client-first" basis for government policies and actions;

-- Maintenance of sustainable economic development.

Implementation of these principles is supported by the Enterprise Newfoundland and Labrador Corporation established in 1990. The Corporation provides development assistance in the province as well as "one-stop shop" information and advice, regional co-ordination with other agencies (such as ACOA) and regional planning.

The regionalisation characteristic of the national approach to regional development is continued in the province through the creation of 17 economic zones to improve the co-ordination and integration of economic planning and infrastructure provision with greater local participation.

Specific examples of action by both federal and provincial governments through the Co-operation Program agreements (studied by the OECD group) include the areas of culture/tourism, rural development and expansion of the high-tech industrial base.

(a) **The Tourism and Historic Resources Agreement**, involving $20 million over a four-year period, aims to exploit the tourism and cultural opportunities of Newfoundland by enhancing infrastructure for heritage sites (such as the Signal Hill National Historic Site at St. John’s), visitor centres, festivals and other events.

(b) The $7 million **ACOA/Enterprise Network** is part of a wider ACOA initiative to upgrade the level of technology and information access in rural Newfoundland. The Agreement is giving around 100 business and economic development agencies throughout the province access to computerised databases and facilities for information exchange. A further application of technology to rural development, part-funded by ACOA, is the Telemedecine and Educational Technology Resources Agency (TETRA) to facilitate the long-distance delivery of health care education, especially to remote rural areas, from the medical centre at Memorial University (St. John’s).

(c) Under the **Strategic Investment and Industrial Development Agreement**, the development of Newfoundland’s comparative advantage in marine, communication and other strategic industries is being promoted. The Centre for Marine Communications at Memorial University is part-funded by ACOA to develop local expertise in radio and satellite communications, the integration of shipboard systems and electromagnetic interference.

V. Quebec

Regional problems in Quebec

Quebec is the largest province in Canada (see Figure 3) in terms of surface area (1.5 million square km) and has a population of 6.9 million people, one-quarter of the population of Canada. More than three-quarters of the population of Quebec is of French ethnic origin, which represents a major contrast with other Canadian provinces where the proportion of the French ethnic population is less than ten per cent. Overall, the province is very sparsely populated (4.8 persons per square km) but has one of the highest levels of urbanisation in Canada; three million people live in the region of Montreal with a further 650 000 in Quebec City, the capital of the province. As in Atlantic Canada, population growth in Quebec is slower than the national average.

In almost direct proportion to its population, Quebec contributes 23 per cent ($156 billion) of Canadian GDP in 1991. Employment in Quebec (2.99 million) accounts for 24 per cent of the Canadian total with a participation rate (of 64.3 per cent) close to the national average. Since the mid-1970s the growth in GDP and employment has been slower than most other parts of the country and unemployment has been consistently higher than the national average. These trends have been evident during the recent recession. In 1991 and 1992 the GDP growth forecasts were 2.6 and 0.4 per cent respectively in Quebec compared to national figures of 3.4 and 1.0 per cent. In 1991 the unemployment rate in Quebec was 11.9 per cent, 1.6 percentage points higher than the national average; employment in the province declined by 68 000 jobs in 1990-91, 29 per cent of total job losses in Canada.

Many of the regional problems in Quebec are attributable to the province’s industrial structure. The peripheral and "resource" regions lack a diversified economic base and are highly dependent on resource prices, as well as being sparsely populated and far from markets. Quebec has a high proportion of employment (55 per cent) in traditional industries and industries involved in the transformation of raw materials (textiles, clothing, wood, furniture and paper), especially in the "central regions" of the province. These industries are vulnerable to foreign competition and are characterised by slow employment growth. High-tech industries in sectors such as aeronautics, telecommunications, pharmaceutical and biotechnology are rather narrowly based, accounting for less than ten per cent of manufacturing jobs and virtually all of which are located in the Montreal region.

Montreal is the "economic hub" of Quebec with a high concentration of population, employment and industrial activity: 50 per cent of manufacturing jobs, 80 per cent of industrial R&D activities and 90 per cent of high-technology jobs in Quebec. There has been a marked growth in modern manufacturing industries over the past decade, especially in sectors like aerospace, telecommunications, computing, biotechnology and pharmaceuticals.

However, the new employment creation has been insufficient to offset job losses in traditional industries which still account for over one-third of manufacturing jobs in the metropolitan area. In common with other metropolitan regions in Canada, the city is currently experiencing problems associated with unemployment and poverty. In 1991 unemployment in the city was between 14.5 and 16.7 per cent and, according to a 1989 government report, one in three people live below the poverty line.

Apart from some areas of Montreal, the poverty rate is high across Quebec as a whole because of the high level of unemployment and relatively low level of average wages. During the mid-1980s, the highest rates were in Trois-Rivieres and Sherbrooke (23 per cent in 1985) and Montreal (22 per cent), by comparison with the national poverty rate of 17 per cent.

Overall, Quebec is perceived to have a fragile competitive situation in the context of the globalisation of markets with a need for restructuring in all regions. Regional development strategies aim to strengthen and develop the competitive advantages of the province (*e.g.* modern infrastructure, core of know-how intensive industries and resource availability) while accelerating labour market adjustment and halting the rural exodus.

The Federal Office of Regional Development -- Quebec

The Federal Office of Regional Development -- Quebec (FORD-Q) was created in 1991 with a five-year budget of $1.3 billion. The mandate of FORD-Q is to: define the direction of federal regional development initiatives in Quebec; negotiate, sign and administer economic development agreements with the Quebec government; and implement business support programmes and, more generally, programmes in support of initiatives tailored to the needs of each region of the province. FORD-Q is based in Montreal and has local offices in Alma, Drummondville, Hull, Quebec City, Rimouski, Sept Iles, Sherbrooke, Trois Rivieres and Val d'Or, as well as a liaison office in Hull to liaise with federal agencies and sectoral departments. As with ACOA, the highest official of FORD-Q has the status of a Deputy Minister and reports to a federal Cabinet Minister.

The creation of FORD-Q in 1991 represented a specialised, decentralised approach to regional development in Quebec. Prior to 1991, the federal government had, over a 15-20 year period, progressively decentralised its regional development strategy for Quebec in response to local needs and interests, but responsibility had been retained centrally -- first in DREE and DRIE and, latterly, in the Department of Industry, Science and Technology.

The federal strategy for regional development in Quebec has the objective of improving growth and competitiveness within the regional economies of the province and is based on two principles.

First, the strategy involves **partnership** with the Quebec government. Three-quarters of FORD-Q expenditure in Quebec is in the form of joint federal-provincial agreements. The corner-stone of the concerted approach is the Subsidiary Agreement on the Economic Development of the Regions of Quebec, concluded by the federal and Quebec governments in 1988 to implement a series of operations (amounting to $950 million) tailored to the specific needs of each region over a five-year period. The Subsidiary Agreement is the twelfth agreement of this type within the framework of the 1984-1994 Canada-Quebec Economic and Regional Development Agreement and accounts for 70 per cent of federal government spending on regional development in Quebec.

Other arrangements under the ERDA include province-wide sectoral agreements. Under the first stage of the ERDA, $1 443 million was jointly committed to industrial development, resource exploitation (forestry, fishing, agri-food and mining) and infrastructure development; the second stage has committed a further $636 million, as of December 1992, for industry, tourism and forestry development.

Second, the federal strategy entails **adaptation** to the needs of the various regions of the province, particularly in two distinct regions -- the industrial Central Regions in the south-west, and the northern and eastern Resource Regions. In the Central Regions, regional development focuses on strengthening productivity, innovation and revitalisation of disadvantaged areas, whereas in the Resource Regions initiatives promote business development, strengthening of economic infrastructure, development of natural resources, human resources and research and technology.

Regional development in Quebec has also been adapted to the needs of the Montreal region. In 1987 the federal government allocated an initial $20 million to co-finance measures for regenerating the Montreal economy. Federal efforts were intensified in 1992 with the allocation of a further $150 million through FORD-Q to ensure strategic development of the "most promising sectors" in the Montreal area. The current strategy prioritises high technology, tourism, international activities, finance and international trade, cultural industries, design and transportation.

The total budget of the Subsidiary Agreement is financed jointly by the Canadian and Quebec governments. As amended on 31 March 1993, $554 million is allocated to the Resource Regions, in particular to Eastern Quebec and the North-Centre, and $391 million to the Central regions.

The Subsidiary Agreement covers more than 40 concerted, complementary or joint programmes operated by Canadian and Quebec government departments and agencies (see Tables 5.2 and/or 5.3). FORD-Q is responsible for implementing 13 federal or joint programmes, and other federal departments -- Agriculture; Energy Mines & Resources; Forestry; Fisheries & Oceans -- administer a further nine. Most assistance is in the form of non-repayable contributions, although some support (*e.g.* regional employment creation assistance) is provided as loan funding.

The most important target of the programmes is business development, encompassing manufacturing productivity, regional employment creation and tourism projects. Technological research and development is also a common focus through innovation support, technology application measures and technology assistance centres.

In the Resource Regions, significant programme expenditure is devoted to improving regional infrastructure and promoting the development of key regional industries -- forestry, agriculture and fishing (especially salmon farming).

In the Central Regions, over one-quarter of programme support is focused on the development of Montreal and disadvantaged areas elsewhere in southern Quebec.

In addition to programmes under the five-year Subsidiary Agreement, FORD-Q has advocacy and co-ordination functions to promote federal procurement in Quebec and to co-ordinate the "ad hoc" activity of sectoral departments in the province including, in recent years, cultural facilities, communications projects and a fisheries development programme. FORD-Q also has other programmes which it delivers on a unilateral basis. These programmes account for about 25 per cent of its budget.

A detailed example of the Subsidiary Agreement in operation is in the North-Centre Region (visited by the OECD Group) one of the five Resource Regions. The North-Centre, which comprises two administrative regions -- Saguenay-Lac St. Jean and Charlevoix -- covers an area of 110 000 square kilometres and contains 317 000 inhabitants. The regions' economic development problems include expected stagnation in population growth, a significant outflow of young people, high unemployment -- 15 per cent in Saguenay-Lac St. Jean and 25 per cent in Charlevoix -- and a decline in per capita income. Employment in the region is strongly dependent on the primary sector (forestry, agriculture, calcite and iron ore mining and hydroelectricity) which accounts for ten per cent of regional jobs. A further 20 per cent of the labour force are employed in the secondary sector, especially in the forest products and aluminium industries which are undergoing restructuring. The tertiary sector is made up of public service jobs and tourism activities; the producer services sector is still in its infancy.

In the Subsidiary Agreement, four major development priorities were specified for the region, supported by a budget allocation of $120 million:

- consolidating and developing primary activities; agriculture; aquaculture; forestry; and mining;

- diversifying the industrial base and products through increased processing of resource products, and training and maintenance of a local, skilled workforce;

- developing the producer services sector by supporting scientific and technological research and development activities and forging ties between research teams and regional companies; and

- implementing tourism activities and infrastructure by increasing the number of tourists in the Saguenay-Lac St. Jean area, developing winter tourism in the Charlevoix region and developing the potential of marine and water sports.

In the Agreement, each of these priorities is broken down into a series of detailed objectives. For example, the stated priority of consolidating and developing agriculture includes references to the need for harvesting feed grain more rapidly, accelerating beef and sheep breeding and increasing grain production. The combined total of such objectives in the North-Centre and other Agreements provided the basis for developing the programmes listed above. Consequently, the Resource Region programmes include measures to develop sheep artificial insemination techniques, new agri-food products and regional agriculture development as well programmes for the agricultural labour force.

Regional development by the Government of Quebec

The Government of Quebec has historically had an active regional development policy. In 1969 the Quebec government created the Quebec Planning and Development Bureau as a permanent agency for intergovernmental and interdepartmental co-ordination and, subsequently, to draw up development plans for each of the Quebec regions. During the early 1980s, the regions became more involved with the signing of regional socio-economic conferences between the Quebec government, regional co-ordination and development agencies and supra-municipal structures (RCMs). A decade later, in 1991-92, a new development strategy was introduced involving the dissolution of the Quebec Planning and Development Bureau and a moratorium on regional socio-economic conferences.

Under the new strategy, the 16 administrative Quebec Regions are responsible for regional development in their area and the role of government has shifted from being a "doer" to a "helper". The Regional Boards have been restructured to enhance local representation: the Boards now comprise one-third elected municipal officials as well as socio-economic organisations, service providers and government members. Their tasks are:

-- to promote dialogue regionally on regional development;
-- to define development strategies and priorities;
-- to administer five-year government/region "master agreements";
-- to make specific agreements with sectoral departments which are obliged to allocate part of their budgets to various local bodies; and
-- to manage a Regional Development Fund.

The Regional Development Fund comprises an initial allocation of $3 million per region (reviewed annually), two-thirds of which forms the budget for master agreements together with a Business Assistance Fund ($700 000) and operating budget ($300 000). Further finance, amounting to $500 million per year for the 16 regions, is provided by the regionalisation of sectoral department budgets.

To operate the new structure, the QPDB has been replaced by a Regional Affairs Secretariat, a Department of the Executive Council, to harmonise and co-ordinate relations with the regions. The interests of Regional Boards are represented by government-appointed Regional Affairs Delegates (one per region) with the status of Assistant Deputy Minister.

Economic development in Montreal

As noted above, under the Subsidiary Agreement FORD-Q and the Quebec government are active in Montreal with several programmes to promote the revitalisation of the Montreal economy in relation to the rest of the country and enhance its position as an international centre. Special federal support is also available to improve the socio-economic condition and living environment of Montreal's disadvantaged neighbourhoods.

In addition to federal and provincial measures, the municipal authorities of Montreal have established several initiatives to promote urban regeneration in the city.

The Commission for the Economic Development of Montreal (CIDEM), created in 1979, is responsible for co-ordinating the city's economic development programmes, promoting Montreal as a business location and supporting local business growth and job creation. Specifically, CIDEM has a $14 million budget to undertake three main functions:

(i) "classic" industrial development functions such as liaison with investors, improvement of industrial infrastructure and creation of business parks, provision of subsidies for investment in eastern and south-western Montreal and for renovation of industrial buildings;

(ii) support for job creation initiatives, and interfacing with the six economic development corporations (CDEC) -- public/private partnerships which promote employment, training and other support for local companies; and

(iii) economic consultancy services to the Economic Development Board of the city on subjects such as sectoral initiatives, defence diversification, etc.

A second instrument of economic development employed in Montreal takes the form of para-municipal corporations (*sociétés paramunicipales*) established to assist with speeding up regeneration. Active examples include the corporation SIMPA, a joint venture between the city and Quebec government with a budget of almost $1 million to preserve the architectural heritage of Montreal.

VI. Ontario

Regional problems in Ontario

Ontario is the most populous province in Canada with almost ten million people (37 per cent of the total population) on a land area of 1.1 million square kilometres. The population density of Ontario is high (9.4 persons per square kilometre) compared to the national figure (2.7), and more than 80 per cent of the population live in urban areas. Eleven cities have a population of 100 000 or more, the largest being Toronto and Ottawa, and 9 other urban areas have populations in the 50 000-100 000 range. Population growth has been higher than the national average over the past three decades; from 1981 to 1991 the population grew by almost 15 per cent.

In recent years, economic conditions have generally been more favourable in Ontario than in other parts of Canada. The province accounted for 40 per cent ($275 billion) of Canadian GDP in 1991 with a per capita GDP level 12 per cent above the national figure. The province has a high participation rate (68.3 per cent in 1991), providing a labour force of 5.3 million people employed within a highly developed and diversified industrial structure. The unemployment rate of 9.6 per cent (in 1991) was lower than the national average of 10.3 per cent.

However, over the past two years economic circumstances have changed. The recent economic downturn, and growing international competition and the ensuing efforts to improve productivity and rationalise industry sectors, have resulted in significant job losses so that the unemployment disparity between Ontario and the rest of the country has narrowed.

These problems have created what has been termed a "North-South dichotomy" in Ontario. The southern parts of the province, where the majority of population, employment and industry are concentrated, have been primarily affected by the process of structural adjustment. The process is broadening beyond manufacturing industries -- to encompass other segments of the regional economy, notably wholesale and retail trade, transportation and business services -- accelerated by the trend away from protectionism through the free trade agreements with the US and Mexico.

In the north of Ontario the industrial structure is dependent on natural resources and agriculture, and economic growth rates and incomes are low. The region has many features characteristic of Atlantic Canada and eastern Quebec: sparse population, high out-migration, a narrow economic base (concentrated in sectors such as mining, forestry and tourism) subject to cyclical employment change, and slow employment growth. Unemployment rates in northern Ontario have remained consistently one-third to one-half higher than the provincial average, and the participation rate and average incomes are lower than the figures for the province as a whole.

The federal economic development initiative in Northern Ontario

Historically, regional development initiatives in Ontario have been less intensive than in other parts of Canada reflecting the lesser scale of the regional problems. Parts of northern and eastern Ontario benefited to a limited extent under the various centrally-run programmes such as the DREE industrial incentives programmes and the Agricultural and Rural Development Act. Under the 1974-84 General Development Agreement between the federal and Ontario governments, $390 million was spent in the province, and a similar amount is expected to be spent under the subsequent 1984-94 Economic and Regional Development Agreement. The focus of both Agreement frameworks has been the resource sectors in northern Ontario, especially forestry and mining in single-industry communities, and the creation of alternative employment opportunities in industries such as tourism.

The creation of the Federal Economic Development Initiative in Northern Ontario (FedNor) in 1987 was a new attempt, as in other parts of Canada, to increase the direct involvement of the regional/local community in decision-making. In comparison with ACOA, FORD-Q or WD, FedNor is small and remains based within Industry, Science and Technology Canada. FedNor's mandate is "to encourage economic growth and diversification, job creation and income generation by supporting initiatives of the private sector" in Northern Ontario, for which it was allocated a five-year budget of $55 million in 1987, supplemented by $14 million in 1990, and renewed for a further five years in April 1992 with additional funding of $29 million.

FedNor operates through a head office in Sault Ste Marie and branch offices in Sudbury, Thunder Bay and (since April 1992) Kirkland Lake. Its activities comprise four main functions: finance; public procurement; information; and advocacy.

Finance

FedNor may contribute funds to eligible projects under its Business Incentive Program sub-divided, in terms of award criteria, into consultant studies, research and development, capital investment, quality, technology and management development, and marketing. Assistance of $100 000 to $2.5 million is available with award rates of between 35 and 75 per cent. From July 1987 to March 1992, FedNor provided financial support totalling $36 million to c.500 projects associated with the creation or maintenance of 3 000 jobs. Most of the support was used for industrial development such as productivity improvement and plant modernisation.

Public procurement

To help businesses sell their goods and services to the federal government, FedNor is a cooperatives partner together with a major federal public procurement agency, Supply & Services Canada, in an initiative known as FedNor MAP (Market Access Program). FedNor MAP undertakes supplier awareness, supplier promotion and supplier development through seminars and workshops held throughout Northern Ontario, sponsoring of trade shows in Toronto and Ottawa, the provision of consulting and referral services to suppliers and lobbying of government departments and agencies. To supplement these actions, the Quality Management Initiative listed above was launched in 1991-92 to help Northern Ontario manufacturers to expand their domestic and international markets.

Information

FedNor provides general information and advice on government programmes and activities in support of business.

Advocacy

The agency acts as an advocate for Northern Ontario with the federal government on policy matters relating to economic development in the region.

The renewal of FedNor's mandate in 1991-92 for a second five-year term was associated with the introduction of several new initiatives. First, a new federal-provincial Northern Ontario Development Agreement was signed in November 1991 under the Canada-Ontario ERDA with a four-year budget allocation of $95 million. The focus of the new Agreement continues to be the competitiveness of natural resource sectors in the region -- forestry ($50 million), minerals ($30 million) and tourism ($15 million). Second, a new streamlined approach was adopted by the agency to improve the delivery of its service; as a result the Business Incentive Program (described above) was created as an umbrella initiative for previously separate programmes promoting industry, rural small firms and tourism. Lastly, a third FedNor office was established at Kirkland Lake to improve the accessibility of FedNor programmes and other support services.

Regional development by the Government of Ontario

In common with other Canadian provincial governments, the Government of Ontario is active in promoting regional economic development in its province. The main government department is the Ministry of Northern Development and Mines with responsibility for the administration of mines and mineral development policy throughout the province as well as specific responsibilities for local and regional development, diversification, access to public services and transportation in Northern Ontario. With an annual budget of c.$300 million, the Ministry operates a range of economic development programs aimed at diversifying the North's economic base, particularly in single-industry communities, promoting small and medium-sized firms and maintaining the competitiveness of the North's resource-based industries.

In addition, the Ministry is responsible for the Northern Ontario Heritage Fund Corporation which has the major goal of promoting and stimulating economic development in Northern Ontario. The Fund represents a broad range of northern business and community interests and operates four major programmes:

-- NORFUND: financial incentives to small businesses, resource industries, municipal governments, small-scale private developers and tourist facility operators;

-- Single-Industry Communities Program: assistance for single-industry resource dependent communities undertake long-term planning and restructuring in response to plant closures or rationalisation;

-- New Technology Program: research and development support; and

-- Special Projects Fund: support for projects proposed by small firms, resource industries and research/educational institutions with potential to promote structural change.

The Fund has access to substantial resources to operate these programmes. Over the year 1990/91, the Fund allocated more than $62 million to support projects such as the upgrading of milling facilities, the creation of a new fur dressing plant, and assistance with operating costs related to marine overhaul and shipbuilding. Under its incentive schemes, the Heritage Fund provided grants and forgivable loans totalling $14 million, primarily for research and development and other scientific projects.

VII. Western Canada

Regional problems in Western Canada

The four provinces of Western Canada -- British Columbia, Alberta, Saskatchewan and Manitoba (see Figure 4) -- together cover 2.9 million square kilometres and have a combined population of 7.9 million people. The most populous and urbanised provinces are British Columbia and Alberta which account for almost three-quarters of the population of Western Canada and are also the fastest growing provinces with population increases of 19.5 per cent and 13.7 per cent respectively over the 1981-91 period.

Western Canada has traditionally been relatively prosperous. It has a rich agricultural base, especially wheat, cattle and canola, (in Saskatchewan and Manitoba) and considerable natural resources, notably oil and gas (in Alberta), forestry and mineral products (in British Columbia) and a diversified manufacturing sector (particularly in Manitoba). The region accounts for almost two-thirds of Canadian exports of agricultural products and 30 per cent of national fishing product value and mineral production.

The prosperity of the region is reflected in economic and employment statistics. The GDP of Western Canada was $198 billion in 1991 (29.3 per cent of the national total) and the per capita of $25 060 was higher than the Canadian average. The participation rate was higher than the national figure, particularly in Alberta (72 per cent), and unemployment rates (ranging from 7.4 to 9.9 per cent in 1991) were lower than the Canadian rate (10.3 per cent).

However, the dependency on the agricultural and resource sectors -- employment in agriculture and forestry is 60-100 per cent higher than the national average (although not in every province) -- has meant fluctuating economic conditions associated with volatile prices of international commodities. For example, grain, oil and gas prices are currently low. The region’s manufacturing base is highly resource-dependent in sectors such as wood, pulp and paper products, petroleum, primary metal manufacturing and food processing. Six commodities account for more than 50 per cent of total Western Canadian export value -- oil, soft wood, wheat, natural gas, coal and wood pulp -- with manufacturing lagging as a source of exports.

The "boom-bust" cycles have been compounded by changes in the relative value of economic sectors: less value is placed on raw materials with the application of technology in the secondary and tertiary sector; and the growing value of trade in the non-productive sectors has reduced the overall value of trade in goods. The supply and processing of natural resources also faces greater competition. Consequently there is a need to improve the value-added gained from the resource base, and to diversify the industrial structure with an emphasis on high technology; in recent years there has been increased activity in sectors like electronics, biomedical products and aerospace.

Western Economic Diversification

Western Economic Diversification was founded in 1987 with the mandate of "economic diversification by lessening the economy’s dependence on exports of traditional primary products: by helping traditional and emerging industries develop new products and new markets in which to sell them; encouraging the development of new industries to export or replace imports; providing assistance for new technologies which could lead to the growth of new industries or new products; and fostering industrial competitiveness, particularly through systemic initiatives".

WD initially was set up as a $1.2 billion fund over a five-year period, but it has since been given full departmental status with an annual budget. The agency has its head office in Edmonton (Alberta) and regional offices in Vancouver, Edmonton, Saskatoon and Winnipeg as well as a liaison office in Ottawa. Through this structure, the agency delivers four main types of programmes: private sector funding; partnership agreements; procurement; and advocacy.

Private sector funding

The Western Diversification Program is WD’s core private sector funding program for supporting innovative manufacturing and resource-related businesses in Western Canada. As the name suggests, the main criterion for allocating funding is the effect of a project on the diversification of the western economy.

The funding provided by WD under the Program is distinctive in several respects. First, there is a lack of formality and bureaucracy accompanying applications; the programme is characterised by very flexible guidelines and simplified application procedures. In essence, the procedure comprises three stages: (a) initial contact by the applicant, possibly by telephone, with a project officer; (b) provision of a preliminary project description, usually in the form of a two-page letter, for assessment by a WD analyst; and (c) detailed project proposal for consideration by WD management.

Second, the programme primarily involves interest-free loans. The provision of grant funding is very limited -- 85 per cent of funding is repayable -- based on the WD philosophy that commercial viability is likely to be greater if the finance is repayable (although there are, as yet, few statistics on the level of repayment due to the face that relatively very few projects have reached the repayment stage). Also, the leverage of repayable loans in generating private sector support is said to be equivalent to grants.

Third, award rates are not specified. WD does not set minimum or maximum rates of award, although loan values are subject to the overall rate maxima specified by the federal government.

Fourth, a further feature of the WD approach is the almost exclusive focus on innovation in its broadest sense. Unlike other agencies, WD is less concerned with the employment implications of project proposals -- indeed some projects may involve rationalisation of jobs. The eligibility criteria are few in number and mainly require that a project involves a new product, new technology, new market, import replacement or the enhancement of competitiveness -- irrespective of sector, activity or location.

The funding programme provides c.$250 million per year. By mid-1992, c.3 200 projects were approved with WD support totalling over $1 billion. In absolute terms, most of the assistance was awarded to firms in British Columbia (see Table 7.1), although on a contribution per capita basis the provinces are very similar.

In addition to the Western Diversification Program, WD also provides two other forms of support:

-- the Quality Assurance Assistance Program (with expenditure of $5.9 million over the 1989-92 period) and the International Marketing Initiative ($4.1 million);

-- to assist firms in developing international marketing through improved quality and marketing capabilities.

Partnership agreements

As in other provinces, an important form of federal intervention in regional development in Western Canada are the federal-provincial cooperative agreements known as "Partnership Agreements". These Agreements were established in the 1989 budget to succeed the Economic Regional Development Agreements (ERDAs) and were based on a 50:50 cost-shared programme between the federal government and each of the four western provinces. The total amount budgeted for the Partnership Agreements is $242 million, with an equal allocation of $60 million of federal funds to each province of which $30 million is geared to four federal priorities -- forestry, tourism, minerals, and communications/technology -- and the remaining $30 million is designated for regional priorities identified by the provinces.

Procurement

Like FedNor's Market Access Program in Northern Ontario, WD has created a joint procurement initiative with Supply & Services Canada. The Western Procurement Initiative has a target of an additional $600 million of high value-added federal procurement from Western Canada over the 1988-92 period as well as greater sourcing and sub-contracting of major public projects in the region.

Advocacy

The agency acts as an advocate for Western interests on national policies and regulations, by monitoring cabinet discussions, budget discussion and the programmes of sectoral departments.

Apart from delivering these four programs, WD has strategic responsibilities to assist provinces, localities or sectors in developing restructuring or diversification initiatives. One example of this role is in the agri-food sector. Based on analyses revealing the small proportion of agri-food exports that involve significant value-added, WD devised a strategy to enhance the level of value-added throughout the market chain from the resource base to the final consumer with the ultimate objective of securing and improving the future of rural communities. In implementing the strategy, in conjunction with provincial and sectoral partners, the input of WD has been to provide information and raise awareness; to promote technical and commercial research; to identify training requirements; to liaise with sectoral departments at federal level; and to provide direct financial support to agri-food projects (totalling $104 million in June 1992).

The strategic functions of WD have also been evident at the local level in assisting defence diversification in Portage La Prairie (visited by the OECD group) affected by the closure of an air force base in 1989. Although the key participants were the local community and the Government of Manitoba, WD played a major strategic role in assessing the scale of the problem and indicating options which led subsequently to the creation of a diversification agency, Southport Corporation, to develop and market the facilities of the base and the skills of the local community.

Regional development by the Government of Manitoba

As in Atlantic Canada, regional development initiatives by the federal agency are complemented by the provinces, each of which has its own Economic Development Department. The western provinces fund many of their own projects, but they also participate in major-cost shared projects with WD.

In Manitoba, the provincial government operates a regional development approach -- one of the few in Canada -- based on a so-called "cluster strategy". Three sectors have been identified -- aeronautics, health care and IT -- which have national and international potential. Apart from providing financial assistance, the strategy is intended to signal to the private sector that these sectors are considered strategically important to the province.

An example of the cluster strategy in practice (and studied by the OECD group) is provided by the health care sector. The framework for public sector support is provided by a five-year federal-provincial agreement launched in 1988 and renewed in 1992: the Canada-Manitoba Health Industry Development Strategy. The strategy is based on existing high-class medical research facilities in Winnipeg. Building on a "critical mass" of scientific and health care personnel and health care companies in Manitoba, it is intended to broaden the current medical business base to create a large-scale, diversified concentration of health care industries. Financial support is being provided by WD (with contributions of $51 million to 21 pharmaceutical, medical and biotechnical projects) and the Government of Manitoba. Federal government laboratories have been relocated to the area, and some new national and international private sector investment has been attracted.

VIII. Discussion and Conclusions

Regional disparities

The context for regional development in Canada consists of wide and persistent regional imbalances in unemployment and income. A series of reports have noted that, despite varied and intensive regional development efforts for much of the post-war period, regional disparities have remained much the same[4]. Particularly striking is the position of Atlantic Canada, especially Newfoundland, where income and employment generation has lagged consistently behind the rest of the country by a considerable margin, indicative of fundamental structural problems. Other provinces with persistently lagging areas include Quebec, Saskatchewan and Manitoba which also have below-average levels of GDP per capita and, in the case of Quebec, above-average rates of unemployment.

Many of the regional development problems in Canada are attributable to the physical geography of the country, the sparse population coverage and the small size and remoteness of settlements. In addition, in the Atlantic provinces, eastern Quebec, northern Ontario and Western Canada regional problems are associated with a continued dependency on resource sectors (agriculture, fishing, forestry, mining and hydroelectric energy) and a lack of diversified, secondary, value-adding industries. In the West, the level of product specialisation creates a vulnerability to the boom-bust cycles of international commodity markets.

Regional problems are not confined to the primary sector. The "central regions" of Quebec suffer from a high concentration of employment in traditional industries (textiles, clothing, wood, furniture and paper) subject to foreign competition, slow employment growth and high job loss. Much of the manufacturing activity is concentrated in metropolitan Montreal which is experiencing high levels of unemployment and poverty.

However, in assessing the magnitude of regional disparities in Canada, two points are worth noting. First, the regional disparities should be kept in perspective. Regional differences in Canada may be unacceptably wide, but by international standards there is a relatively high level of income across all regions of Canada. Income levels in Quebec and Atlantic Canada, for example, are higher than in many other OECD countries.

In an international context neither the scale of regional disparities nor the types of regional problem in Canada are unique -- although few other countries have the variety of regional problems found in Canada. Many of the OECD countries studied by the Working Party over the past decade have similar levels of regional disparity in income and employment. The problems of resource dependency, sparse population and remoteness in Atlantic Canada or eastern Quebec are also typical of the northern and western margins of Europe;

there are direct parallels between the difficulties faced by the coastal communities of Newfoundland as a result of the cod moratorium and the problems of fishing villages in France or the UK arising from the fish quotas and restrictions imposed by the European Community. Similarly, the characteristics of urban deprivation in Montreal are also encountered in many inner urban areas of the United States and United Kingdom. Most problem regions in developed countries face the need to diversify industrial structures and improve competitiveness.

Such comparisons illustrate the degree to which the structural problems of primary and secondary sectors are common throughout the developed world. Moreover, other countries apart from Canada have found them equally intractable, a factor to be taken into account when assessing the effectiveness of Canadian regional development policies.

Second, in reviewing trends over the past 25 years, it should be emphasised that all regions are better off in absolute terms. The whole country has experienced substantial growth in income and employment, but the challenge for regional development is the **relative** disparity in economic performance, i.e. the degree to which provinces have shared in the growth in national prosperity. Even in relative terms, however, there have been some gains. Although disparities in earned income have not changed greatly, especially in parts of Atlantic Canada and Quebec, provincial differences in personal income have been reduced, largely due to government transfers. Also, the system of transfer payments has, during the post-war period, contributed significantly to regional equity in public services (such as health and education expenditure) and basic household necessities.

The approach to regional development

In 1979, at the time of the last OECD study visit to Canada, regional policy in Canada was operated by a central government ministry, the Department of Regional Economic Expansion. Policy measures included an industrial incentives programme applied in centrally-designated assisted areas to attract major investment projects.

Since 1987, the approach to regional development in Canada has been based on tailoring economic development programmes to regional circumstances. Like many other OECD governments, Canadian policy-makers have recognised that self-sustaining regional economic development can only be brought about by promoting endogenous economic activity.

In a period of greater uncertainty, more rapid change in markets, products and production technologies and a more competitive external environment (particularly in light of the North America free trade agreement), the competitiveness of indigenous labour and business has become increasingly important. Attracting major investors with financial incentive schemes is believed to have failed; the new policy objectives prioritise stimuli for entrepreneurship, innovation and human resource development.

The new regional development approach is characterised by several distinctive features. First, Canada retains a strong commitment to regional policy. During a period when regional policy elsewhere has been under great pressure, Canadian policy-makers have undertaken a radical, forward-looking overhaul of regional policy objectives, structures and programmes with a view to strengthening rather than diminishing the role of regional development. The level of aggregate expenditure on regional development before 1987 was maintained after the decentralisation of regional agencies[5].

By contrast, a feature of regional policy in several other OECD countries during the 1980s was the cut-back in political commitment and expenditure on regional policy. Innovation and experimentation tended to be at the margin, restricted in the main to redesignation of assisted areas and some new types of incentive scheme.

The commitment to regional development in Canada extends beyond the role of government organisations. An impressive feature of the Canadian model of regional development is the degree to which the regionalisation of economic development encourages regional identity and regional commitment among organisations participating in different aspects of economic development. An explicit objective of the new approach was to promote more direct interaction with regional interest groups and local communities. The potential for such interaction was noted already at the outset of the process, in the context of Atlantic Canada, by Donald Savoie (1987): "I found in everyone I spoke with in the region a strong desire to get involved in the economic development process and a willingness to share ideas on how to improve the current situation".

Second, the new approach is distinctive in the extent of **regionalisation**. The decentralised delivery of regional development policies practised since 1987 is based on the premise that endogenous development is best promoted by agencies close to the areas that they serve and with policies "tailored" to the specific needs of those areas. Four major Canadian regions -- Atlantic Canada, Quebec, Ontario and the Western provinces -- have each developed unique agencies, policies and instruments to suit the requirements of their areas. A uniform, nation-wide regional policy no longer exists. Within the areas covered by each of the agencies, development strategies have been adapted to the requirements of sub-regions, for example, the "central" and "resource" regions promoted by FORD-Q in Quebec.

In part, the decentralised approach represents an extension of previous trends rather than a radical break with the past. Canada has historically implemented regional policies that have taken account of the specific needs of individual provinces and sub-regions within the provinces. Nevertheless, by decentralising all central government responsibilities for regional policy to the regions, Canada has gone much further than most other OECD countries (e.g. France, Netherlands, Spain, Sweden) which also practised decentralisation during the 1980s.

Third, the new regional development approach in Canada is **comprehensive.** The economic development activities of the agencies encompass a wide range of sectoral priorities including the development of primary activities such as agriculture, forestry, fishing and mining, improvements in the productivity and technological intensity of manufacturing, and promotion of the producer services sector and tourism. The targets of agency programmes cover capital investment, employment creation, diversification and industrial restructuring, entrepreneurship and business development, environmental improvement, innovation and technology transfer, and human resource development especially education and skills training.

The policy measures include both financial incentives, in the form of grants, loans and other repayable contributions, and numerous forms of local and regional infrastructure development. By contrast with the regional development policies of many other OECD countries, which tend to concentrate -- in some cases almost exclusively -- on financial incentives, the four Canadian agencies place considerable emphasis on infrastructure provision as a regional policy instrument. Furthermore, infrastructure assistance is not restricted to the provision of industrial estates, factories and utilities but may include transportation, tourism, technological and cultural facilities.

Lastly, regional development in Canada is **integrated** and **co-ordinated** with other government policies. This is not a totally new departure: the previous visit of the OECD in 1979 concluded that "the elements of comprehension ... co-operation and consultation between all authorities, could well offer lessons for other countries"[6].

The integration appears to be both vertical and horizontal. There are significant linkages between the economic development activities of national, provincial and local levels, primarily through the economic development agreements between the federal and provincial governments, but also between the provincial governments and the regions. A theme of much of the report has been the partnership between different levels of government illustrated by the relationship between FORD-Q and the Quebec government; ACOA and Newfoundland and Labrador; and WD and Manitoba.

In addition, there is considerable horizontal co-ordination. In the mid-1980s, the regional development Task Force noted that in Canada, in common with other OECD countries, national and sectoral policies (e.g. promotion of R&D) were frequently concentrated on core or prosperous regions serving to counter the efforts of regional policy to narrow differences. Under the new approach, the focus of regional development agreements in Canada is on sectoral development along certain strategic themes which can make the maximum contribution to the development and strengthening of the regional economies, and the choice of initiatives is also broadly consistent with sector policy objectives at the national level. The four agencies promote the broader regionalisation of sectoral policies in support of regional development objectives -- through co-operation agreements with sectoral departments, public procurement promotion and advocacy of regional interests[7].

Assessment of the new approach

The new model of regional development has been in operation for little more than five years and, as yet, it is difficult to reach any definitive conclusion concerning the effectiveness of new agencies and their measures. From the perspective of their short but highly informative visit, the OECD group was impressed with many features of regional economic development in Canada. The regionalised, agency-based system of economic development introduced in 1987 appears to be a significant improvement on the centralised system that it replaced. In particular, the system was considered flexible, allowing regions to develop policies and programmes which are appropriate and well-tailored for their needs.

The approach of the agencies was viewed as being very positive and business-oriented, with emphasis on exploiting potential, developing opportunities and promoting entrepreneurship and diversification. The relationship between the federal agencies and the provinces appeared to be characterised by close co-operation on the establishment of priorities, the specification of strategic objectives and the implementation of measures, notably through the federal-provincial agreements on economic development.

In the context of this generally positive appraisal of the regionalised approach, the visit raised several interesting questions for wider discussion. The first set of issues concerned the **structure** of regional development in Canada. Some delegates questioned whether regional policy was sufficiently focused, given that -- at national level -- programmes were not focused on regions of greatest need which could imply a dilution of resources and development impact. There appeared to be little relationship between regional disparities and regional development expenditure; the five-year budgets of ACOA ($1.05 billion), FORD-Q ($1.3 billion) and WD ($1.2 billion) are almost identical despite some enormous differences in the scale and type of economic development problems. It was argued that the current approach seemed to permit regional development spending in almost every region and that it took insufficient regard of regional disparities across Canada as a whole. Consequently, delegates suggested that the Canadian Government would need to confront the disparities between regions and establish clearer economic development priorities and budget allocation accordingly.

From a Canadian perspective, these arguments ignore political realities, historical experience and the sub-regional distribution of expenditure. The allocation of budgets between the four agencies is influenced by political imperatives and the need to secure an appropriate balance between the interests of the federal level and those of each of the provinces/regions. Further, as noted in Chapter III of this report, Canada has considerable experience of a centrally administered regional development policy, implemented for almost two decades, but which did not achieve the required impact on regional disparities.

Whereas at national level the regional development allocations for the three larger agencies may be broadly equivalent, each of the agencies is free to employ spatial discrimination in line with regional problems; FORD-Q, for example, has distinctive approaches to the "Central" and "Resource" regions. In addition, the allocation of expenditure under federal-provincial agreements reflects the scale of economic development problems. On a per capita basis, the federal contribution to subsidiary/co-operation agreements is generally higher in areas such as Newfoundland or Eastern Quebec than in regions with fewer regional problems.

Lastly, it is important to emphasise that each of the regional development agencies operates in a different manner. All of the regions have different needs, and the solutions to their problems are not linked inextricably to the amount of money available to solve the problems.

Based on these factors, the present focus on **regionalised** economic policy is considered an appropriate strategy for promoting economic development in the regions.

A related concern associated with the decentralised approach is the extent to which organisational co-ordination of regional policy may be reduced. Delegates asked whether there was a danger of regional disparities being exacerbated by a system enabling four regional agencies to operate independently (and the attendant risks of competitive outbidding). It could also be argued that peripherally based agencies might be isolated from the centre of decision-making, and that the development agency system removes pressure from the centre as sectoral government departments view regional development to be an agency responsibility.

On the other hand, although the current system involves significant regionalisation, it also incorporates co-ordination at national level. Regional ministers are members of the Economic and Trade Policy Committee of the Cabinet; the committee establishes priorities and ensures that all initiatives are co-ordinated and that there are no inconsistencies across the country.

Moreover, each of the agencies retains an important presence in or near to Ottawa, enabling them to exercise important advocacy functions on behalf of their regions at federal government level, to monitor and influence sectoral policies and to secure public procurement contracts for their regions. In addition, the problems of competitive outbidding are now recognised by the agencies as being counterproductive and are actively avoided.

Although co-ordination arrangements are generally considered satisfactory, there would seem to be scope for greater communication on regional development experiences between the agencies. A strength of decentralised approaches to economic development is the ability of agencies to experiment with diverse approaches, but also to draw lessons on the organisation, efficiency and impact of policies and measures. However, there appears to be only limited and *ad hoc* interaction between ACOA, FORD-Q, FedNor and WD. Given the similarity in some of the regional challenges faced by the four agencies, there may be considerable mutual benefit in establishing mechanisms (such as seminars, study visits, staff secondments and other fora) to enable agencies and their personnel systematically to exchange ideas, information and experiences on an ongoing basis.

A second set of issues discussed by the OECD Group concerned the **aid programmes** of the agencies, particularly the level, criteria and types of aid. Some delegates perceived agencies to be awarding high levels of regional aid; under certain programmes, firms may be awarded assistance of 50 per cent or more of investment costs -- in some instances up to 100 per cent. High-value programmes and subsidies such as the Fisheries Alternative Programme in Atlantic Canada are extremely important in overcoming severe short-term unemployment and promoting long-term diversification and structural change. Nevertheless, there was some concern, shared in parts of the private sector, that the reliance on government assistance should be reduced. It was suggested that additionality could perhaps be achieved more cost-effectively with lower levels of assistance, and that the apparently high level of intervention by agencies may be squeezing private sector sources such as venture capitalists out of the market.

However, while award rates may be high, much of the Canadian assistance is in the form of repayable "soft" or interest-free loans rather than grants. Most assistance is on the basis of "last-in, top-up" whereby existing financial sources are expected to be exhausted before government support is considered. Also, many of the incentives have relatively small budgets (see, for example, the regional development programmes in Quebec -- Tables 5.2 and 5.3) or low ceilings on the maximum project assistance that can be provided, e.g. the FedNor Business Incentive Program -- see Table 6.1. The focus of much of the assistance is on measures to improve the "environment for business", through consultancy support (for example) rather than on capital investment, as well as high-risk areas such as computer software development which do not normally have traditional sources of capital available to them.

Overall, the agencies have no evidence to suggest that existing assistance is reducing the amount of capital in the market. In most cases, project proposals are required to show that they are unable to secure adequate financing from other sources before government assistance is provided. As in other OECD countries, the award of government assistance in Canada has shifted away from automaticity to become increasingly discretionary over the past decade; WD, for instance, cites a turndown rate of around 60 per cent.

In addition to aid levels, the delegates' discussion considered the criteria for the award of aid. Delegates were unsure whether the eligibility criteria for some regional development programmes give sufficient attention to demonstrating the **net regional benefit** of projects, e.g. in terms of employment creation or inter-regional exports. Many repayable loan schemes appeared to have very few conditions. Under some R&D programmes, agencies appeared to be funding projects "near to the market" which arguably should be the responsibility of the private sector, leaving the public sector to fund the more research-based and innovatory stages of projects. The low failure rates associated with some programmes may suggest that high-risk projects are being avoided, although the low rates are more likely to be attributable to the fact that programmes are relatively new, and repayment levels are still quite low. Rather than being risk averse, the agencies have attempted to pursue policies of risk sharing by investing federal funds in conjunction with private sector capital in an approach which exposes both parties equally to financial risk.

More generally, some delegates were doubtful about the reliance of Federal agencies on repayable loan schemes. The experience of countries such as the UK is that repayment is difficult to enforce and that considerable sums effectively become "grants". On the other hand, other OECD countries such as Germany or Austria have successfully used "soft" loans as an instrument of regional policy for many years (by using the commercial banking system to administer applications and awards). The rationale for a policy of repayable contributions, required by the Federal Government in its February 1990 Budget, is that government is investing in economic development rather than the subsidising of the private sector.

Some delegates suggested that the Canadian Government should give more consideration to the monitoring and control of regional aid. Greater regulation of programmes and aid maxima could moderate the pressures of the market for the award of significant amounts of assistance. The experience of the European Community in this area was highlighted, notably the role of the European Commission Competition Policy Directorate, DG IV, *e.g.* establishing aid maxima for each region on the basis of the severity of regional problems, calculating the net grant equivalent value of all programmes, and regulating the cumulation possibilities.

In the view of Canadian policy-makers, however, such arrangements would be inappropriate. Previous experience with "watch dog" mechanisms, designed to monitor and control regional assistance, has convinced successive governments that the resurrection of such a structure would not be desirable. Current co-ordination arrangements at federal level help to ensure that assistance programmes do not distort competition excessively. As in the EC, both federal and provincial authorities operate incentive programmes subject to "stacking limits" which restrict the amount of aid provided to different types of project.

Beyond the issue of aid levels, the issue of co-ordination was also discussed in relation to the delivery mechanisms. Some delegates perceived that the structure of organisations involved in economic development appeared to be multi-layered and complex. Federal agencies operate alongside (often in partnership with) provincial government organisations which also have economic development responsibilities and sometimes a separate hierarchy of offices at sub-regional level. In both Quebec and Atlantic Canada, provincial governments have their own structures of economic development organisations at regional and local levels. It was suggested that these structures could perhaps be rationalised and that the provinces might co-ordinate the delivery of all (federal and provincial) economic development expenditure.

However, under the Canadian federal system (as in other federal OECD countries such as Germany and Austria), regional development is meant to be a **shared** responsibility. Both central and provincial governments have complementary roles in addressing regional problems. The federal government is better-placed to take a nation-wide, strategic and long-term view of Canadian regional development requirements, while the provinces can best determine specific regional and local needs and priorities.

A broader question discussed by the OECD group concerned the **connections between regional and sectoral policies.** Several delegates advocated reviewing the relationship between regional policies and other national policies. Although the inter-provincial financial transfers have contributed to a major narrowing of regional disparities in public service provision (see section on federal transfers in Chapter III), the OECD group also heard arguments that the level of transfers to individuals could be excessive. This applies in particular to unemployment benefit. The levels of welfare support appear to be very high in provinces such as Newfoundland; these may contribute to higher unemployment and higher intervention because of a basic malfunctioning of the labour market.

It was suggested, therefore, that a diversion of resources to provide lower levels of corporation tax may be more effective than certain benefit or grant levels, thereby also allowing a more focused application of resources in problem areas. This issue is recognised by the Canadian authorities, although they also perceive that investors need more support than a simple reduction in corporate tax rates if they are to have any positive impact on the alleviation of structural problems.

Finally, OECD delegates were interested in the issue of the **evaluation** of regional development policy in Canada. At the time of the visit, no assessment or evaluation of the efficiency or the impact of the 1987 decentralisation of regional development agencies had been carried out (although several surveys were in progress). Given that the decentralisation has only been a relatively recent event, it is clearly difficult to undertake a proper assessment.

Furthermore, with the broadening of policy beyond investment incentives to private industry, the mechanisms to implement it -- and to evaluate it -- have become more complex. Relatively straightforward "traditional" indicators such as number of projects supported, jobs created and cost-per-job are clearly insufficient for providing a comprehensive assessment of the new approach.

In this context, delegates were particularly interested in the efforts being made by the Canadian agencies to develop new, more sophisticated indicators and systems of performance measurement. The evaluation of efficiency and effectiveness has become of increasing concern to policy-makers in many OECD countries over the past decade, and -- as in Canada -- many are searching for new techniques to assess policy support in areas such as human capital, business infrastructure and technology transfer.

Future developments

Looking to the future, the OECD group considered that the Federal agencies are undertaking important and valuable economic development activity, with an impressive and often innovative range of initiatives. The new approach can provide useful lessons for other OECD countries and will be monitored with interest. In particular, the regionalised and comprehensive approach in Canada provides some useful pointers for other countries also considering a move away from the centralised systems of regional policy.

However, it is important that the new approach is given time to work; a period of stability in regional development is to be recommended. As noted earlier, regional development in Canada has a long history, and few other OECD countries have implemented so many different approaches to regional policy over as long a period. The Task Force noted that:

> "development is a long-term process; by contrast, development efforts have often been *ad hoc* and subject to frequent change".

The experience of the past also counsels against excessive expectations of what regional development can achieve, bearing in mind the apparently intractable nature of many types of regional problem, especially in Atlantic Canada. In this context, the introductory words of the Savoie Report (1987) on Atlantic Canada are worth restating:

"If we have learned anything about the problem of regional development during the past thirty years in Canada, it is surely that there are no panaceas ... regional development will occur neither *rapidly* nor *easily*".

A related point is that the yardstick by which the new approach is judged should be realistic. In Canada, as in other OECD countries, the most common measures of regional differences, both within and between countries, are GDP per capita and unemployment. However, these indicators provide only a partial picture of regional socio-economic development conditions, and they are frequently inappropriate for either past or future appraisal of the performance of regional development policies. Referring to the disparities in GDP per capita, for example, the Task Force noted (p. 4):

"there is a massive gap between expectations of what governments might achieve in reducing disparities and what is likely to be achievable in light of the structural causes of these disparities".

It is impossible for the problem regions to acquire many of the industrial advantages of the prosperous regions. Therefore a more appropriate approach to the assessment of regional problems is to consider the degree to which regions are successful in overcoming structural problems and exploiting regional potential -- in areas such as educational attainment and literacy rates, training qualifications and labour quality, R&D expenditure, entrepreneurship and new firm formation and survival. Whichever targets are chosen, they must stand a realistic chance of being attained.

Postscript

On 25 October 1993, a general election was held in Canada, and it resulted in a change of government. The new Liberal Government has maintained the decentralised regional economic development agencies in the establishment of its Cabinet.

Annex I: Regional Development in the Yukon and Northwest Territories

In addition to the ten provinces, Canada includes two "territories" -- Yukon and the Northwest Territories (N.W.T.). The territories are located in the Arctic and Sub-arctic, above 60^0 latitude; they cover 40 per cent of the land area of Canada but contain only 0.3 per cent (1991: 85 100) of the national population.

Regional development problems in Yukon and the Northwest Territories can be characterised as:

-- a narrow economic base (public services, resource extraction or subsistence harvesting) dependent on commodity cycles;

-- sparse population, *i.e.* small, scattered communities, remote from urban centres in the south of the country and with limited road or rail access;

-- low biological productivity; and

-- high production costs due to harsh climate and vast distances.

The territorial residents of Aboriginal ancestry, comprising c.one-half of the population, face particular challenges. These include linguistic or cultural barriers and low formal education levels limiting their ability to participate in the wage economy at a time when traditional employment activities such as fur harvesting are in decline.

Within the territories, the federal government has jurisdiction in matters which conventionally rest with provincial governments. A long-term development goal is to transfer management of provincial-type responsibilities to elected territorial governments.

Indian and Northern Affairs Canada has the lead responsibility for regional economic development in Yukon and the Northwest Territories. Since the late 1970s federal-territorial development agreements, modelled on federal-provincial agreements, have been progressively applied in the territories. Currently, five-year (1991-96) Economic Development Agreements are in place in each territory. These incorporate subsidiary agreements for minerals, forestry, fisheries, traditional economy, cultural industries, environmental industries, fish and game food processing, fine arts, crafts and souvenirs, community business sector services and infrastructure, economic development planning, tourism and entrepreneurship development.

The agreements are tailored to the economic needs of each territory, filling gaps between national programmes or enhancing sectoral programming which is particularly important to the north. The EDAs involve a co-ordinated approach with joint delivery by the federal and territorial governments.

Notes

1. All dollar costs and prices in this report are in Canadian Dollars.

2. O'Neill, T. (1992), "Regional Development Policy in Canada", Paper to the OECD Working Party No. 6, St. John's, September 1992.

3. Regional development in the Yukon and Northwest Territories is summarised in Annex I.

4. See for example *Report of the Federal-Provincial Task Force on Regional Development Assessment*, 1987; *Regional Economic Development*, (D. Savoie, 1986); *Living Together: A Study of Regional Disparities*, 1977.

5. However, as a result of difficult economic conditions during the early 1990s and the need to make savings in public expenditure, the December 1992 Statement reduced the funding for regional development programmes. These reductions were extended in the Budget announced in April 1993.

6. *Regional Policies in Canada*, (OECD, 1980).

7. However, no deliberate geographic disaggregation of national sector policy expenditure is pursued with a view to achieving specific physical target configurations at the regional level.

References

This report has been based primarily on briefing papers and other documentation provided by the Canadian organisers of the OECD Study Visit as well as speeches given by federal and provincial ministers and government officials during the visit and the subsequent discussions of OECD delegates. In addition the following sources have been used:

Canadian Council on Rural Development (1976), *Regional Poverty and Change*, Minister of Supply and Services Canada.

Economic Council of Canada (1977), *Living Together: A Study of Regional Disparities*, Minister of Supply and Services Canada.

Government of Canada (1987), *Report of the Federal-Provincial Task Force on Regional Development Assessment*, Annual Conference of First Ministers, Toronto, Ontario, 26-27 November.

O'Neill, T. (1992), "Regional Development Policy in Canada", Paper to the OECD Working Party No. 6, St. John's, September 1992.

OECD (1992), "The Impact of Regional Development Policies in Rural Areas -- Canada", Response to OECD Questionnaire DSTI/IND/WP6(91)14, Paris.

OECD (1980), *Regional Policies in Canada*, Paris.

Savoie, D. (1986), *Regional Economic Development -- Canada's Search for Solutions*, University of Toronto Press, Toronto.

Savoie, D. (1987), *Establishing the Atlantic Canada Opportunities Agency*, Canadian Institute for Research on Regional Development, Moncton, New Brunswick.

Statistics Canada (1992), *Provincial Economic Accounts, 1991*.

Statistics Canada (1993), *1992 Yearbook*.

Table 2.1 **Regional demographic indicators (1991)**

	Population (Thousands)	Population (per cent)	Urban population (per cent)	Population density per km²	Population change 1981-91 (per cent)
Newfoundland	574.2	(2.1)	59	1.4	1.1
P.E. Island	130.3	(0.5)	38	23.0	6.4
Nova Scotia	896.6	(3.4)	54	16.2	6.0
New Brunswick	726.8	(2.7)	49	9.9	4.4
Quebec	6762.2	(25.4)	78	4.4	5.0
Ontario	9919.4	(36.8)	82	9.3	14.8
Manitoba	1091.6	(4.1)	72	1.6	6.4
Saskatchewan	1004.8	(3.8)	61	1.5	3.5
Alberta	2358.5	(9.3)	79	3.8	8.1
B. Columbia	3213.0	(11.9)	79	3.4	15.5
Yukon	27.8	(0.1)	59	0.05	19.8
N.W. Territories	57.6	(0.2)	37	0.02	26.0
Canada	26762.6	(100.0)	77	2.9	9.9

Source: Statistics Canada.

Table 2.2 **Regional employment and unemployment (1991)**

	Participation rate (per cent) 1991	Unemployment rate (per cent) 1991
Newfoundland	55.3	18.4
P.E. Island	65.1	16.8
Nova Scotia	61.3	12.0
New Brunswick	58.6	12.7
Quebec	63.4	11.9
Ontario	68.3	9.6
Manitoba	66.9	8.8
Saskatchewan	67.1	7.4
Alberta	72.5	8.2
British Columbia	66.4	9.9
Canada	66.3	10.3

Source: Statistics Canada.

Table 2.3 **Regional income: GDP at market prices (1991)**

	(Millions $)	(%)	Per capita ($)	Per capita Index
Newfoundland	9 217	1.4	16 052	(70)
P.E. Island	2 074	0.3	15 917	(70)
Nova Scotia	17 656	2.6	19 692	(86)
New Brunswick	13 772	2.0	18 880	(83
Quebec	156 772	23.1	23 087	(101)
Ontario	275 323	40.8	27 756	(121)
Manitoba	23 319	3.5	21 362	(94)
Saskatshewan	19 986	3.0	19 891	(87)
Alberta	71 447	10.6	30 293	(138)
British Columbia	83 383	12.3	25 952	(114)
Yukon	901	0.1	32 410	(142)
N.W. Territories	2 131	0.3	36 996	(162)
Canada	675 327	100.O	22 800	(100)

Source: Statistics Canada.

Table 2.4 **Regional industrial structure (1990)**
(Percentage employment shares of main sectors)

	Agri-culture	Other	Manufac-turing	Cons-truction	Transport	Trade	Services
Newfoundland	-	10	11	5	8	19	47
P.E. Island	9	5	8	7	8	16	47
Nova Scotia	2	5	11	6	8	20	47
New Brunswick	2	3	13	7	9	21	45
Quebec	2	1	19	6	8	18	47
Ontario	-	3	20	7	7	17	46
Manitoba	8	2	11	5	9	18	49
Saskatchewan	18	3	6	5	7	17	45
Alberta	8	6	8	7	8	18	47
British Columbia	2	3	12	7	9	18	50
Canada	3	3	16	7	8	18	47

Source: Statistics Canada.

Table 2.5 **Regional business indicators (1979-89)**

	Number of registered businesses				
	1979 Nb	1979 (per cent)	1989 Nb	1989 (per cent)	Change 1979-89 (per cent)
Newfoundland	11 468	(1.8)	21 075	(2.2)	83.8
P.E. Island	4 347	(0.7)	6 984	(0.7)	60.7
Nova Scotia	21 299	(3.4)	31 451	(3.4)	47.7
New Brunswick	18 478	(3.0)	27 208	(2.9)	47.3
Quebec	157 229	(25.2)	234 695	(25.2)	49.3
Ontario	221 029	(35.4)	322 214	(34.6)	45.6
Manitoba	27 225	(4.4)	36 331	(3.9)	33.4
Saskatchewan	28 963	(4.6)	44 049	(4.7)	52.1
Alberta	70 249	(11.2)	104 439	(11.2)	48.7
British Columbia	90 281	(14.4)	133 373	(14.3)	47.7
Yukon	1 018	(0.2)	1 429	(0.2)	43.8
N.W. Territories	1 246	(0.2)	1 792	(0.2)	40.4
Canada	625 080	(100.O)	932 396	(100.O)	49.2

Source: Statistics Canada.

Table 4.1 **Co-operation programme initiatives (June 1987-August 1992)**

Province	Number of initiatives	Federal share	Provincial share	Total cost
		(millions of dollars)		
Newfoundland	18	265.1	125.2	390.3
P.E. Island	13	95.2	59.8	155.0
Nova Scotia	18	333.4	365.8	699.2
New Brunswick	20	367.4	202.3	569.7
Pan-Atlantic	3	10.0	4.0	14.0
Total	72	1071.1	757.1	1828.2

Source: see references.

Table 4.2 **ACOA co-operation program agreements with Newfoundland and Labrador (June 1987-December 1991) ($ millions)**

	Implementing federal department	Total cost	Federal share	Provincial share
Inshore fisheries	Fisheries & Oceans	60.0	42.0	18.0
Agri-food development	Agriculture	8.0	5.0	3.0
Youth forestry	Forestry	9.0	9.0	0.0
Rural development III	ACOA	29.6	21.0	8.6
Comprehensive Labrador	ACOA	53.9	37.7	16.2
Mineral development	Energy, Mines & Res.	17.5	12.3	5.2
Ocean Ind. Amendment	ACOA	13.5	9.0	4.5
Forestry	Forestry	64.3	45.0	19.3
Enterprise network	ACOA	7.2	5.0	2.2
Tourism-history	Ind., Science & Tech.	20.0	14.0	6.0
Forestry Amendment N°3	Forestry	3.2	2.2	1.0
Total		286.2	202.2	84.0

Source: see references.

Table 5.1 **Subsidiary agreement: budgetary framework ($ million)**

	Canada	Quebec	Total
Resource regions	351	203	554
Eastern Quebec	150	60	210
North Shore	30	35	65
North-Centre	60	60	120
Western Quebec	35	40	75
Northern Quebec	8	8	16
To be allotted	68	--	68
Central regions	216	175	391
Studies	3	2	5
Total	570	380	950

Source: see references.

Table 5.2 **Regional development assistance programs -- Resource Regions (as of 31 March 1993)**

(Thousands of dollars)

Business development	
-- Enterprise development (industrial, tourism)	140 000
-- Regional permanent employment creation	7 254
-- Agri-food processing	3 491
-- Regional agricultural development	26 231
-- Public tourism projects	20 700
-- Reinforcement of economic activities	8 000
	205 676
Technological research and development	
-- Fishing & aquaculture testing and experimentation	16 330
-- Agri-food testing and experimentation	27 500
-- Innovation assistance	8 000
-- Technology assistance centres	1 700
-- Agricultural testing networks	8 440
-- Sheep artificial insemination	959
-- New agri-food product development	2 933
-- Technology introduction in enterprises	1 500
-- Regional technological development support	5 200
-- Forestry technological research and development	25 000
	97 562
Natural resource development	
-- Salmon economic development	27 000
-- Mineral prospecting in Eastern Quebec	7 100
-- Chapais-Chibougamau mining program	12 800
	46 900
Economic infrastructure development	
-- Industrial infrastructure assistance	10 000
-- Tourist attraction and infrastructure projects	36 000
-- Major regional facilities	50 000
-- Support to regional initiatives	30 500
	126 500
Human resource development	
-- Agricultural apprenticeship (Eastern Quebec)	690
-- Agricultural labour replacement	3 140
	3 830
Total Resource Regions	480 468

Source: see references.

Table 5.3 **Regional development assistance programmes -- Central Regions (as of 31 March 1993)**

(thousands of dollars)

Productivity improvement	
-- Manufacturing productivity improvement	125 000
Industrial adjustment and business assistance	
-- Regional permanent employment creation	18 500
-- Industrial adjustment assistance	12 000
-- Agri-food processing	6 000
-- Development of attractions & public infrastructure	35 000
-- Reinforcement of economic activities	10 000
-- Support to regional initiatives	18 500
	100 000
Innovation, design and technological development	
-- Innovation assistance	22 000
-- Technology development assistance	4 000
-- Technology introduction in enterprises	2 500
-- Regional technological development support	7 500
-- Development of new agri-food products	10 000
	46 000
Development of Montreal	
-- Montreal development axes	37 000
-- Support for fashion design	3 000
	40 000
Assistance for disadvantaged areas	
-- Assistance for disadvantaged areas	45 000
-- Assistance for disadvantaged neighborhoods of Montreal	18 800
-- Assistance for disadvantaged neighborhoods of Quebec city	1 200
-- Assistance for the 15 rcms designated in the Central Regions	15 000
	80 000
Total Central Regions	391 000

Source: see references.

Table 6.1. **FedNor business incentive programme**

Project type	Maximum sharing ratio	Maximum contribution
Consultant studies	50%	$ 100 000
Research and development	75%	$ 1 million
Capital investment	35% (50% in rural areas)	$ 2.5 million
Quality, technology and management development	50%	$ 100 000
Marketing	50%	$ 100 000

Source: see references.

Table 7.1 **Western diversification programme assistance (1987-1992)**

	Number	(per cent)	Value ($ million)	(per cent)
Manitoba	474	(15.0)	191.9	(18.6)
Saskatchewan	392	(12.4)	113.3	(11.0)
Alberta	1 051	(33.2)	222.9	(21.5)
British Columbia	1 240	(39.2)	259.0	(25.0)
Major projects	6	(0.2)	247.2	(26.2)
Total	3 163	(100.0)	1 034.3	(100.0)

Source: see references.