

**True North, Strong and Free:
Policy Options for Supporting Sustainable
Development in Northern Ontario**

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Abstract

The region of Northern Ontario has experienced prolonged socio-economic decline since the 1980s, and the continuation of these trends presents a threat to the sustainability of communities in the region. This study argues that current regional economic development policy for Northern Ontario has been ineffective in promoting sustainable development. Using a comparative case study analysis, involving secondary data collection, a review of academic and grey literature, and a jurisdictional scan, the region is placed in a broader Canadian context. Three policy options are identified and analyzed based on their ability to effectively promote sustainable development in the region, their cost, their ease of implementation, and their political viability. It is recommended that the federal government increase funding through the Federal Economic Development Initiative for Northern Ontario (FedNor) by implementing an Indigenous-focused program in the near term, while engaging the Government of Ontario to implement collaborative Regional Economic Planning Agencies in the long term.

Keywords: Northern Ontario; regional economic development policy; sustainable development; rural and northern development

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List of Acronyms

| | |
|--------|--|
| ACOA | Atlantic Canada Opportunities Agency |
| ADM | Association of District Municipalities |
| CanNor | Canadian Northern Economic Development Agency |
| CEDA | Community Economic Development Agency |
| CEF | Canadian Experiences Fund |
| CFDC | Community Futures Development Corporation |
| CFP | Community Futures Program |
| DREE | Department of Regional Economic Expansion |
| EDI | Economic Development Initiative |
| FedNor | Federal Economic Development Initiative for Northern Ontario |
| FONOM | Federation of Northern Ontario Municipalities |
| FRED | Funds for Rural Economic Development |
| MAFRI | Manitoba Agriculture, Food and Rural Initiatives |
| MENDM | Ministry of Energy, Northern Development and Mines |
| NAEOP | Northern Aboriginal Economic Opportunities Program |
| NODP | Northern Ontario Development Program |
| NOHFC | Northern Ontario Heritage Fund Corporation |
| NOMA | Northwestern Ontario Municipal Association |
| RDA | Regional Development Agency |
| WD | Western Economic Diversification Canada |
| WES | Women Entrepreneurship Strategy |

Executive Summary

Like many regional economies in Canada reliant on the primary resource sector, Northern Ontario's has experienced prolonged decline in recent decades. However, Northern Ontario has performed worse than comparable regions in Canada, and its continued decline presents a growing socio-economic divergence from the rest of the province. This study explores how current regional economic development policy for Northern Ontario has been inadequate in promoting concepts of sustainable development and in mitigating the socio-economic decline present in the region. It takes mainly the perspective of the federal government but recognizes that multi-level policy coordination and collaboration is required for effective regional management policy, as is the empowerment of local actors in a region which has demonstrated weak influence in political and economic decision-making.

This study uses a comparative case study analysis, which involves secondary data collection, review of academic and grey literature, and a jurisdictional scan, to compare and evaluate policy options based on actions taken in response to similar problems in other Canadian jurisdictions. A review of academic and grey literature is also used to further investigate the policy approaches taken toward regional economic development in Northern Ontario, identifying gaps therein. Three policy options are identified, grounded in the experiences of other Canadian jurisdictions. They are evaluated based on: their effectiveness in meeting the economic, social, and environmental goals of sustainable development; their cost to government; their ease of implementation; and their political viability. The first policy option is the implementation of an Indigenous-focused funding program through FedNor and the overall increase of FedNor expenditure. This option represents a redoubling of current initiatives, increasing access to capital in the region but sidestepping efforts to build institutional capacity for policy coordination and the empowerment of local actors. The second option is the implementation of Regional Economic Planning Agencies, sub-regional institutions which would provide a framework for long-term, collaborative economic development, labour market, and infrastructure planning. While effective, these agencies, funded by all levels of government, pose significant implementation challenges. The third option is a Northern Ontario Investment Tax Credit, an income tax credit designed as a market-based incentive to encourage private sector investment in the region. This option performs particularly well with regards

to ease of implementation and political viability, but projects to be the most expensive option with moderate to low effectiveness.

This study recommends that the federal government establish an Indigenous-focused program through FedNor and increase overall FedNor funding in the near term, while engaging the Government of Ontario with the goal of implementing Regional Economic Planning Agencies in the long term. This represents an immediate increase in investment in the region and a commitment to reimagining the role of local communities in development policy in the future, as well as the facilitation of multi-level policy alignment and coordination. While these options alone will not reverse the socio-economic trends observed in the region, they address gaps identified in current regional economic development policy and are fundamental steps in supporting sustainable communities in Northern Ontario.

Chapter 1.

Introduction

The economy of Northern Ontario has greatly underperformed that of the province as a whole since the early 1980s, and has performed worse than any other northern region in Canada during that time (Segsworth, 2013; Southcott, 2013; MacKinnon, 2015; Everett, 2020). These trends continue to worsen, as the north diverges further from the province as a whole in a number of socio-economic indicators, presenting challenges to the sustainability of communities in Northern Ontario. This study seeks to analyze current regional economic development initiatives for Northern Ontario against concepts of sustainable development in order to identify gaps and develop strong policy responses to promote sustainable development in the region.

Coinciding with the advent of an increasingly integrated global economy and the emergence of a neoliberal state in the 1980s, Northern Ontario has experienced prolonged socio-economic decline. Statistical data illustrate declining performance in a number of socio-economic indicators, both in real terms and in relation to the province of Ontario as a whole. Despite great resource potential, a central geographic location, and an overall population greater than many northern areas, economic growth in Northern Ontario has in fact been lower than all other “provincial norths” in Canada (Southcott, 2013; MacKinnon, 2016; Everett, 2020). Like many regions that have similarly relied on resource extraction, Northern Ontario has faced challenges in diversifying its economy. While the industrial structure of Northern Ontario continues to rely on the primary resource industry, employment in this sector is declining, and the region is lagging behind the rest of the province with regards to growth in knowledge-intensive or service-producing industries (Southcott, 2013; Statistics Canada, 2017e). These trends have significant implications for the sustainability and wellbeing of communities in the region.

Sustainable economic development incorporates the promotion of economic, social, and environmental wellbeing. While rural or regional decline is often treated as an inevitable process in public policy discourse, driven by trends toward globalization and urbanization, this assumption is challenged by a number of sustainable development frameworks (Markey, Halseth, & Manson, 2008). The objectives of this work are to place

Northern Ontario's experience in a broader Canadian context, to identify gaps within current regional economic development policy, and to analyze potential policy solutions which would promote sustainable development in Northern Ontario. The first section explores current and historical socio-economic trends in Northern Ontario. The second section uses case study analysis and a review of academic and grey literature to investigate best practices in other jurisdiction and identify existing policy gaps. Finally, the third section conducts a policy analysis of three policy options using multiple-criteria analysis before drawing conclusions and recommendations.

Chapter 2.

Background

The region of Northern Ontario is a distinct region for study, with geographic, demographic, political, and economic characteristics which set it apart from the rest of the province. Characterized by its large land area and sparse population, if Northern Ontario were its own province, it would be the third largest by area, while having a population greater than three Canadian provinces – Prince Edward Island, New Brunswick, and Newfoundland and Labrador – and roughly seven times that of Canada’s combined territories (Robinson, 2016; MacKinnon, 2019). Containing 144 municipalities, 106 First Nations communities, and over 150 unincorporated communities, Northern Ontario does not have the regional municipalities or counties present in Southern Ontario, and research indicates a lack of regional political control and coordination (Robinson 2016; AMO, 2018; Everett, 2020; Conteh, 2013). Economically, Northern Ontario has historically relied heavily on the natural resource sector, and its economy continues to be dominated by primary resource industries. Together, these traits have translated to a high degree of reliance on outside forces – economically in the form of world commodity prices and outside ownership of industry, and politically in the form of weak regional or local influence in decision-making (Southcott, 2013). This chapter provides an historical overview of Northern Ontario and its economy before introducing concepts of sustainable development.

2.1. Historical Overview of Northern Ontario

Northern Ontario possesses unique social and economic characteristics which make it a distinct region for study (Conteh, 2017). The definition of the region varies, with different organizations or jurisdictions using different boundaries or statistical areas. Historically it has been defined as the area north of the French River, stretching to Manitoba to the west and Hudson Bay to the north. For statistical analysis, this project uses the borders as defined by Statistics Canada’s Economic Regions, which extend south of French River to include the districts of Nipissing and Parry Sound.

While Northern Ontario comprises nearly 90 percent of the province's territory, it contains roughly six percent of the province's population (Conteh and Segsworth, 2013; Southcott, 2013; Statistics Canada, 2017a). Approximately half of the region's population resides in five main population centres – Greater Sudbury, Thunder Bay, Sault Ste. Marie, North Bay, and Timmins (Woodrow, 2002; Hall, 2012). The region can be seen to contain multiple “Norths”, as various political actors divide it into the Northeast, Northwest, and the Far North, and make distinctions between urban and rural populations – each with their own particular characteristics and challenges. Despite this, there is a strong regional consciousness and shared characteristics in the region, often defined in relation to the south (Hall, 2012).

The current issues facing the region are shaped by its historical development. The region was settled more recently than the rest of the province. Following the acquisition of the territory from the Hudson Bay Company in 1870, the federal government wanted to give the territory to the new province of Manitoba, but lost a dispute with the province of Ontario after a decision from the Judicial Committee of the Privy Council in England, Canada's highest court at the time. The territory became known as “New Ontario” (Hall, 2012). Railway construction and land grants for settlement followed, as the resource-rich region proved to be a fruitful source of public revenue for the province (Hall, 2012; Southcott, 2013). Historically, Northern Ontario has relied on resource extraction, as its economic structure has been and continues to be dominated by the forestry and mining sectors (Southcott, 2013). Nearly all non-Indigenous communities in the region were created by large resource or transportation companies for the purposes of natural resource extraction, as infrastructure was largely designed to move resources out of the region (Hall, 2012; Southcott, 2013). This colonial relationship has continued to characterize the development of Northern Ontario, as its great resource potential and vulnerability to outside decision-making together have discouraged diversification away from natural resource industries.

The Indigenous population of Northern Ontario is largely made up of the Anishinaabeg and Cree peoples; there are 106 First Nations communities in Northern Ontario, and despite making up 2.8% of the population of Ontario, Indigenous peoples comprise approximately 16.8% of the population of Northern Ontario (Madahbee, 2013; Statistics Canada, 2017a). The two major First Nations political organizations present in the region are the Anishinabek Nation and the Nishnawbe Aski Nation. The treaties that

pertain to Northern Ontario are: the Robinson-Huron and Robinson-Superior Treaties, both signed in 1850; Treaty No. 3, signed in 1873; and Treaty No. 9, signed in 1905 with further adhesions signed in 1929 and 1937 (Lakehead University, 2020). The Canadian government has failed to live up to its treaty commitments in the region and across the country, as Indigenous peoples have been targeted by colonial policies designed to exploit, assimilate, and eradicate them, while Canada has a history of failing to recognize land rights and titles (Government of Ontario, 2020c; UN Human Rights Committee, 2015).

Since the early 1980s, coinciding with the emergence of a more globally-integrated economy and neoliberal approaches to state intervention in the economy, Northern Ontario has undergone significant economic restructuring, marking an end to the general economic and demographic growth experienced prior (Hall, 2012). This restructuring was marked by a persistent decline in primary resource industries, along with a weakness in secondary industries as well as in the service sector (Conteh and Segsworth, 2013). While the region had relied on the resource needs of twentieth century industrialism, this has become less and less a viable engine for sustainable development (Southcott, 2013).

The structure and character of this resource-based economy continues to present socio-economic challenges for the region. Largely considered a “have-not” region despite being a part of one of the nation’s wealthiest provinces, Northern Ontario is experiencing a growing socio-economic divide from the rest of the province (Conteh & Segsworth, 2013). The economic disparity between the north and south of the province is as great as that between Ontario and the Atlantic provinces (Woodrow, 2002). Some challenges the region continues to face are: a lack of economic diversification; small local markets separated by large distances; a lack of local control over development; an aging and declining population; and a continued overdependence on natural resource extraction, along with the high degree of vulnerability to world commodity prices, boom and bust cycles, and environmental degradation that accompanies these industries (Southcott, 2013; Beaulieu, 2013; Hall, 2012; Woodrow, 2002). Altogether, these trends present challenges to the sustainability of communities in Northern Ontario.

2.2. Sustainable Economic Development

The concept of sustainable development is multi-faceted, with no universally accepted definition. The United Nations’ Brundtland Commission of 1987, providing

perhaps the most frequently cited definition, defines sustainable development as “development that meets the needs of the present without compromising the ability of future generations to meet their own needs” (World Commission on Environment and Development, 1987). Where the concept of sustainable development differs from environmentalism is its concern for economic and social as well as ecological wellbeing (Turvey, 2014). Indeed, the Johannesburg Declaration from the 2003 United Nations World Summit on Sustainable Development stresses the importance of economic development, social development, and environmental protection, emphasizing all three aspects in the development of sustainable development frameworks (World Summit on Sustainable Development, 2003; Turvey, 2015).

The environmental pillar of sustainable development is perhaps best understood under the Brundtland Commission definition, suggesting environmental protection through the conservation of natural resources and the promotion of renewable resources. From a regional economic development perspective, for a region which historically has relied on resource extraction, the promotion of economic diversification away from primary industries should be emphasized. While a lack of economic diversification in such a region has environmental implications, it also of course contributes to vulnerability for the economic and social pillars of sustainable development.

Definitions of economic sustainability can vary, referring either to the continued success of an economy over time or to the incorporation of social, environmental, and cultural aspects into the notion of long-term economic growth (Courtnell, 2019). Because the social and environmental pillars of sustainable development are included elsewhere in this study, the former definition of economic sustainability is used here. Still, there should be a distinction made between “economic growth,” or the well-being of the economy, and “economic development,” which incorporates the well-being of people into notions of sustainability (Conteh & Segsworth, 2013). While economic growth is a more easily-quantifiable product of market forces, economic development “requires collective action and large-scale investments with large time horizons”, and can be defined as “the development of capacities that expand economic actors’ capabilities” (Feldman et al., 2016). The role of government should be to build these capacities in ways that the market cannot.

Social sustainability is perhaps the least well-defined of the three pillars of sustainable development, with common criticisms being that the concept is overly vague and too often neglected in favour of the environmental and economic aspects of sustainable development (Cuthill, 2010; Missimer, 2015; Vallance et al., 2011). While definitions and themes vary, a transition has been observed in the key themes in social sustainability discourse, from traditional, 'hard' themes – such as poverty, employment, and education – toward emerging 'softer' themes, including demographic change, social capital, and empowerment and participation (Colantonio, 2009). Themes of empowerment and participation are echoed in the concept of social infrastructure which, from a social sustainability perspective, can include building the capacity of communities to work together with governments, contributing to strong local governance (Cuthill, 2010). While labour force and demographic trends are considered here in an investigation of social sustainability in Northern Ontario, the empowerment and inclusion of local communities in political and economic decision-making is also emphasized, as this aspect of social sustainability can be particularly important for a region situated at a distance from provincial and national power centres.

Nozick (1992) reinforces these economic, social, and environmental foundations of sustainable development and provides insight into factors which create threats to sustainable communities. Five threats to sustainable communities are outlined, which are as follows: economic de-industrialization; environmental degradation; loss of control over local communities; social degradation; and the erosion of local identity and cultural diversity. By analyzing demographic trends, labour force characteristics, economic structure, the nature of political control in the region, and environmental concerns, this study demonstrates that threats to sustainability are currently present in Northern Ontario and, in some cases, intensifying.

Chapter 3.

Challenges to Sustainability in Northern Ontario

There has to date been an absence of successful sustainable development in Northern Ontario (Conteh and Segsworth, 2013). In this section, trends present in the region which pose threats to the sustainability of communities are outlined, illustrating the historical trajectory of a number of socio-economic indicators as well as the divergence between Northern Ontario and the province as a whole.

3.1. Demographic Trends

Demographic trends are a key dimension of development policy and can present challenges for community sustainability (Martinez-Fernandez, Kubo, Noya, & Weyman, 2012). Population decline is one key demographic indicator of threat to sustainable communities. While population growth can present costs for municipalities, these are generally seen as less problematic than decline, which usually indicates social and economic problems (Southcott, 2013). These can include a loss of equity for home owners and an unhealthy employment situation, in addition to the potential psychological effects of a shrinking community.

The population of Northern Ontario has stagnated or declined during the period of 1981 to 2016, and has decreased by roughly four percent overall during those years (Figure 1). As the population of the province as a whole has increased during that time period, we see that Northern Ontario's population as a percentage of the total provincial population has steadily decreased since 1981. The population of Northern Ontario is projected to continue to decrease through 2046, while the population of Ontario is projected to increase 31.5 percent over the same period, intensifying these current trends (Ontario Ministry of Finance, 2020). Where the region has experienced positive natural growth is within its Indigenous population; this growth, however, has been unable to mitigate the overall regional decline (Southcott, 2013; FedNor, 2018). This demographic decline in the north indicates the persistence of socio-economic pressures on the sustainability of communities in the region, as well as a growing regional divide as Northern Ontario is "left behind" or excluded from the province's growth.

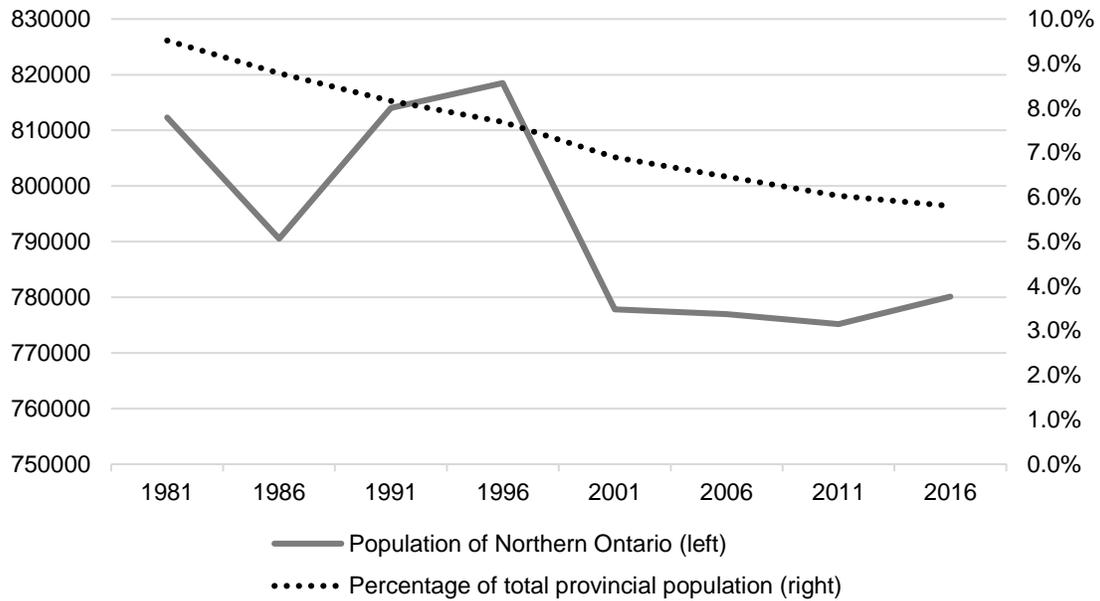


Figure 1. Population of Northern Ontario, total & as percentage of total provincial population, 1981-2016

Data from Southcott (2013) and Statistics Canada (2017a)

In addition to population decline, Northern Ontario's population is becoming older than that of the province as a whole (Figure 2). While Canada's population in general is trending older, this trend has accelerated in Northern Ontario (Statistics Canada, 2020b). Using the old age dependency rate – the population aged 65 and over divided by the number of people aged 15 to 64 – we can get a picture of the elderly population which is dependent on the working-aged population to meet its needs. While the old age dependency rate for Northern Ontario was lower than that of Ontario in 1981, it has increased sharply to become 23 percent higher by 2016.

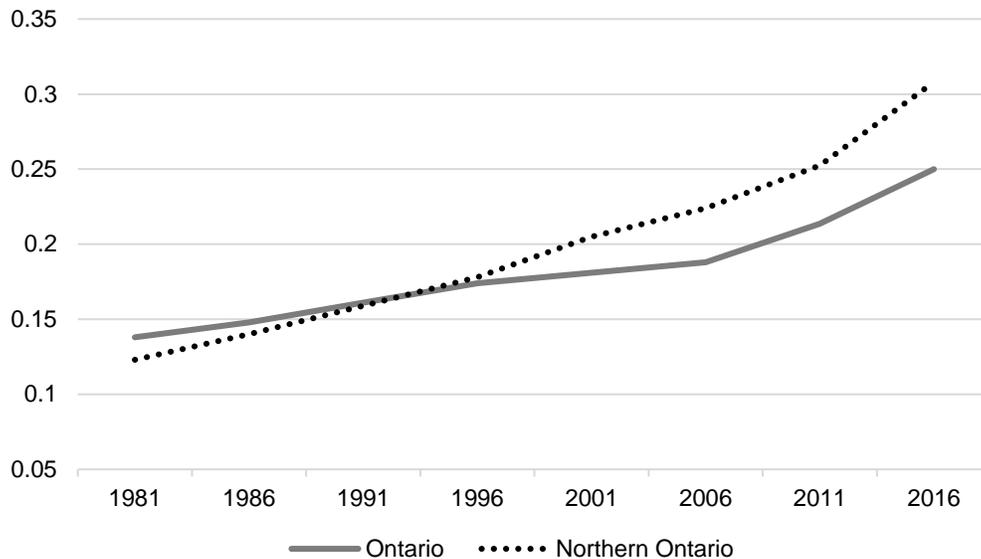


Figure 2. Old age dependency ratio, Ontario vs Northern Ontario, 1981-2016
 Data from Southcott (2013) and Statistics Canada (2017a)

A major driver of the relatively sharp increase in old age dependency rate for the region is youth out-migration. While the factors which are contributing to the overall aging of Canada’s population at-large are also present in Northern Ontario – namely, the aging baby-boomer generation, declining fertility rates, and increased life expectancy – these trends are being exacerbated in the region by the added dimension of declining youth and young adult populations driven by out-migration (Cuddy, 2014). These trends can be investigated further by looking at the labour force characteristics of the north.

3.2. Labour Force Characteristics

Significant economic restructuring in the region since the 1980s has translated to employment losses in the resource economy. As the population of Northern Ontario has stagnated or declined, it stands to reason that the labour force would suffer as well, and indeed beginning in the 1990s, the labour force declined, total employment declined, and unemployment increased (Segsworth, 2013; Woodrow, 2002). The labour market participation rate in Northern Ontario has remained consistently lower than that of Ontario as well as that of Canada (Northern Policy Institute, 2018). The unemployment rate for Northern Ontario, while volatile and reflective of the boom-and-bust nature of the dominant resource industries, has likewise consistently been higher than that of Ontario (Segsworth, 2013).

While the traditional, resource-based sectors of the economy still drive employment in Northern Ontario, these industries have taken advantage of technological advancement to reduce the demand for labour, thus leading to reduced total employment in the region (Woodrow, 2002). These industries largely failed to invest in more value-added production, which would have provided greater long-term employment security for communities in the region. Where job growth has been observed is in service sectors, with a greater demand for a highly-skilled labour force. In the near term, this economic restructuring marked by lower rates of labour force participation and a demand for high-skill labour creates the potential for a labour market characterized by “jobs without people, and people without jobs”.

During the 1980s and 1990s, Northern Ontarians became poorer over time, as both average adult incomes and average family incomes decreased relative to provincial averages from 1981 through 2006 (Segsworth, 2013). Since 2006, average individual adult income in the region has rebounded to the provincial average, buoyed by urban growth in Greater Sudbury and Thunder Bay, while the majority of smaller municipalities, and average family incomes for the region as a whole, continue to lag behind provincial averages (Northern Policy Institute, 2018; Statistics Canada, 2017a). Poverty and economic dependency continue to persist in the region, as northerners experience significantly higher rates of economic dependency than the provincial and national averages. This is especially true for the region’s Indigenous population, which experiences lower rates of employment and lower median after-tax income than the regional average (Northern Policy Institute, 2018).

Finally, while levels of higher educational attainment for Northern Ontario’s population have historically been lower than those for Ontario as a whole, the proportion of the region’s population with post-secondary education has been trending upward (Southcott, 2013; Northern Policy Institute, 2018). Economic and social development is increasingly tied to educational attainment, especially as regional economies transition from Fordist industrialism to knowledge economies. These trends are illuminated through an investigation of Northern Ontario’s economic structure.

3.3. Economic Structure

Until the beginning of the 1980s, Northern Ontario's economy was fueled by the mining and forestry industries, and the region largely experienced economic growth (Hall, 2012; Woodrow, 2002). Increased automation, a strong Canadian dollar, and increased fuel costs contributed to economic restructuring in the region, resulting in labour force reductions and business closings (Gillon, 2006). As the development base of the region was built almost entirely on the needs of twentieth century industrialism, Northern Ontario has had no real experience with "competitive" capitalism or with agricultural development (Southcott, 2013). A large part of the capital produced in Northern Ontario during this industrial boom period left the region without providing multiplier effects.

During the 1980s and 1990s, this economic structure shifted increasingly toward the service and government sectors (Woodrow, 2002). While traditional sectors still drive the economy, more recently, the region has experienced a volatile pattern of booms and busts in these industries (Hall, 2012). Today, the region struggles with economic diversification in general, as Northern Ontario has a lower percentage of jobs in the "knowledge economy", or knowledge-intensive professional services industries, while depending more on public sector jobs than the province as a whole (Southcott, 2013). This has translated to a loss of overall employment, as gains in the service-producing sector have been unable to make up for losses in the goods-producing sector (Figure 3).

This economic restructuring has led to little to no growth in gross domestic product per capita for the region, with the economy of the Northwestern Ontario region in particular shrinking for the period 2001 to 2016 (Northern Policy Institute, 2018). In addition, levels of economic diversification in Northern Ontario are not only lower than those for Ontario and Canada, but are decreasing in recent years. For a regional economy historically over-reliant on the resource sector, the lack of economic diversification can be problematic for economic sustainability.

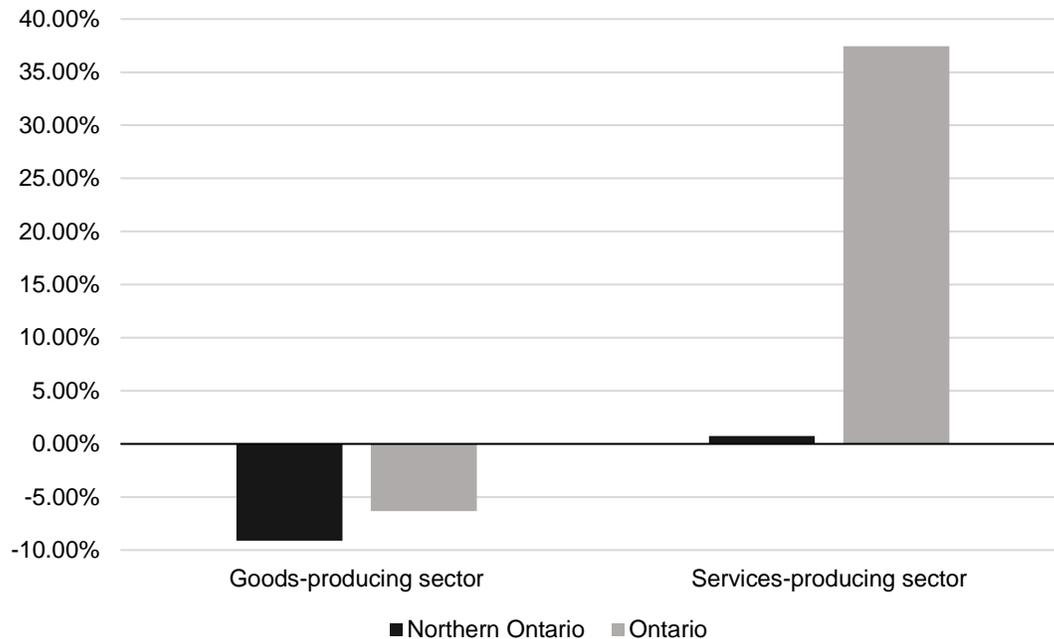


Figure 3. Percentage change in total employment by sector, Northern Ontario vs Ontario, 2001-2019

Data from Statistics Canada (2020e)

3.4. Political Influence

As previously mentioned, a large part of the capital produced in Northern Ontario over its history has left the region. This fact is illustrative of another characteristic of the region which poses a threat to its sustainability: a lack of local or regional influence or control over decision-making, both economic and political. Economically, the heavy reliance on the natural resource sector has translated to a reliance on outside actors, whether in the form of corporate policy changes, world commodity prices, changes in the Canadian dollar exchange rate, or changes in government policy (Conteh, 2017; Southcott, 2013).

Politically, the region demonstrates weak regional or local influence in decision-making, and a lack of regional political control and coordination (Robinson 2016; MacKinnon, 2019; Everett, 2020; Conteh, 2013). Dissatisfaction with government in general is widespread in the region (Robinson, 2016). This may stem from the fact that Northern Ontario lacks genuine political autonomy despite being a distinct region from the south. The region does contain 12 out of 124 Members of Provincial Parliament, roughly proportional to its population (Elections Ontario, 2020). However, there remains a lack of

political will, both provincial and federal, for addressing the region's economic concerns (Hall, 2012). Also of note is the fact that the region is organized into districts rather than counties or regional municipalities, which lack the planning authority enjoyed by their Southern Ontario counterparts (Conteh, 2013).

3.5. Environmental Degradation

Resource-based economies such as Northern Ontario's present inherent challenges to the ecological pillar of sustainable economic development, as resource extraction can have significant impacts on the natural environment (Natural Resources Canada, 2020; Fu, Jiang, & He, 2019). Looking at average annual greenhouse gas emissions of industry in Northern Ontario for "large facilities", defined as those that emit more than 50,000 tonnes of greenhouse gas and therefore must report emissions, these facilities have admittedly decreased emissions between 2011 and 2016 (Northern Policy Institute, 2018; Government of Canada, 2020). However, Northern Ontario facilities have higher emissions than the provincial average, and have not been able to achieve the reductions that the province as a whole has been able to over that period. Other primary environmental issues for Northern Ontario are mine reclamation and deforestation, tied to the region's dominant industries.

Environmental degradation has not affected all populations equally, as environmental racism has a long history in the region. The region of Northern Ontario contains by far the largest number of long-term drinking water advisories in First Nations communities in Canada, defined as being in effect for more than one year (Northern Policy Institute, 2018). Other examples include the mercury poisoning that has created intergenerational trauma for the people of Grassy Narrows (York, 2019). These failures to ensure basic environmental standards reflect not only the ongoing effects of environmental degradation on communities but also the stark social inequity in the region.

Chapter 4.

Regional Economic Development Policy in Northern Ontario

Regional management has been a persistent and entrenched feature of the Canadian policy landscape throughout the nation's history, and this chapter delineates this history and how it informs current policy initiatives toward Northern Ontario. As an export-led economy dependent on primary natural resources, the Canadian state has historically shown a propensity for economic interventionism and national development (Conteh, 2013; Hall, 2012). Harold Innis's Staple thesis remains an important contribution to the study of Canada's political economy, incorporating the geographic realities of Canada into the analysis of the evolution of the Canadian state and economy (Hayer & Barnes, 1990). Innis's core-periphery, or heartland-hinterland, model builds a theory of regionalization, whereby the core exerts economic and political power over the periphery. Innis claims that the economic history of Canada has been dominated by the discrepancy between the centre and the margins, which can be viewed as internal colonies. Another contribution of this theory is the concept of the "staples trap", whereby regional economies dependent on the export of natural resources continue to depend on these low-value, unprocessed staples, and fail to diversify their economies (Hall, 2012).

Modern regional economic development policy, and attempts to overcome or mitigate this discrepancy between the centre and the margins, emerged in the 1960s (Conteh & Segsworth, 2013). This approach can be tied to the 1957 Gordon Commission, which outlined the need for regional economies to develop rather than rely on compensation for lower rates of economic growth relative to the country as a whole (Conteh, 2013). What followed was a move away from a *laissez faire* approach to economic development and toward greater interventionism. This approach was characterized by the "growth pole" concept, which aimed to stimulate growth within a particular location and use it to spur growth and development for the surrounding region (Conteh & Segsworth, 2013). Out of this framework came the federal Funds for Rural Economic Development (FRED) under Lester B. Pearson, the Department of Regional Economic Expansion (DREE) under Pierre Trudeau, and the creation of Regional

Development Agencies (RDAs) in 1987 under Brian Mulroney, which remain today (Conteh, 2013).

A shift in this discourse around regional economic development began in the 1970s and took hold in the 1980s, borne out of shifts in the global economy. The neoclassical, market-based political and economic foundations of neoliberalism gave rise to a discourse of entrepreneurship, competition, and innovation (Hall, 2012). Opposed to industrial policy, intervention, and redistribution for fear of distorting natural market forces and damaging potential full economic growth, this line of thinking gave rise to a shift toward supply-side regional economic development initiatives (Hall, 2012; Conteh & Segsworth, 2013). The emergence of the neoliberal state coincided with an increasingly globally-integrated economy and the breakdown of trade barriers.

During the 1990s, the “New Regionalism” school emerged, which began to challenge some of these assumptions regarding regional economic development. Arguing again for the importance of institutions in shaping economic development, and advocating for sub-national jurisdictions as the centre of economic policy, New Regionalism gave new life to the idea that a region’s economic, social, and environmental wellbeing could be improved through state intervention (Hall, 2012; Conteh & Segsworth, 2013). Key tenets to this wave of discourse on regional management are a focus on the knowledge economy, higher education, and fostering innovation (MacKinnon, 2002; Hall, 2012; Conteh & Segsworth, 2013). Today, the main policy instruments used by regional economic development agencies are transfer payments, community futures programs, and infrastructure programming (Dupuis, 2014).

At the federal level, the Federal Economic Development Initiative in Northern Ontario (FedNor) is the Regional Development Agency (RDA) tasked with administering policy for the region. A crucial distinction here is that FedNor functions as a program delivery vehicle for the federal government, instead of as a fully autonomous agency under Innovation, Science, and Economic Development Canada (ISED), as is the case with Canada’s other RDAs. This relative lack of autonomy when compared to Canada’s other RDAs has contributed to a top-down, mechanistic, and bureaucratic approach to program implementation (Conteh, 2015). The various RDAs and the jurisdictions which they oversee can be observed in Table 1.

FedNor's mission is to support economic growth and diversification in the region, and its programs include the Northern Ontario Development Program (NODP), which invests in local community-led economic development initiatives, and the Community Futures Program (CFP), which provides strategic planning services and access to capital through local Community Futures Development Corporations (CFDCs) (FedNor, 2020a). FedNor also delivers national programs to Northern Ontario, including the Canadian Experiences Fund (CEF), the Economic Development Initiative (EDI), and the Women Entrepreneurship Strategy (WES), which invest in the tourism sector, Francophone communities, and women-led businesses, respectively. FedNor's annual budget has been approximately \$50 million in recent years, but was doubled to \$100 million in 2020 due to COVID-19 recovery programming (Aiken, 2020). FedNor's typical budget equates to less per-capita funding than the RDAs which oversee Atlantic Canada and Canada's territories (Appendix A).

There are similar provincial initiatives aimed at the region. The Northern Ontario Heritage Fund Corporation (NOHFC) is a Crown corporation and development agency under the Ontario Ministry of Energy, Northern Development and Mines (MENDM), focused on regional economic development for Northern Ontario (Northern Ontario Heritage Fund Corporation, 2021). The NOHFC is also mandated with promoting economic growth and diversification in the region, providing financial assistance through a variety of programs, focused on innovation, infrastructure investment, and cultural supports (NOHFC, 2021). The NOHFC receives approximately \$100 million in annual funding (Prokopchuk, 2019; NOHFC, 2020). As a sub-jurisdictional region with multiple government actors, there is considerable policy overlap occurring in regional economic development policy for Northern Ontario.

Table 1. Canada's Regional Development Agencies

| Federal RDA | Jurisdiction |
|---|---------------------------|
| Atlantic Canada Opportunities Agency (ACOA) | Newfoundland and Labrador |
| | New Brunswick |
| | Nova Scotia |
| | Prince Edward Island |
| Canada Economic Development for Quebec Regions (CED) | Quebec |
| Federal Economic Development Agency for Southern Ontario (FedDev Ontario) | Southern Ontario |
| Federal Economic Development Initiative for Northern Ontario (FedNor) | Northern Ontario |
| Western Economic Diversification (WD) | Manitoba |
| | Saskatchewan |
| | Alberta |
| | British Columbia |
| Canadian Northern Economic Development Agency (CanNor) | Nunavut |
| | Northwest Territories |
| | Yukon |

Chapter 5.

Policy Problem and Stakeholders

The policy problem which this study addresses is that current regional economic development policy for Northern Ontario has been ineffective in mitigating the socio-economic trends which present challenges for sustainability in the region. Sustainable development needs to incorporate social, economic, and environmental goals. As this study has demonstrated, the demographic and labour market trends, the changing economic structure, the lack of regional political control or influence in decision-making, and environmental concerns present in Northern Ontario indicate the failure of regional economic development policy in promoting sustainable development in the region.

The key stakeholders to consider for this policy problem are local communities in Northern Ontario, Indigenous peoples of Northern Ontario, and firms operating within the region. First, local communities in Northern Ontario are directly impacted by regional economic development policy. The social, economic, and environmental wellbeing of local communities depend on policy which effectively supports sustainable growth. Second, Indigenous peoples of Northern Ontario, despite making up 2.8% of the population of Ontario, comprise 16.8% of the population of Northern Ontario, and face their own unique challenges and inequities when compared to the settler population (Statistics Canada, 2017a). Successful regional development policy should meaningfully incorporate the voices of Indigenous communities and live up to treaty commitments. Third, firms operating within Northern Ontario stand to gain from effective regional economic development policy. While historically a large part of the capital produced in Northern Ontario left the region without providing the multiplier effects evident elsewhere, successful policy will ensure that a greater share of economic rents remain in the region (Southcott, 2013). Finally, each level of government is a stakeholder. As a sub-provincial region, implementation of any policy option will require varying degrees of intergovernmental coordination, and will need to align with current government policy initiatives.

Chapter 6.

Method

This study uses a comparative case study analysis, which involves secondary data collection, a review of academic and grey literature, and a jurisdictional scan, to compare and evaluate policy options based on action taken in response to similar problems in other Canadian jurisdictions. A review of academic and grey literature is then used to further investigate the policy approaches taken toward regional economic development in Northern Ontario, identifying gaps therein.

Three case studies were selected and chosen to provide representation from Canada's other RDAs in this analysis. Potential case study jurisdictions can be observed in Table 1. Recent performance in sustainable development was investigated, with recent defined as being the past 20 years, the intention being to allow enough time to evaluate the effect of respective regional development policy. To eliminate potential case studies, the first criterion considered was growth in total employment from 2001-2019 using Statistics Canada's Labour Force Survey data, in order to demonstrate success in the economic pillar of sustainable development. Alberta and Southern Ontario were excluded, due to the unique conditions that the oil and gas industry create for the former, and the dissimilarity of economic conditions when compared to Northern Ontario for the latter. In order to focus on rural and northern regions, the Statistics Canada Economic Regions outside of census metropolitan areas were used for British Columbia, Saskatchewan, Manitoba, and Quebec; due to their smaller size and difficulty in isolating rural or northern areas, the full province or territory was used in the case of the four Atlantic provinces and three territories. This analysis revealed that northern and rural British Columbia was the only jurisdiction, along with Northern Ontario, to have experienced reductions in total employment during this time period, and led to British Columbia's exclusion (Statistics Canada 2020e & 2020f).

The quality and quantity of existing academic literature on each jurisdiction's experiences with regional economic development was then considered. The availability of academic literature on potential case studies allows for a deeper investigation into the character and history of their respective development policy alongside performance in

indicators of sustainable development. Manitoba and New Brunswick each have received considerable study, and can be seen to provide broad reflections of the economic and political changes in their respective regions (Conteh, 2013). The same can be said of Yukon territory. These three case studies provide representation from the Atlantic Canada Opportunities Agency, Western Economic Diversification Canada, and the Canadian Northern Economic Development Agency, and are similar to Northern Ontario in that they have dispersed or rural populations at a distance from major markets, and a historical reliance on primary resource industries. Further similarities and differences when compared to Northern Ontario are outlined in the following chapter.

The performance of New Brunswick, rural and northern Manitoba, and Yukon territory regarding the economic, social, and environmental pillars of sustainable development are demonstrated in the following chapter. While all three cases outperform Northern Ontario in the economic and social pillars, Yukon does not outperform Northern Ontario in the environmental pillar as measured by reductions in greenhouse gas emissions (Government of Canada, 2020). Still, Yukon performs best out of the three territories here, and remains included in this study due to its strong contributions to concepts of social sustainability. Finally, the character and general trend of regional economic development policy within each jurisdiction is investigated. While these case studies may not provide perfect representations of successful sustainable development, they each nevertheless provide useful lessons from which Northern Ontario can draw in an effort to promote sustainable development.

Chapter 7.

Analysis of Case Studies

In order to compare the experiences of these jurisdictions regarding sustainable development to that of Northern Ontario, this section uses descriptive and inferential statistics. Indicators are used to examine each case's performance in the economic, social, and environmental pillars of sustainable development within the previous two decades. These indicators are: percentage change in total employment; annual net immigration; and change in annual greenhouse gas emissions from all reporting facilities, respectively. By illustrating these trends, this study intends to provide rough proxies not only for economic and demographic growth, but also for the ways in which this growth is achieved. Natural resource extraction is a major driver of global greenhouse gas emissions, contributing to roughly half of global emissions (Oberle et al., 2019). By demonstrating economic growth alongside reductions to greenhouse gas emissions, these case studies, traditionally reliant on primary resource industries, may be achieving economic diversification or growth through other, more environmentally sustainable means.

Table 2. Case study overview

| Jurisdiction | Federal RDA | Population, 2019 |
|----------------------------|---|------------------|
| Northern Ontario | Federal Economic Development Initiative for Northern Ontario (FedNor) | 810,311 |
| New Brunswick | Atlantic Canada Opportunities Agency (ACOA) | 776,868 |
| Manitoba, Rural & Northern | Western Economic Diversification (WD) | 602,389 |
| Yukon | Canadian Northern Economic Development Agency (CanNor) | 41,477 |

7.1. Overview of Case Studies

With regards to the economic pillar of sustainable development, each jurisdiction analyzed here has outperformed Northern Ontario in terms of percentage change in total employment over the previous two decades. For New Brunswick and rural and northern Manitoba, this growth in employment is driven mostly by employment increases in service-producing industries, while in Yukon, this growth is driven by goods-producing industries, namely the territory's mining boom (Statistics Canada, 2020e, 2020f). This indicates that, for the New Brunswick and Manitoba cases, although the employment growth observed here is not as drastic as that in Yukon, it may lend itself more to concepts of sustainability. As demonstrated in Chapter 3, the reductions to total employment in Northern Ontario over this period occurred in the goods-producing industries, with negligible gains in service-producing industries.

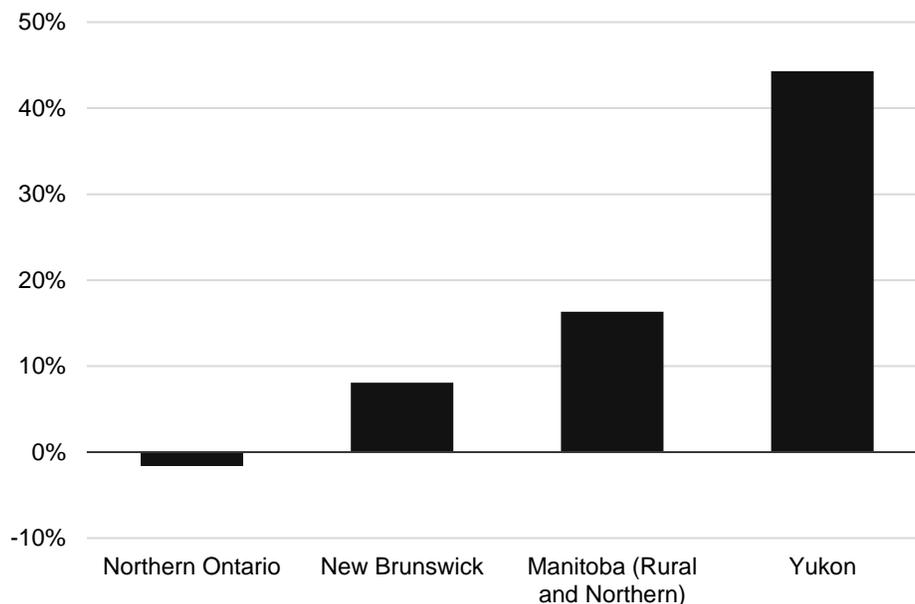


Figure 4. Percentage change in total employment, selected case studies, 2001-2019

Data from Statistics Canada (2020e & 2020f)

Population increases in each jurisdiction have largely mirrored increases in employment, with Yukon experiencing the greatest percentage change in population, largely in line with its booming resource economy (Statistics Canada, 2020b). Here, I use the three jurisdictions with comparable populations – Northern Ontario, New Brunswick, and rural and northern Manitoba – to examine trends in annual net immigration. While Northern Ontario’s net immigration is negative or negligible most years, the other two cases consistently attract more residents than they lose, with New Brunswick particularly gaining immigrants in recent years (Statistics Canada, 2020g). This demonstrates the stable growth of communities in these regions, indicating demographic sustainability likely driven by regional economic growth.

However, while the demographic aspect of social sustainability is demonstrated here, the empowerment and inclusion of local communities in political and economic decision-making needs to be further investigated. As this aspect is less quantifiable, it will be investigated through qualitative analysis in the following review of academic and grey literature.

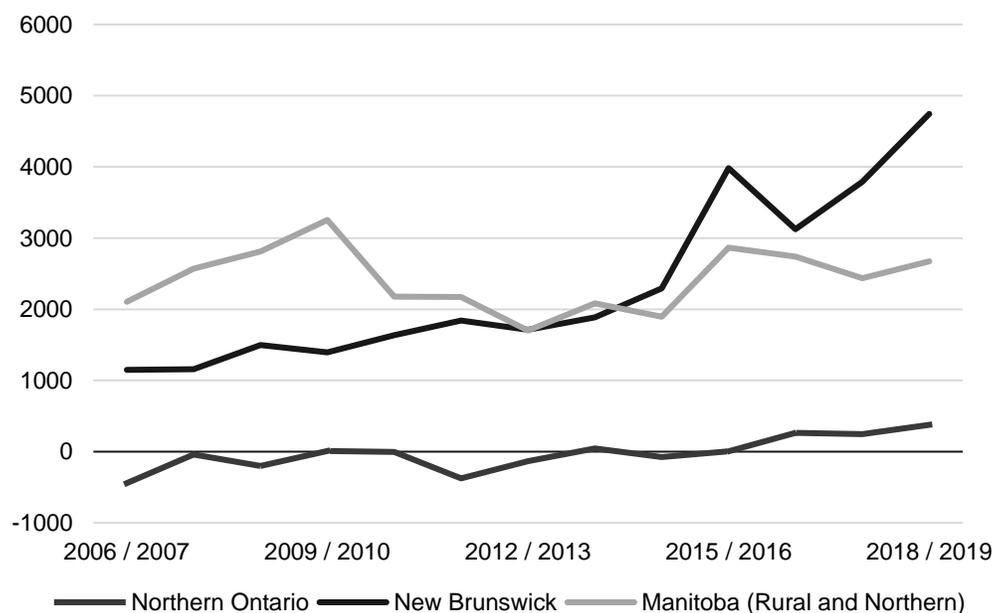


Figure 5. Annual net immigration, selected case studies, 2006-2019
 Data from Statistics Canada (2020g). Data for Yukon not included due to incomparable population.

Finally, this analysis compares reductions in greenhouse gas emissions in each jurisdiction as a proxy for environmental performance. The Government of Canada’s Greenhouse Gas Reporting Program (GHGRP) is a mandatory program implemented in 2004 whereby all facilities in Canada which meet an emissions threshold are required to report their greenhouse gas emissions, which include: carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O), hydrofluorocarbons (HFC), perfluorocarbons (PFC) and sulphur hexafluoride (SF₆) (Government of Canada, 2020). Because the reporting threshold was lowered starting in 2017, the years 2004-2016 are used for a comparative analysis. Yukon did not possess facilities which met the reporting threshold until 2009; therefore, the percentage change demonstrated here is for the years 2009-2016. Yukon is the only case which has increased annual emissions over this time period, attributable to a low but growing number of facilities overall and a boom in resource industries. New Brunswick and rural and northern Manitoba, meanwhile, have both outperformed Northern Ontario in greenhouse gas emissions reductions, even while outpacing the region in economic and demographic growth. This is in line with a diversification away from goods-producing to service-producing industries.

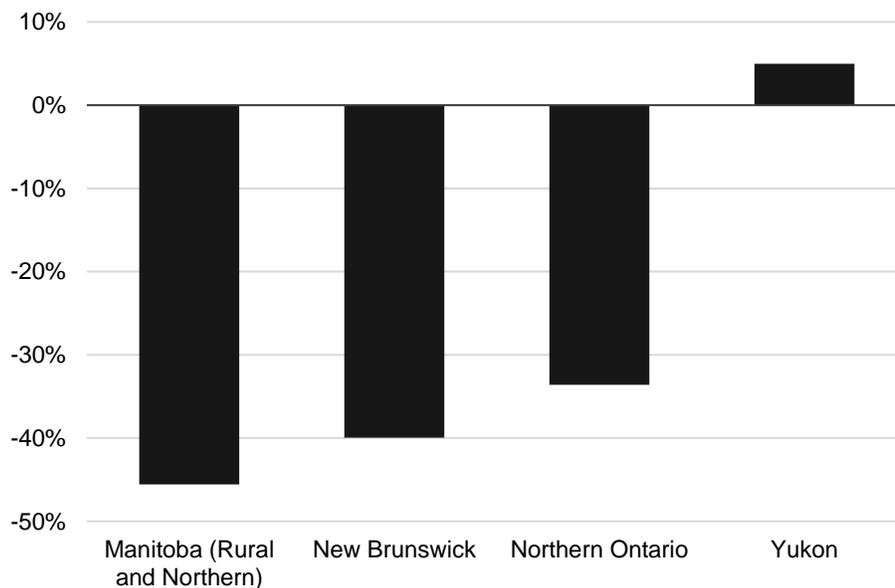


Figure 6. Percentage change in annual GHG emissions from reporting facilities, selected case studies, 2004-2016

Data from Government of Canada (2020). Data for Yukon unavailable until 2009.

These case study comparisons confirm the relative successes of each jurisdiction when compared to Northern Ontario, whether in consistent employment and demographic growth, or in reductions in greenhouse gas emissions from reporting facilities. With respect to New Brunswick and northern and rural Manitoba, the economic and demographic successes coupled with the simultaneous ability to achieve greater reductions in greenhouse gas emissions than Northern Ontario is notable. With respect to the Yukon, the territory's successes here appear to be predicated on the same natural resource-based industries on which Northern Ontario's historical economic growth was based.

7.2. Literature Review

This section investigates the respective regional economic development policy of New Brunswick, Manitoba, and Yukon, using academic and grey literature to outline general characteristics and identify areas of success. Similarities and differences to Northern Ontario are considered. Ultimately, parallels are drawn to Northern Ontario when possible, in an attempt to identify potential gaps in regional economic development policy targeted toward Northern Ontario which present challenges for sustainability, and to pinpoint best practices and potential policy options for the region.

7.2.1. New Brunswick

New Brunswick's experience with regional economic development policy offers insight into the importance of collaboration between levels of government and the relevance of local actors and municipalities in decision making, especially as it relates to the development of innovation-driven or knowledge economies. Much like Northern Ontario, New Brunswick's economy has historically been dominated by primary resource industries, and has recently seen declining employment in these industries (Statistics Canada, 2020a). Additionally, New Brunswick has historically experienced higher rates of out-migration, lower labour force increases and participation rates, relatively high levels of unemployment, and a relative absence of manufacturing sectors when compared to other regions in Canada (Conteh, 2013). Where the province differs from Ontario's northern region is its official bilingualism, which can provide a competitive advantage, and its smaller land area, which translates to smaller distances between markets. However, the province's recent success in achieving strong economic growth driven by a transition from

resource-dependent sectors to knowledge-dependent sectors, while legitimizing the role of local actors through the creation of collaborative institutions, provides lessons for Northern Ontario.

The Atlantic Canada Opportunities Agency (ACOA) is the federal agency responsible for contributing to regional economic development in the Atlantic Provinces, created during the same regional development restructuring which created FedNor. The current Atlantic Growth Strategy, in place since 2016, features five pillars: growing a skilled workforce through attracting newcomers; strengthening trade, tourism and investment; investing in clean technology; growing innovative businesses; and investing in infrastructure, particularly through broadband internet in rural and remote communities (Atlantic Canada Opportunities Agency, 2016). Success is observed through recent job creation and growth in export value, while Greater Moncton has been the fastest-growing metropolitan area east of Ontario over the last five years (Atlantic Canada Opportunities Agency, 2016; Immigration, Refugees and Citizenship Canada, 2019). An additional federal program aimed at economic development in the region is the Atlantic Investment Tax Credit, a 10% federal income tax credit which seeks to facilitate greater access to capital for the region's firms (Canada Revenue Agency, 2019).

The ACOA's mandate, alongside enterprise development and community development, notably includes policy and program coordination (Atlantic Canada Opportunities Agency, 2020). Innovation policy requires coordination and collaboration – between both state and non-state actors – as well as local input in order to be effective (Conteh, 2013). This focus is highlighted in the province's 2002 strategic development plan, *Greater Opportunity: New Brunswick's Prosperity Plan, 2002-2012*, which stressed collaborative investment from all levels of government (Government of New Brunswick, 2005). Fifteen Community Economic Development Agencies (CEDAs) were created in order to facilitate greater local participation in economic development decision making, providing an institutionalized framework for local stakeholders and all levels of government to come together. CEDAs are governed by a board of directors appointed by federal, provincial, and municipal governments, with members representing the different business sectors in the communities and regions covered by each CEDA (Auditor General of New Brunswick, 2006). These agencies afford the added benefit of giving voice to those who reside in unincorporated areas, which otherwise lacked county-like intermediates between municipalities and the provincial government (Conteh, 2013).

The experiences of New Brunswick and the ACOA demonstrate the shift toward federal RDAs deferring to other, local public and private actors. Previous failures of federal regional development policy have been tied to an inability to accommodate regional interests; regional economic development policy initiatives can benefit by incorporating local or regional actors, and this can be especially true when considering innovation-driven or knowledge economies (Savoie, 2003; Conteh, 2013; Conteh, 2012a). So, while the trend toward empowering local communities demonstrates some success within the social pillar of sustainable development, there are added benefits through the encouragement of economic diversification as well.

7.2.2. Rural and Northern Manitoba

An investigation of the province of Manitoba's experience in promoting sustainable development for its rural and northern regions underscores the previous themes of policy coordination across levels of government and the roles of local actors in determining successful development. Manitoba is distinct in the fact that it has a single urban centre, Winnipeg, while nearly half of the province's population resides in rural communities (Western Economic Diversification, 2020). Like Northern Ontario, Manitoba's rural and northern regions face challenges to sustainability which include a dispersed population, geographic isolation and infrastructure deficit, demographic decline due to youth out-migration, weaker institutions of governance, and depressed employment opportunities (Conteh, 2013). However, Manitoba has been able to take advantage of a number of structural advantages – including a low cost of living and a skilled workforce – to become the most economically diverse province in Western Canada (Western Economic Diversification, 2018; Conteh, 2013).

Federally, Western Economic Diversification Canada (WD) is the agency mandated with promoting economic development in Canada's four western provinces – Manitoba, Saskatchewan, Alberta, and British Columbia. The agency was created in the same 1987 restructuring which produced the ACOA and FedNor. The agency is unique in its utilization of contractual mechanisms, called Western Economic Partnership Agreements, which allow the agency to cost-share economic development initiatives with the respective provincial governments. By using contractual agreements, the federal and provincial governments are able to create a clear, unified multi-year funding mechanism for regional development in Manitoba (Conteh, 2013). Since 2000, these partnership

agreements have transitioned from providing proposal-based funding for businesses to strategic investments alongside other public and private actors, while viewing itself more as a strategic partner with provincial and municipal governments (Conteh, 2012b). For regions which feature multiple governmental actors in a single policy area, agreements such as these serve to clearly outline roles and responsibilities across levels of government, preventing overlap or duplication while creating clarity and predictability with regards to longer-term funding, and Manitoba has found success in this regard.

Provincially, Manitoba received global recognition when it became the first Canadian province to pass a Sustainable Development Act (1997), signalling its commitment to the social, environmental, and economic pillars of development (Sinclair & Quinn, 2012). The act established a framework to guide government decision making and implemented a round-table approach, but without targets or deadlines, a lack of tangible outputs later led to criticisms of its effectiveness. Later strategic plans, like *TomorrowNow - Manitoba's Green Plan* (2012) distanced themselves from sustainable development by emphasizing only the economic and environmental pillars of development.

A commitment to sustainable development in the province continued in the form of Community Economic Development Corporations, supported by Manitoba Agriculture, Food and Rural Initiatives (MAFRI), one of the primary departments overseeing rural economic development in Manitoba. Community economic development is defined here as a community-driven process where communities “identify and initiate their own solutions to economic, social and environmental issues in order to build healthy and economically viable communities”, recognizing all three pillars of sustainable development as well as the primacy of local stakeholders in providing direction (Manitoba Agriculture, Food and Rural Development, n.d.). Community economic development can be particularly beneficial to marginalized communities, including Indigenous populations (Enns, 2018). The importance of local actors and collaboration is again echoed in a study of Steinbach and Winkler, two cities with populations under 20,000, which highlighted access to complex interregional and interfirm business networks as well as the ability to leverage local social and cultural endowments as factors which drove business expansion in those communities (Rice & Kalafsky, 2020). It should be noted that the community development corporation model in Manitoba has been heavily focused on business and economic development, as opposed to a more holistic sustainable development approach (Bessant, 2005).

Manitoba's experiences with economic development highlight the successes of policy collaboration and coordination through strategic partnership agreements between levels of government. One cited reason for the success and longevity of Manitoba's federal-provincial partnership agreements is an engaged citizenry when it comes to issues of economic development (Conteh, 2012b). Thus, while the province has at times lacked strong commitment to all three pillars of sustainable development, there is some evidence for the empowerment and inclusion of local communities in decision-making, to go along with the sustained growth in employment and reductions to greenhouse gas emissions tied to economic diversification.

7.2.3. Yukon Territory

Yukon Territory stands out from the previous cases due to its much lower population and its status as a territorial rather than provincial government. Still, the northern territory faces many of the same challenges to sustainable development as does Northern Ontario, including a sparse population, distance from markets, an infrastructure deficit, a skills and training deficit, and a reliance on resource-based industry which leaves Yukon vulnerable to boom-bust cycles (Canadian Northern Economic Development Agency, 2016). These provide sufficient characteristics to draw some parallels between the two jurisdictions. Despite falling short in the environmental pillar of sustainable development, the territory provides valuable lessons for practices which support social sustainability.

Where Yukon differs from Northern Ontario is in the fact that it currently appears to be in a "boom" period – significant economic growth rates have been observed in recent decades, driven by resource-extractive industry, with strong growth rates projected to continue in the near future (Canadian Northern Economic Development Agency, 2019). Yukon's population is also significantly younger than that of Northern Ontario, with 40% under 25 years-of-age (Canadian Northern Economic Development Agency, 2016). Finally, Yukon's status as a territory translates to a greater, more direct role for the federal government. The federal government possesses the power to manage resources while the territories deliver programs and services, with some land and resource powers devolved (Canadian Northern Economic Development Agency, 2016).

The federal Regional Development Agency for Canada's territories is the Canadian Northern Economic Development Agency, or CanNor. CanNor's mandate is to develop a diversified and sustainable economy across Canada's three territories through a suite of economic development programs and services (Canadian Northern Economic Development Agency, 2016). The agency's current five-year strategic plan, the *Pan-Territorial Growth Strategy*, prioritizes education and training, infrastructure investment, resource development, and diversification and innovation with particular focuses on the tourism industry, supporting the knowledge economy through research and development investment, and fostering connections between businesses, institutions, and communities (CanNor, 2019).

A distinct feature of economic development initiatives in the North is the significant role Indigenous groups play. Indigenous peoples comprise approximately 23% of Yukon's population, and Indigenous Economic Development Corporations are the largest businesses headquartered in the territory (CanNor, 2019). CanNor is the only federal RDA to have a program specifically targeted toward Indigenous economic development (Canada, Parliament, Senate. Special Senate Committee on the Arctic on the Northern Aboriginal Economic Opportunities Program, 2018). This program – the Northern Aboriginal Economic Opportunities Program (NAEOP) – features two funding streams. The first, the Community Readiness and Opportunities Planning fund, is targeted toward improving the economic development capacity of Indigenous communities, enhancing community infrastructure, while the second, the Entrepreneurship and Business Development fund, provides financial support to Indigenous-led businesses and commercial entities (CanNor, 2018a). These streams are therefore aimed at both economic and community development.

First Nations in Yukon Territory have also benefitted from modern land claim and self-government agreements, negotiated and signed between 1993 and 2005. One particular example is the Carcross/Tagish First Nation and its success in pursuing sustainable and inclusive development through self-governance (Ferbey, 2017). The Carcross/Tagish First Nation economic development path was created with community input, and based on the sustainable development pillars of "people, planet, and profit." The Carcross Tagish Management Corporation Access was established with a focus on tourism. A retail village was promoted with low monthly rent for businesses, and a Tiny Homes skill development program was established after residential development was

identified as a means of achieving year-round economic activity. Low-cost capital was made available mainly through self-governance agreements, but the Management Corporation was also able to access capital through CanNor's NAEOP (Canada, Parliament, Senate, 2018).

Ensuring inclusive growth is key to sustainable development initiatives, and the experience of Yukon's First Nation communities in pursuing community-driven development provides successful blueprints for Northern Ontario. By developing strategic economic development plans with local community input, the Carcross/Tagish First Nation was able to pursue an economically diverse development path. Access to financial capital along with the empowerment of local communities played a pivotal role in facilitating what serves as an example of successful sustainable development. This case study provides perhaps the best example of the definition of social sustainability which emphasizes the empowerment and inclusion of local communities in political and economic decision-making.

Chapter 8.

Analysis of Northern Ontario

This section uses a review of academic and grey literature to provide a deeper analysis of regional economic development policy in Northern Ontario. While the recommendations of this study are directed toward the federal government, this section analyzes gaps in both federal and provincial policy toward the region. This is important for understanding components of successful sustainable development policy which are not currently being addressed. The two major policy initiatives currently aimed at economic development for Northern Ontario – the government of Ontario’s “Growth Plan for Northern Ontario” and the federal government’s “Prosperity and Growth Strategy for Northern Ontario” – have been in place since 2011 and 2018, respectively. Together, many of their stated aims and targets align with addressing the identified challenges for achieving sustainable communities in Northern Ontario. However, by analyzing program and policy documents, shortcomings in existing policy can be identified. Evidence has suggested that regional decline has continued despite recent initiatives (Di Matteo, 2017). This section investigates shortcomings in existing regional economic development policy for Northern Ontario using existing literature as well as federal and province program and policy documents.

8.1. Governance Across Jurisdictions

Regional management policy for Northern Ontario is complicated by the fact that it is a sub-provincial region. Policy governance over multiple jurisdictions – federal, provincial, and municipal – can create policy duplication and overlap, resulting in a lack of coordination and responsiveness (Conteh, 2013). This is the case in Northern Ontario, as existing policy initiatives lack concrete measures regarding how various levels of government should be included in economic development policy. Regional economic development policy would benefit from mechanisms which would clearly outline roles and responsibilities of various actors – be they federal, provincial, municipal, treaty organizations, or the private sector.

Secondly, the ability of local communities to have jurisdictional agency and legitimate input over development policy has been identified as an important component of regional development policy, especially as it relates to the development of knowledge-based economies, while strong local governance has been identified as an important component of social sustainability (Conteh, 2013; Conteh, 2012a; Nozick, 1992; Cuthill, 2010). As outlined in Chapter 3, one of the challenges Northern Ontario faces is a lack of political representation, demonstrating weak regional input in decision-making (Robinson 2016; MacKinnon, 2019; Everett, 2020; Conteh, 2013). This extends to its municipal structures; organized into districts rather than counties or regional municipalities, these districts have weaker jurisdiction over local development initiatives than their Southern Ontario counterparts (Conteh, 2013). Municipalities have also, since 1973, received special support grants from higher levels of government, usually provincial. This dependence on grants has contributed to their weakness as policy jurisdictions.

In response to this, Northern Ontario municipalities developed municipal associations – the Northwestern Ontario Municipal Association (NOMA) representing Northwestern Ontario municipalities, the Federation of Northern Ontario Municipalities (FONOM) representing Northeastern Ontario, and the Association of District Municipalities (ADM) functioning as intermediaries. These associations have created a culture of collective action and in recent decades have signalled the desire for more autonomy and collaboration (Conteh, 2013). However, as further illustrated in the following section, the needs of communities within these municipal associations, and indeed across Northern Ontario, are not homogenous, and there is no one-size-fits-all approach.

Finally, a major potential consequence of the lack of long-term policy coordination and responsiveness observed here is the challenge in accessing capital. A lack of access to various forms of financial capital is cited as a major reason why Northern Ontario has been unable to adjust to downturns caused by economic restructuring over recent decades (Gillon, 2006). Venture capital investment is exceedingly rare and there have been issues surrounding major banks' ability or willingness to lend to small businesses in the region. Geographical remoteness presents challenges to accessing capital, and investors can often consider businesses in the region high-risk (Canada, Parliament, House of Commons. Standing Committee on Finance, 2017). Access to capital for Indigenous peoples in particular is significantly limited (Madahbee, 2013). These issues have long been recognized by various provincial and federal governments, but policies

aimed at addressing the issue have continually been marked by sharp or sudden changes, being modified or terminated within a few years based on political whims in Toronto or Ottawa. This again highlights the vulnerability of Northern Ontario to decision-makers outside of the region, and creates challenges for entrepreneurs in the region who require reliable access to capital. “Access to capital in Northern Ontario: Are we getting it right?” (Gillon, 2006) recommends greater policy coordination between federal and provincial agencies, as well as new funding structures which would operate at arms length from general government programming, ensuring long-term commitments to funding in the region.

8.2. Regional Definition and Varying Local Needs

Both federal and provincial policy initiatives in Northern Ontario fail to take into account sub-regional variations in community needs. For example, the “Growth Plan for Northern Ontario” has been described as urban-centric (Schiff, 2020). The Growth Plan focuses on investments in urban communities, including major infrastructure and highway improvements, explicitly targeting the five “economic and service hubs of the North” – Greater Sudbury, Thunder Bay, Sault Ste. Marie, North Bay, and Timmins (Government of Ontario, 2011). There is little mention of support for smaller, rural communities, which account for roughly half of the region’s population. These communities face unique challenges, including more intensified demographic shifts due to rural-urban migration and a shortage of the political and economic resources required to mitigate the effects of economic restructuring (Schiff, 2020). Regional economic development initiatives should provide more targeted investments and address specific needs for various communities within the region.

“Economic Zones of Northern Ontario: City-Regions and Industrial Corridors” (Conteh, 2017) provides a useful analysis of the distinct regions within Northern Ontario and sheds light on their specific characteristics. While the region has long been divided into the Northwest and Northeast through federal agencies, provincial ministries, and municipal associations, this division can be problematic due to the varying economic needs of communities within the region. Additionally, the focus on the five main economic and service hubs as economic clusters may be flawed; many communities instead have economic connections to hubs outside of these cities (e.g., connections to the United States, Manitoba, or Southern Ontario). Conteh (2017) argues that there are actually

eleven regions within Northern Ontario, divided into six “city regions” and five “industrial corridors”, while the Far North may serve as a twelfth. These three categories possess unique requirements for economic development.

Northern Ontario currently lacks sub-regional institutional arrangements which provide platforms for policy collaboration and coordination which would facilitate locally-specific development. The provincial “Growth Plan” outlines the need for such arrangements, suggesting a “regional economic planning area” concept, which would provide an “inclusive, collaborative mechanism for long-term economic development, labour market, and infrastructure planning that crosses municipal boundaries”, and would “involve collaboration among municipalities, Aboriginal communities, Francophone communities and their institutions, business and industry, education and research sectors, and community organizations” (Government of Ontario, 2011). However, after a pilot project established planning areas in Thunder Bay and Greater Sudbury – again splitting the province into east and west, failing to consider sub-regional differences, and dividing Nishnawbe Aski Nation and Anishinabek Nation territories in half – this inadequate pilot project has stalled due to change in provincial government and shifting priorities.

8.3. Indigenous-specific Programs

Indigenous peoples in Canada experience poorer labour market outcomes than the general population, including lower employment rates, labour market participation rates, and earnings (Statistics Canada, 2020c; Statistics Canada, 2020d). This is equally true in Northern Ontario, where Indigenous peoples comprise approximately 16.8% of the population, and face infrastructural barriers to human development, not least of which is lack of access to clean drinking water in many Indigenous communities (Madahbee, 2013; Statistics Canada, 2017a; The National Indigenous Economic Development Board, 2019). Meaningful commitment to collaborative and inclusive engagement and investment in First Nations communities in Northern Ontario is essential to achieving sustainable development in the region.

While both the provincial “Growth Plan for Northern Ontario” and the federal “Prosperity and Growth Strategy for Northern Ontario” recognize the need for policymakers to collaborate with Indigenous communities in investing in and creating more opportunities for Indigenous peoples, there remains a lack of concrete programs

(Government of Ontario, 2011; FedNor, 2018). Initiatives that currently exist are the Government of Ontario's province-wide Indigenous Economic Development Fund, which provides financing to Indigenous businesses, communities, and organizations, and a one-time funding initiative by FedNor in August of 2020 to support economic opportunities in Indigenous communities in the wake of the COVID-19 pandemic (Government of Ontario, 2020b; FedNor, 2020b). Considering that permanent funding programs specific to Francophone communities (Economic Development Initiative) and women (Women Entrepreneurship Strategy) currently exist under FedNor, the lack of a comparable federal program for Indigenous communities in the region presents a considerable policy gap (FedNor, 2020a).

8.4. Additional Considerations

8.4.1. Investment in Infrastructure

Particularly for remote or rural communities in the region, there exists an infrastructure deficit which presents a significant barrier to sustainable development if left unaddressed. These infrastructure needs are varied: an under-investment in transportation infrastructure leaves many communities disconnected from each other, with negative social and economic impacts (Kronfli, 2018); many communities in the region lack access to essential health care, and the region experiences a lower life expectancy than the provincial average (Health Quality Ontario, 2017); elementary and secondary schools in the region are disadvantaged by a provincial funding formula which leaves them with fewer resources, while many Indigenous students are forced to leave their communities in order access to secondary school (People for Education, 2017; Talaga, 2017); access to reliable, affordable internet – increasingly a necessity – remains a challenge for many communities (Masse, 2016); while an alarming number of First Nations communities in the region still lack access even to safe drinking water (Northern Policy Institute, 2018). These are all considerable, demanding challenges for the region, with inherent jurisdictional complications. Long-term, strategic investment in the region's infrastructure must be made to advance the sustainability of Northern Ontario's communities.

8.4.2. Commitment to Reconciliation

The effects of colonialism in the region are ongoing, and a strong commitment to reconciliation with Indigenous peoples is crucial to any meaningful, inclusive sustainable development initiatives in Northern Ontario. Of the residential schools identified by the Indian Residential Schools Settlement Agreement, 13 were located in Northern Ontario. The legacy of residential schools and the process of cultural genocide which marks Canada's relationship with Indigenous peoples continues to be present in the region, and can be observed through the child welfare system, the education system, the failure to preserve Indigenous language and culture, dramatic health disparities, and the over-incarceration of Indigenous people (Truth and Reconciliation Commission of Canada, 2015). The full implementation of the Truth and Reconciliation Commission's 94 calls to action is an important first step in repairing this relationship. Collaborative, inclusive engagement with Northern Ontario's Indigenous peoples is imperative for any concept of sustainable development in the region.

Chapter 9.

Summary of Analysis

The case study analysis revealed the relative successes of New Brunswick, rural and northern Manitoba, and Yukon in some if not all of the three pillars of sustainable development. While these case studies may not be perfect examples of sustainable development, the jurisdictional scan conducted here provides useful insight into potential sustainable development strategies which can be translated to Northern Ontario's context. All three jurisdictions experienced sustained growth in employment, demographic growth, and some degree of empowerment of local communities through their regional economic development policy. New Brunswick and rural and northern Manitoba experienced reductions to greenhouse gas emissions tied to a greater diversification of their economies. Notable features of regional economic development policy within these jurisdictions which are absent in Northern Ontario are strong levels of policy collaboration and coordination between levels of government, and the empowerment of local communities in regional development policy.

As regional management policy is administered over multiple levels of government, a lack of policy coordination creates the potential for policy overlap and duplication. This can reduce the effectiveness or responsiveness of regional development policy (Conteh, 2013). One result of this is limited access to capital for regional communities due to ineffective policies. Coordination as well as collaboration between jurisdictions is crucial in maximizing regional economic development efforts, and can be particularly important in driving innovation-led economic development. Northern Ontario currently experiences overlap in its regional economic development policy, and would benefit from increased collaboration among various government actors with clearly outlined roles and responsibilities.

The ability of local communities to have input over decision-making in regional affairs, in addition to being an indicator of social sustainability, has been identified as an important component of successful regional economic development, especially as it relates to the emergence of knowledge-driven economies. The region of Northern Ontario demonstrates weak regional or local influence in decision-making, and a lack of regional

political control. If regional development policy is going to be successful in promoting sustainable development in Northern Ontario, institutional legitimacy must be given to local actors to have control over their own communities.

With this analysis and the gaps identified in Northern Ontario's economic development policy considered, I would like to revisit the definitions of economic, social, and environmental sustainability discussed in Chapter 2 in order to better direct the following policy analysis. Economic sustainability in the context of economic development necessitates that governments develop the capacities of economic actors by providing services which the market cannot, and with large time horizons. Thus, stable and long-term access to capital for firms in Northern Ontario should be prioritized. Social sustainability has competing definitions, including demographic trends and the inclusion or empowerment of local communities. This study considers the focus on demographic change to be outside the mandate of FedNor; a Rural and Northern Immigration pilot program does currently exist under Immigration, Refugees and Citizenship Canada, with participation from cities in Northern Ontario (IRCC, 2021). Additionally, as the program's job offer requirement suggests, demographic trends are intrinsically tied to economic performance. Therefore, the empowerment of local communities, and the creation of institutional arrangements which facilitate their inclusion, should be prioritized. Finally, the case studies where the greatest reductions in greenhouse gas emissions were observed demonstrated greater economic diversification, with economic growth in service-sector industries. Northern Ontario experiences low levels of economic diversity, with a continued reliance on resource extraction. Therefore, the diversification of Northern Ontario's economy away from resource extraction should be prioritized. These definitions, and their relationship to proposed policy evaluation criteria, are summarized in Table 3.

Table 3. Review of definitions and evaluation criteria

| | Economic Sustainability | Social Sustainability | Environmental Sustainability |
|--|--|--|---|
| Role of regional economic development policy | <ul style="list-style-type: none"> Develop the capacities of economic actors by providing services which the market cannot over large time horizons | <ul style="list-style-type: none"> Empower and include local communities in decision-making processes | <ul style="list-style-type: none"> Lessen the reliance on resource extraction within the regional economy |
| |  |  |  |
| Actions to address gaps identified | <ul style="list-style-type: none"> Provide stable and long-term access to capital for enterprises within Northern Ontario | <ul style="list-style-type: none"> Increase the institutional capacity of local communities to participate in decision-making | <ul style="list-style-type: none"> Promote the diversification of the regional economy, encouraging growth in sectors other than primary resource industries |

Chapter 10.

Policy Objectives, Criteria, and Options

There are three primary objectives at the core of this analysis, each representing one pillar of sustainable development, and drawn from policy gaps identified for the region. These are: (1) to provide stable and long-term access to capital for enterprises within Northern Ontario; (2) to increase the institutional capacity of local communities to participate in decision-making; and (3) to promote the diversification of the regional economy, encouraging growth in sectors other than primary resource industries. Long-term, the goal of each policy is to mitigate the socio-economic decline observed in Northern Ontario and to promote sustainable development for communities in the region.

10.1. Evaluation Criteria

This section outlines the criteria and measures used in the analysis of each policy option. Effectiveness is the primary objective of this analysis, using three different measures. The secondary objectives used in this analysis are: cost to government; administrative ease; and political viability. These criteria and measures are summarized in Table 2.

The effectiveness criterion attempts to determine the performance of the policy option in contributing to each pillar of sustainable development: economic well-being, environmental well-being, and social well-being, without diminishing the ability of future generations to meet their own needs. Based on these pillars, policies are analyzed according to their ability to: (1) provide stable and long-term access to capital for firms in the region; (2) increase the institutional capacity of local communities to participate in political and economic decision-making; and (3) promote diversification of the local economy, away from resource extraction industries. Each policy will be scored on the basis of making significant improvement (3), moderate improvement (2), or little to no improvement (1) to each criterion. These totals are doubled, to (6), (4), and (2), respectively, in order to weight the “Effectiveness” objective relative to the others. Each policy option has a precedent in Canadian regional economic development policy; the effectiveness of a policy option to achieve its goals should drive the policy analysis.

For cost to government, the expected monetary or budgetary impact for each policy option is evaluated. Policy options are analyzed based on the following levels and corresponding scores: low cost (3), moderate cost (2), and high cost (1). These levels are based on each policy option's cost relative to the alternatives.

The administrative ease criterion is a government objective, evaluating the ease of policy implementation based on the level of intergovernmental coordination required. Policy options are ranked based on a high (3), medium (2), and low (1) measurement of administrative ease, with the necessitation of greater intergovernmental coordination for policy implementation causing a policy option to rank lower.

Finally, the political viability criterion seeks to determine the extent to which each policy option aligns with current government policy objectives. Government initiatives, activities, documents, and public statements are used to determine policy alignment. Policy options are ranked based on a high (3), medium (2), and low (1) measurement of political viability.

Table 4. Criteria and measures

| Criterion | Definition | Measure |
|-------------------------|---|------------------------------|
| Effectiveness | | |
| Economic Sustainability | Extent to which the policy will provide stable and long-term access to capital for firms in Northern Ontario | Significant improvement (6) |
| | | Moderate improvement (4) |
| | | Little to no improvement (2) |
| Social Sustainability | Extent to which the policy will increase the institutional capacity of local communities to participate in political and economic decision-making | Significant improvement (6) |
| | | Moderate improvement (4) |
| | | Little to no improvement (2) |

| Criterion | Definition | Measure |
|--------------------------------|--|------------------------------|
| Environmental Sustainability | Extent to which the policy will promote diversification of regional economy away from resource extraction industries | Significant improvement (6) |
| | | Moderate improvement (4) |
| | | Little to no improvement (2) |
| Cost | | |
| Increase in Cost to Government | Average annual monetary cost or budgetary impact to government | Low cost (3) |
| | | Moderate cost (2) |
| | | High cost (1) |
| Administrative Ease | | |
| Ease of Policy Implementation | Level of intergovernmental coordination require to implement policy | High (3) |
| | | Medium (2) |
| | | Low (1) |
| Political Viability | | |
| Support from Government | Extent to which the policy aligns with current government policy | High (3) |
| | | Medium (2) |
| | | Low (1) |

10.2. Policy Options

Three policy options are identified through analysis of current regional economic development policy and case study analysis. They include greater funding through the creation of new programs, the creation of new institutions, and a market-based solution to increasing access to capital. Each option seeks to address gaps identified in current regional management policy which present challenges to sustainable development in Northern Ontario.

10.2.1. Option 1: Indigenous-focused FedNor Program

Access to capital in the region is significantly limited, and this is especially true for the region's Indigenous population. Despite being the region's fastest-growing demographic and experiencing significantly poorer labour market outcomes, Northern Ontario's Indigenous population lacks a permanent and targeted funding program through the region's federal Regional Development Agency, FedNor. At the same time, FedNor receives less per-capita funding than its equivalent agencies in Atlantic Canada (ACOA) and Canada's Territories (CanNor) (Appendix A). This policy option would increase overall funding through the addition of a permanent, Indigenous-focused funding program, modelled after CanNor's Northern Aboriginal Economic Opportunities Program (NAEOP) and scaled up to meet Northern Ontario's larger Indigenous population.

The program would have two funding streams, one which would make financing available for Indigenous communities to improve economic capacity and promote community development, and one which would provide financial support to Indigenous-led businesses and commercial entities. This two-stream approach would address gaps related to community development as well as improving access to funding for enterprises which otherwise may have difficulty. This option also increases the overall funding to the region as a whole, increasing FedNor expenditure by \$21.75m, or roughly a third of its 2018-19 totals. By making the program permanent, as opposed to recent one-time investments in Indigenous businesses and communities, access to capital would be made more predictable long-term.

10.2.2. Option 2: Regional Economic Planning Agencies

Coordination and collaboration between levels of government, as well as decision-making power and input from local communities, are contributors to successful regional economic development policy. Northern Ontario lacks both of these factors, as federal and provincial development initiatives are disjointed while local communities lack authority and institutional legitimacy in decision-making in economic development initiatives. The districts in Northern Ontario lack the political authority enjoyed by regional municipalities in the province's south, leaving rural or incorporated areas without a voice, while current

regional constructs – typically dividing the region into northeast and northwest – do not reflect the different needs of communities within those regions.

This option would implement Regional Economic Planning Agencies to function as forums for federal, provincial, municipal, First Nation, and business and industry representatives to collaborate in long-term economic development and infrastructure planning across municipal boundaries. Based on similar agencies observed in the literature on local participation in economic decision-making in New Brunswick, the need for such agencies is likewise outlined in Ontario’s “Growth Plan for Northern Ontario”, but have yet to be implemented in Northern Ontario due to change in government and shifting priorities (Government of Ontario, 2011). The number of agencies and the regions covered by these agencies would be determined based on regional economic ties, location of local government entities, and location of educational institutions. A minimum of five agencies would be established, centered around each of the region’s five main hub cities. Funded by the federal, provincial, and municipal governments, these agencies would operate at arms-length from regular government programming, ensuring stability through long-term funding agreements, allowing for the alignment of federal and provincial development initiatives. This option also seeks to create channels for addressing distinct local needs, rather than treating the region of Northern Ontario as a monolith.

10.2.3. Option 3: Northern Ontario Investment Tax Credit

A lack of consistent access to financial capital is cited as a major reason why Northern Ontario has been unable to adjust to economic downturns in recent decades (Gillon, 2006). Capital investment will naturally focus on proven areas. This presents a market failure in the region and the potential for government intervention. This option is a market-based approach, incentivizing capital investment in the region through a 10% federal income tax credit for qualifying acquisitions in the region. Based on the Atlantic Investment Tax Credit, the Northern Ontario Investment Tax Credit would be a personal and corporate income tax credit available for the acquisition of new buildings, machinery and equipment, and prescribed energy and conservation property, intended to encourage or attract investment in the region.

Chapter 11.

Evaluation of Policy Options

The policy options outlined in Chapter 10 are analyzed here using the criteria and measures as described in Table 2. The findings are summarized at the end of this chapter, followed by final recommendations and considerations for policy implementation. Results of the full analysis are demonstrated in Table 5.

11.1. Option 1: Indigenous-focused FedNor Program

Effectiveness

In terms of increasing stable and long-term access to capital for enterprises within the region, the addition of an Indigenous-specific economic development program through FedNor is expected to provide significant improvement. Implementing an Indigenous-specific funding program while keeping expenditure for regular programming at previous levels as a means of increasing overall access to capital, based off of Cannon's NAEOP and scaled to Northern Ontario's Indigenous population, would increase FedNor's overall expenditure by roughly 34%. While still leaving FedNor behind ACOA and CanNor in terms of per-capita expenditure, this would represent a significant increase in the amount of funding made available through FedNor. By making the program permanent, funding would also be more predictable and stable over the long term.

Regarding increasing the institutional capacity for local communities to participate in decision-making processes, this policy option ranks as low. While there may be some improvements to community economic capacity, especially through the community-focused funding stream, this option ultimately is an escalation of current top-down approaches to investment, which have been shown to be insufficient in increasing the political capacity of local communities. This option does not provide for collaborative forums or increased self-governance capacity.

Finally, regarding the promotion of economic diversification, this policy option ranks as achieving moderate improvement. Current FedNor initiatives are heavily focused on innovative technologies, creating innovative ecosystems or clusters, and targeting the

manufacturing industry, and this option will increase overall funding to those initiatives (FedNor, 2020a). Additionally, many of Northern Ontario's First Nations communities are well-situated to become involved in green energy initiatives, while Indigenous tourism is also becoming a growing industry (Madahbee, 2013; CanNor, 2019). The increased availability of capital to Indigenous-led businesses may lead to further development of these sectors, thereby increasing the diversity of the regional economy. However, the program does not inherently promote these activities, and the presence of capital alone may be insufficient without other factors, including educational or skill development opportunities.

Cost

For the fiscal year 2018-19, CanNor's NAEOP provided approximately \$10.09m in funding – \$6.5m through the Community Readiness and Opportunities Planning fund and \$3.59m through the Entrepreneurship and Business Development fund (CanNor, 2020). This total is in line with annual expenditures through the previous decade (CanNor, 2018b). The Indigenous population of the Territories according to the 2016 census was approximately 59,605, while for Northern Ontario the Indigenous population was 128,470 (Statistics Canada, 2017a; Statistics Canada, 2017b; Statistics Canada, 2017c). By scaling up the program to meet Northern Ontario's Indigenous population, as a rough estimate, this option would cost approximately \$21.75m (Appendix B).

Administrative Ease

In terms of ease of implementation, this policy option ranks as high. Because the option would only require action from the federal government, there is no need for significant coordination between levels of government. While the creation and implementation of a new funding program would create some administrative burden, similar programs already exist and this effort is judged to be relatively minimal. Additionally, the fact that FedNor exists as a program delivery vehicle rather than a full-fledged agency like its other federal RDA counterparts may actually present a benefit, as the federal government could simply enact the program without added levels of bureaucracy.

Political Viability

Regarding political viability, this policy option is largely in line with current federal policy goals, and therefore ranks as high. FedNor's current "Prosperity and Growth Strategy for Northern Ontario" cites the need to build the economic development capacity of Indigenous communities (FedNor, 2018). Likewise, in light of the COVID-19 pandemic, the federal government announced added investment in Indigenous communities in Northern Ontario through FedNor in August of 2020, totalling over \$13m, while citing the need to continue efforts toward reconciliation as well as committing to creating economic opportunities for Indigenous communities and businesses (FedNor, 2020b). This policy option would further contribute to these stated goals, while making funding streams permanent.

11.2. Option 2: Regional Economic Planning Agencies

Effectiveness

While the creation of Regional Economic Planning Agencies does not necessarily increase the amount of capital made available to enterprises within the region, its position as an agency at arms-length from regular government programming and its long-term funding agreements create more stable and long-term access to capital, and therefore creates moderate improvements to this criterion. The frequent modification of programs which seek to provide businesses with access to capital based on change in government has been cited as a challenge for businesses in the region, and this option would remedy this issue (Gillon, 2006). Additionally, the coordination that these collaborative agencies would encourage between levels of government may allow funding initiatives to be better targeted, increasing efficiency through elimination of program duplication or overlap.

Regarding the increase in the institutional capacity of local communities to participate in decision-making, this is a particular strength of the policy option and ranks highly, creating significant improvement. For a region which lacks local political control and has historically been vulnerable to the forces of outside political and economic decision-making, the creation of Regional Economic Planning Agencies will create a framework for collaboration and coordination in the region, giving local communities greater institutional legitimacy over community development. This can be especially

significant for more rural or unincorporated communities, which would be given greater opportunity to collaborate with regional partners.

For the environmental sustainability objective which seeks to encourage economic diversification away from extractive resource industries, this policy option achieves moderate improvement. While these agencies do not inherently promote more sustainable environmental practices, jurisdictional collaboration and coordination as well as local input and the creation of regional economic clusters are considered important in the facilitation of innovation or knowledge economies (Conteh, 2013). By creating collaborative regional agencies, this option may assist in unlocking innovative economic clusters in Northern Ontario.

Cost

A 2012 report for a Regional Economic Planning Agency pilot project centered in Thunder Bay and incorporating the Thunder Bay, Kenora, and Rainy River districts provides a useful range of estimated administrative costs through the first five years of the proposed agency, with the average annual cost totalling \$760,000 (Northwestern Ontario Joint Task Force, 2012). These estimates incorporate recruitment, overhead, research, and in-kind costs. Adjusted to 2019 dollars to match fiscal year spending estimates for the other two policy options, at an average rate of inflation of 1.38% per year between 2012 and 2019, this would equal approximately \$836,500. Funding is sourced 44% from the federal government, 44% from the provincial government, and 12% from regional municipal governments.

Total cost would depend on the final number of regional agencies administered, which would need to be determined based on criteria outlined in the option. I propose that five agencies, centered around the region's five major cities, serve as the minimum, while the 11 distinct city regions and industrial corridors identified in "Economic Zones of Northern Ontario: City-Regions and Industrial Corridors" (Conteh, 2017) plus the far north of the province provide a potential maximum of 12 agencies. This allows the calculation of a rough annual cost estimate ranging from \$4.18m to \$10.04m. Even at the high end, this option ranks as the least expensive option.

This costing only includes administrative or operational costs and does not account for any increases to program funding. It is assumed that, through increased collaboration

and coordination between governments, and the elimination of policy overlap, present levels program funding can be more effective, directed, and responsive to regional needs. However, it is possible that program funding may increase under this option as well.

Administrative Ease

When considering ease of implementation, this policy ranks as low. In order to effectively implement, Regional Economic Planning Agencies would require buy-in and coordination between all levels of government. As demonstrated by a provincial pilot project, which failed to take into account specific local needs and lost momentum due to changing provincial political priorities, the long-term commitment needed to effectively implement this option is significant. Furthermore, because the municipal structure is different in Northern Ontario than it is in Southern Ontario, where land use planning in some municipalities and in unincorporated areas may be shared with planning boards, the provincial Minister of Municipal Affairs and Housing, and the Ministry of Natural Resources and Forestry, the participation of these communities in Regional Economic Planning Agencies may be particularly complicated (Government of Ontario, 2020a).

Political Viability

The creation of collaborative regional agencies is moderately in line with current policy initiatives. The federal government has signalled its willingness to participate in similar arrangements in the past, including through the ACOA in New Brunswick, and engages in economic development policy coordination with provincial governments through Western Economic Diversification's Western Economic Partnership Agreements. FedNor's "Prosperity and Growth Strategy for Northern Ontario" likewise recognizes the need for collaboration and coordination in the region (FedNor, 2018). However, while the province's "Growth Plan for Northern Ontario" recognizes the need for such agencies, it must be noted that the plan was developed under the previous government while the current provincial government has not indicated any intention to move forward with a similar option (Government of Ontario, 2011). At the local level, the region continues to demonstrate weak local influence in decision-making and a lack of regional political control and coordination, while dissatisfaction with government in general is widespread (Robinson, 2016). With this in mind, I suspect that local political support for this option would remain high.

11.3. Option 3: Northern Ontario Investment Tax Credit

Effectiveness

The proposed tax credit moderately provides stable and long-term access to capital for enterprises within Northern Ontario. When looking at the Atlantic Investment Tax Credit, roughly 5,000 individuals and 5,700 corporations claim the tax credit annually, suggesting that the policy may be encouraging investment in the region (Gonzalez & Speer, 2019). Adjusting those numbers to Northern Ontario's population creates a crude estimate of 1670 individuals and 1900 corporations taking advantage of the proposed tax credit annually. The question becomes how much of this is investment that otherwise would not be occurring in the region without the tax incentive in place. A report on the implementation of Tax Incentive Zones in Northern Ontario, a similar provincial tax scheme which was never fully implemented due to change in government, found that taxes are far from the only factor affecting investment, with proximity to major markets and labour supply playing decisive roles (Lakehead University, 2003). This option would have no effect on breaking down these other barriers to investment. Literature on similar tax incentives for investment in distressed areas, including Enterprise Zones and Opportunity Zones in the United States, cast doubt on their ability to induce economic growth (Peters & Fisher, 2002; Theodos, González & Meixell, 2020). While a more thorough cost-benefit analysis of this option would be required, it cannot currently be said to significantly increase long-term access to capital in the region.

This option ranks low in its ability to empower local communities' decision-making power through building institutional capacity. For a region which has been and continues to be vulnerable to outside political and economic decision making, attracting greater outside investment could amplify this factor. Greater access to capital may empower local firms, and these tax incentives may encourage local individuals and corporations to invest more in their own region. However, this policy option on its own does not contribute to local institutional capacity for decision making within the region.

Environmentally, investment would likely focus on Northern Ontario's competitive advantage in the extractive natural resource industries. This policy option may intensify the region's reliance on resource industries, failing to provide incentives to facilitate the conditions which would contribute to economic diversification. Therefore, this policy option ranks as "low" for this criterion.

Cost

To determine the cost of this policy option, I use the Atlantic Investment Tax Credit as a base. The loss of federal income tax revenue from Atlantic tax incentive, while varying greatly from year to year, translates to an average annual cost of \$280.6m (Department of Finance Canada, 2020). Adjusting for Northern Ontario's population produces a rough total estimated annual cost of \$93.67m for this policy option. This ranks as the most expensive policy option.

Administrative Ease

Regarding ease of implementation, the Northern Ontario Investment Tax Credit ranks highly. The federal government could act unilaterally in enacting the tax incentive, not requiring coordination with provincial or municipal governments. The administrative burden associated with implementation here is negligible.

Political Viability

Tax incentives designed to increase private-sector investment enjoy broad support from multiple levels of government. Provincially, the Government of Ontario has explored designating the provincial north as a tax-incentivized investment zone in the past, and has signalled new interest in such a policy in 2020 (Gonzalez & Speer, 2019; Hudak, 2020). Federally, while the current Liberal government did not enact the Atlantic Investment Tax Credit, it has maintained the regional tax incentive while continuing to tailor it to its environmental goals by phasing out eligibility for the oil and gas sector (Canada Revenue Agency, 2019). The Liberal Party has continued to advocate for tax incentives to achieve their policy goals, including tax credits for investment in renewable energy (Liberal Party of Canada, 2019). Based on this, a Northern Ontario Tax Credit ranks high in political viability.

Table 5. Policy option evaluation

| Objective/Criterion | Option 1: Increase FedNor Funding Through Indigenous- Specific Program | Option 2: Regional Economic Planning Agencies | Option 3: Northern Ontario Investment Tax Credit |
|--------------------------------|---|--|---|
| Effectiveness | | | |
| Economic | Significant Improvement (6) | Moderate Improvement (4) | Moderate Improvement (4) |
| Social | Little to No Improvement (2) | Significant Improvement (6) | Little to No Improvement (2) |
| Environmental | Moderate Improvement (4) | Moderate Improvement (4) | Little to No Improvement (2) |
| Cost | | | |
| Increase in Cost to Government | \$21.75m (2) | \$4.18m - \$10.04m (3) | \$93.67m (1) |
| Administrative Ease | | | |
| Ease of Policy Implementation | High (3) | Low (1) | High (3) |
| Political Viability | | | |
| Support from Government | High (3) | Moderate (2) | High (3) |
| Total | 20 | 20 | 15 |

11.4. Summary of Analysis

The first policy option, which would implement an Indigenous-focused funding program through FedNor and increase FedNor's overall funding by 34%, is tied for the highest-ranking option. While it does not rank highest in effectiveness, its relative strengths are its moderate cost, ease of implementation, and alignment with current federal government policy initiatives. While providing significant improvement to access to capital for businesses and community-led projects in the region, the option lacks the ability to build institutional capacity for local communities to participate in decision-making processes; it continues a top-down approach to development policy.

The second policy option, the implementation of Regional Economic Planning Agencies, ties as the highest-ranking option, and features the converse strengths and weaknesses as the first option. By creating institutions for intergovernmental collaboration and coordination, centered around sub-regional jurisdictions, the strength of this option is driven by its ability to give voice to local actors, as well as by its relatively low average annual cost. However, the assembly of each level of government into a new institutional framework necessitates extensive buy-in from stakeholders and a high degree of administrative burden, and this poses the policy option's major drawback.

Finally, the implementation of a "Northern Ontario Investment Tax Credit" scores the lowest of the three policy options analyzed here. Its ease of implementation and high political viability are not enough to make up for its high cost and relatively low effectiveness. While the policy was targeted toward increasing access to capital in the region, this analysis finds that tax incentives such as this may only be moderately effective, while offering little to no improvement in the social and environmental pillars of sustainable development.

Chapter 12.

Recommendations and Implementation

This paper makes two recommendations for promoting sustainable development in Northern Ontario. The first is the implementation of an Indigenous-focused funding program through FedNor, the federal government's economic development organization for Northern Ontario, while increasing overall FedNor funding by one third. This policy has the advantage of being implemented immediately, with low administrative burden, alignment with federal government policy initiatives, and low risk due to its relatively low cost. FedNor will still receive less funding per-capita than its counterpart agencies in Atlantic Canada and the Territories. It should be noted, this option is not suitable long-term. Through this option, the government will continue to pick "winners and losers" in the region without making meaningful contributions to building local community capacity. It will, however, provide much-needed access to capital for underserved communities in the near term.

The second recommendation is to implement Regional Economic Planning Agencies in Northern Ontario. This is a longer-term option which provides an institutional platform for collaborative economic development, labour market, and infrastructure planning, giving voice to local communities in decision-making processes. As demonstrated by the fact that the current provincial "Growth Plan for Northern Ontario" outlines the need for such agencies, but a lack of momentum and changing political priorities have stalled their implementation, this option requires considerable political will. The federal government should engage the provincial government and advocate for the policy option, which is outlined in the province's own planning document, to propel implementation. Among the challenges of implementation are determining the jurisdictional boundaries for these sub-regional agencies based on a set of criteria, establishing cost-sharing agreements, and aligning federal and provincial policy initiatives.

Chapter 13.

Conclusion

This study has explored sustainable development policy in Northern Ontario, placing its experiences with regional economic development policy within the broader Canadian context. While the role of the federal government was prioritized, it recognizes the crucial role of the provincial government, as effective regional management policy requires policy coordination across jurisdictions. It recommends a short-term policy option which is in effect a redoubling of current federal efforts, as well as a long-term option which reimagines the processes by which regional development is constructed in Northern Ontario. The need for policy alignment across jurisdictions, the need for jurisdictional agency for local communities over development policy, the need to support Indigenous-led community and economic development, and the need for access to financial capital in the region are identified.

With regards to promoting sustainability in such a vast and sparsely-populated region, successes will be gradual and felt at the margins. However, with greater investment, intergovernmental coordination, and the empowerment of local communities in the region, the socio-economic trends outlined here which present challenges to sustainability for Northern Ontario's communities can be reversed. There is no reason that Northern Ontario cannot experience the same successes observed in other Canadian regions which face the same challenges.

The approach of this study features a number of limitations. First, it relied on the experiences of only three case studies, all of which were located in Canada. While the cases outlined in this jurisdictional scan outperformed Northern Ontario in a number of metrics and contributed important potential paths forward, it could be argued that these case studies themselves fall short in certain of sustainable development. This study would benefit from an expanded jurisdictional review, especially one which incorporated international experiences with sustainable development in resource-dependent rural or northern regions. Second, as mentioned, the region of Northern Ontario should be seen as multiple "norths", with distinct local needs. While this study opted to recommend the creation of institutions whereby local actors can give voice to those specific needs, a more

in-depth analysis of what those varying needs are could lead to more targeted policy solutions for the region. Northern Ontario would also benefit from a study of alternative models of local governance. Third, this study would benefit from more in-depth and precise costing analysis, particularly as it relates to the investment tax credit policy option, where the benefits of new private-sector capital investment may not be accounted for. Fourth, this study eschewed policies which would target demographic-based solutions to the issues that Northern Ontario faces, instead focusing on solutions which fall more within the mandate of regional economic development initiatives.

Finally, while the policy options recommended here are important steps forward, they will not eliminate the threats to sustainability for Northern Ontario's communities. Success will depend on significant political will and a dedication to meaningful reconciliation with First Nations in the region. There is a clear need for an investment in infrastructure in the region, which in many ways should be seen as a precondition for successful regional economic development. Federal and provincial actors alike should commit to using data to produce targets and measures, setting goals and reassessing their course. Lastly, there is reason to believe that the region would benefit if FedNor is afforded the type of organizational autonomy exhibited by Canada's other RDAs. Altogether, there are the makings of a path forward for this long-underserved region, should policymakers choose to take it.

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Appendix A.

| Federal RDA | Region | Total Funding, 2018-19 | Internal Services Expenditure, 2018-19 | Funding without Internal Services | Population of Region, 2019 | Per Capita Funding |
|--|------------------|------------------------|--|-----------------------------------|----------------------------|--------------------|
| Western Economic Diversification | Western Canada | 242,367,540 | 13,624,580 | 228,742,960 | 11,994,491 | 19.07 |
| Atlantic Canada Opportunities Agency | Atlantic Canada | 349,597,552 | 26,243,126 | 323,354,426 | 2,427,353 | 133.21 |
| Canada Economic Development for Quebec Regions | Quebec | 293,136,844 | 19,738,917 | 273,397,927 | 8,501,703 | 32.16 |
| Federal Economic Development Agency for Southern Ontario | Southern Ontario | 236,705,798 | 16,648,044 | 220,057,754 | 13,734,407 | 16.02 |
| Canadian Northern Economic Development Agency | Territories | 45,823,015 | 6,595,451 | 39,227,564 | 125,119 | 313.52 |
| Federal Economic Development Initiative for Northern Ontario | Northern Ontario | 58,038,670 | N/A | 58,038,670 | 810,311 | 71.63 |

Data from Statistics Canada (2020h) & Treasury Board Secretariat (2020)

Appendix B.

| NAEOP, 2018-19 Funding (\$) | | Indigenous Population, Territories, 2016 Census | Indigenous Population, Northern Ontario, 2016 Census | Funding Adjusted for Northern Ontario (\$) |
|---|------------|---|--|--|
| Community Readiness and Opportunities Planning | 6,500,000 | 59,605 | 128,470 | 21,747,543 |
| Entrepreneurship and Business Development, Alternate Service Delivery | 2,700,000 | | | |
| Entrepreneurship and Business Development, Direct Funding | 890,000 | | | |
| Total | 10,090,000 | | | |

Data from Statistics Canada (2017a, 2017b, 2017c) & CanNor (2020)