Governance that ‘Wood’ Work: Constructing Effective Rural Policy for British Columbia

by

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Abstract

For much of the 20th century, many rural communities in British Columbia were designed as industry specific ‘company towns,’ that were created to extract natural resources from the surrounding environment as a means of economic development. However, technological advancements that have come in the modern day have exposed an underlying vulnerability in these communities. Communities that are resource-dependent face issues of out-migration, population aging, and lower levels of tertiary education. These barriers constrain the ability of rural municipalities to provide vital community planning and development services that could develop and diversify their economies away from a single industry.

This study will analyze three provincial policy options that could better promote economic development in resource-dependent communities in British Columbia. This is done through comparing outcomes in BC with the experience Quebec and Finland, two other economies that rely heavily on forestry production and wood-product manufacturing for employment in rural areas. Ultimately, it is recommended that the province implement a Community Development Bank to support the diversification of rural resource-dependent communities.

Keywords: British Columbia, rural, economic development, resource-dependence, wood-product manufacturing

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Executive Summary

Many rural areas in British Columbia have developed their economies through the production of a single resource, such as forestry, mining, or fishing. Industry specific ‘company towns,’ were created to extract natural resources from the surrounding environment, and industrial expansion was supported through provincial policy that built high quality local infrastructure. This stable arrangement between industry and government resulted in a prolonged period of growth in the rural areas of the province, shaping how rural economies are structured today.

However, over time technological advancement and emphasis on cost-minimization in resource operations has replaced the need for much of the employment these industries supported. Growth in rural areas has stagnated as younger, more ‘economically active’ residents have moved to urban areas seeking more opportunities. At the same time, policymakers have focused on cities as the engines of national economies, while rural development policy has been seen as a cost to government. This has constrained the ability for rural communities to develop and diversify their economies away from resource dependence.

However, there are examples of how government investment in rural communities can result in increased local economic activity, benefitting both rural residents and the province as a whole. This study explores the economic development potential of rural communities in BC. It identifies how resource-dependent communities are constrained in developing their economies, and evaluates three policy options that could better promote economic development in resource-dependent communities in British Columbia.

The study employs a mixed-method approach in its analysis. It uses results from the Canadian census, case studies of two comparable jurisdictions, and six expert interviews to identify both the challenges present in rural British Columbia, as well as the options available to promote rural economic development. Results of the analysis are used to inform the creation of four ‘Rural Policy Best Practices.’ Each practice targets one of the four specific issues in BC, and are used to measure the effectiveness of three policy options are available to the provincial government.

This study evaluates three policy options, (1) *Increasing Funding to Regional Economic Trust Grant Programs, (2) Negotiating Regional Development Agreements, and (3) Creating a Community Development Bank.* These options were derived from both the case studies, as well as based on previous recommendations made in the literature. Assessing the effectiveness of each option is the primary objective of this study, however three secondary considerations are also included in the analysis - community acceptance, ease of implementation, and cost.

The recommended option of this capstone is the establishment of a Community Development Bank. This option would dedicate a fraction of provincial revenues in high growth years to be distributed to rural communities to support the planning and development of infrastructure projects over time. While the other options possessed their own benefits, this option performed the best on the evaluation criteria in a way that both meets the main objective of this study, while minimizing costs associated with implementation.

Chapter 1.

Introduction

Overview

Across the developed world, rural communities are increasingly being challenged by a changing economy where economic development is driven by the sharing and networking of information (OECD, 2014). The Organization of Economic Cooperation and Development (OECD) notes that development is far less demanding in an urban context, leading to large productivity gains in cities, rapidly outpacing those in rural areas. As a result, policymakers have focused on urban areas as the engines of national economies, discounting the potential for future growth in rural communities.

Historically, much of the development of rural British Columbia (BC) was the result of the expansion of resource extractive industries, most notably the forestry industry (Hayter, 2000) but also mining and in the coastal regions, fishing. Local economies were built to specialize in the production of a single resource; provincial investment in areas such as electrification and transportation infrastructure were made with the intention of facilitating the movement of products to market (Halseth & Ryser, 2017). Additionally, public services such as hospitals and schools were built to make communities more attractive for workers to live (Hayter, 2000).

While the production of a single resource brought prosperity to rural areas, it has also entrenched long term barriers to development. Economic specialization in resource communities across Canada has been shown to drive up wages (Polese & Simard, 2012). However, industrial operations in some rural areas have rapidly increased their productivity through technological advancements made to replace the need for large workforces. In 2013, an estimated 40% of BC's regional economies were dependent on harvesting and processing of forestry products (MNP LLP, 2015). A high concentration of employment in a single industry crowds out efforts to diversify the economy, making communities more susceptible to the boom and bust cycles of commodities in a globalized market.

Without other opportunities, communities struggle to retain and grow “economically active” populations (Halseth, 2015). Technological advancements have eroded rural communities, diminishing the tax base and presenting challenges for local government in delivering key services. Yet communities are still incentivized to attract large-scale industrial operations through tax breaks and other benefits, as they search for ‘quick wins’ that bring about employment opportunity (Halseth & Ryser, 2016).

A number of other OECD members have been able to cultivate rural amenities to attract and grow employment (OECD, 2006). Polices have been implemented that allow communities to exploit unique comparative advantages for that region, in markets such as wilderness tourism, non-timber forest products, and artisanal industries (Halseth & Ryser, 2017). Innovative uses of technology that reduce transportation costs, making rural regions more accessible, have also largely been associated with these success stories (OECD, 2006).

However, rural development in BC has been viewed as a cost to government, rather than an investment (Halseth, 2015). Successive provincial governments used rural development policy more as a way to compensate residents who cannot afford to move to urban areas (Markey, Halseth, & Manson, 2012). Policy must instead seek to empower communities to make their own decisions by entrusting local governments with the tools to promote development that can lead to the discovery of new comparative advantages, specific to that region, which ultimately have the potential to diversify economies away from resource-dependence.

Policy Problem & Study Objectives

Currently, resource-dependent communities in British Columbia, such as wood-product manufacturing communities, lack the governmental capacity to further develop and diversify their economies beyond reliance on a single industry. Responsibility for economic development has shifted from the province to municipalities in BC, while failing to account for the particular challenges present in rural communities. Barriers have since been entrenched through market-oriented policy approaches, enacted by the provincial government, that disproportionately inhibit development in the rural context.

This study first seeks to identify policy options that could better promote economic development in resource-dependent communities in British Columbia. While there are many examples of resource-dependence in BC, forestry production and wood-product manufacturing are used as examples in order to describe how certain barriers to development have become entrenched and illustrate what could be done to change the development path..

Previous literature has often used rural communities in BC to demonstrate the need for place-based rural policy in the province, that is, policy that considers the specific dimensions of a certain area (Markey et al., 2012). However, a gap exists as to how best put place-based policy into action. The rural development literature has been critiqued for being overly abstract and complex making it difficult to conceive of concrete policy solutions that can be implemented (Manson, Markey, Ryser, & Halseth, 2016).

The purpose of this study is to develop and refine tangible policy options for the provincial government and assess their effectiveness and feasibility when applied to rural communities in British Columbia. Case studies of other comparable jurisdictions, Quebec and Finland are used to identify a set of ‘best practices’ that could be applied to BC. These best practices are then used to evaluate three policy options. From this process, it is determined that the creation of a Community Development Bank is the recommended approach to add capacity to resource-dependent communities in BC.

Chapter 2.

Background

Overview

The first section of this chapter provides background and context to the stated policy problem, by detailing the history of regional development in British Columbia. This is in order to understand the nature of policy decisions made by the province in the 1950s that promoted growth in rural areas. In this section, forestry production and wood product manufacturing communities are used as the example of resource, as their development has been tantamount to the development of British Columbia as a province.

The second section will define and explain the role community economic development in relation to this problem. As defined by the Community Economic Development Network, community economic development is “action by people locally to create economic opportunities that improve social conditions.” Community economic development recognizes that many challenges in rural areas are interdependent, and that solutions to these problems must be rooted in local knowledge, and led by members of the community (Canadian CED Network, n.d.). Community economic development practices have been implemented in isolated cases in the province, but has not yet been expanded to a provincial scale (Markey et al., 2012). Therefore, a review of the literature around these ideas is important in order to necessary to understand the key features necessary moving forward.

Historical Profile

Fordism in BC

For the majority of the 20th century, economic activity in rural communities in British Columbia was grounded in the Fordist model of assembly-line mass production. Fordism implied a booming but stable ‘industrial state,’ supporting full employment through a balance between the demand and supply of goods (Hayter, 2000).

The government populated areas of the province through community-building efforts known as the ‘Instant Towns Policy.’ This package of policies sought to establish better land-use planning and corporate-social responsibility by instantly incorporating industrial work camps as municipalities (Mcneil, Lake, & Lake, 2017). Policies acted as an agreement between the government and industry to directly invest in community amenities and infrastructure for companies’ work camps (Young & Matthews, 2007). By 1971, eleven municipalities had been incorporated under the ‘Instant Towns Policy’ of the provinces Department of Municipal Affairs (see Table 1).

Table 1 - Instant Towns in British Columbia: 1965 to 1971

Municipality	Date of Incorporation	Primary Industry	Region
Port Alice	June 16, 1965	Pulp	North Vancouver Island
Gold River	Aug. 26, 1965	Pulp and Paper	North Vancouver Island
Hudson's Hope	Nov. 16, 1965	Hydroelectric dam	Peace Region
Port McNeil	Feb. 18, 1966	Forestry	North Vancouver Island
MacKenzie	May 19, 1966	Pulp and Paper	North Central B.C.
Fraser Lake	Sept. 17, 1966	Molybdenum	Bulkley/Nechako
Houston	Jan. 31, 1969	Forestry	Bulkley/Nechako
Tahsis	June 17, 1970	Forestry	North Vancouver Island
Logan Lake	Nov. 10, 1970	Copper	Thompson/Okanagan
Granisle	June 29, 1971	Copper	Bulkley/Nechako

Citation: Mcneil, Lake, & Lake, 2017)

The Fordist period in BC was defined by an active, Keynesian approach to infrastructure investment in rural communities. Provincial economic development policy was interwoven with the corporate strategies of industrial employers to attract young, low skilled labourers and their families (Halseth & Ryser, 2017). This demographic was particularly attractive for firms, as they were able to better retain their labour force in the isolated regions of the province, as these labourers tended to be more willing to permanently relocate with their families (Hayter, 2000).

W.A.C. Bennett’s Social Credit party engaged in ‘province building’ from the 1950s to the 1970s. Although a firm believer in free enterprise, Bennett defined the role of government as a “dynamic agent of development” with the mandate to “manage the economy in a way that will achieve larger social goals" (Markey et al., 2012). In the case of BC, this meant capitalizing on the province's natural resource endowments by making regions more attractive for major resource projects (Markey et al., 2012).

The Bennett government made strategic investments through a co-ordinated policy approach. Policy intentionally addressed the regional disparities across the province through the construction of high-quality local infrastructure, including expanded hydroelectric power, a full highway network, integrated rail network, and regional airports (Markey et al., 2012). Changes to the forest tenure system created greater certainty for forestry producers, and remodelled education and health systems established local school boards and health authorities in regions were access was limited (Hayter, 2000) The government worked as an "integrated economic engine," which supported the permanence of resource extraction in BC and established much of the vital infrastructure that rural communities have come to rely on (Markey et al., 2012). The job of municipal governments at this time was simply to manage the provision of these services, doing little in the way of promoting economic development (Hayter, 2000).

The 1980s Recession: Industry Restructuring

The Fordist model was challenged during the recession of the 1980s, when a recession hit BC, fueled by reduced demand and reduced prices for a range of commodities, including forestry products. The situation was also exacerbated by the rise of American protectionist sentiments, expressed through high countervailing duties on Canadian lumber imports, first imposed in 1982 (Markey et al., 2012).

In response, industry shifted towards more productive technologies to reduce labour costs. Firms attempted to remain cost-competitive in the world market through the substitution of labour inputs for capital inputs in their operations. This entailed investment in increasingly productive machinery while substantially downsizing the workforce. In forestry for example, the industry unemployment rate jumped from 6.4 percent in 1979 to 19.2 percent in 1982 (Hayter, 2000); an estimated 21,341 jobs were lost in the industry during this period (Hayter, 2000).

Like many resource industries, forestry producers have stayed alive in British Columbia through a conservative approach to strategic decision making, built on vertical integration and cost minimization (Edenhoffer & Hayter 2013a). Resource operations have been described as being trapped within a "commodity box" focussing on the mass production of standardized, lightly manufactured products rather than research and development (R&D) (Edenhoffer & Hayter, 2013).

An example of this strategy can be observed through the decisions made by BC's largest forestry producer, Canfor, in comparison to the now defunct Macmillian-Bloedel. Until 1997 Canfor had never invested in a stand-alone R&D centre. Instead, the company maintained and increased their market share through acquisition of competitors and the expansion of production while continually reducing their workforce (Hayter, 2005). Canfor tripled in size from the period of 1980 to 2010, despite reducing their workforce by half (Edenhoffer & Hayter, 2013). Canfor has also used funds returned from countervailing duties collected between 2001 and 2005 to invest in operations in the southern United States to avoid future uncertainty over softwood lumber (Edenhoffer & Hayter, 2013).

In contrast, the business decisions made by competitor Macmillian-Bloedel foreshadow its eventual demise. By 1997, Macmillian-Bloedel possessed several R&D facilities across the province. Ultimately, these facilities became too burdensome to support, leading to an eventual sale of the company to the American firm Weyerhauser in 1999 (Hayter, 2005).

The Reaction from Local Governments

Since the recession, successive provincial governments have not actively promoted regional economic growth like it was done in the 1950s and 1960s. As a result, roadways, bridges, and hospitals have all been left to age (Markey, Halseth, & Manson, 2008). Markey (2012) describes communities during this period as a 'resource bank' for the provincial government (Markey et al., 2008). Governments have simply drawn wealth from rural BC, without the necessary investment to promote infrastructural or economic development in return (Markey et al., 2008).

In the absence of provincial government support, local governments have been required to adopt an entrepreneurial approach to development (Hayter, 2000). They must dedicate scarce resources to the promotion of economic activity in their communities by way of long-term community development plans (Hayter, 2000). Yet municipal governments are increasingly constrained in their capacity to adequately provide vital community development and planning services (Halseth, 2015).

A 'lingering nostalgia for the paternalistic firm' exists in many towns. Many community development plans are overwhelmed by a desire to attract a single large industrial development employer (Halseth, 2015). As a result, councils often rely on 'smokestack' chasing to cultivate economic activity. Halseth (2015). This is problematic for local government; often resource-dependent communities call for increased diversification, yet the desire to lure a 'big win' industrial employer overwhelms any actual meaningful development away from industry dependence (Halseth, 2015).

Markey et al. (2012) develops a conceptual framework by analyzing community development plans across northern BC. They construct a three-stage model (see table 1) detailing necessary steps to implementing meaningful, and transformative development projects. However, communities are often 'stuck in the middle,' dedicating the majority of their resources to 'blue-sky' options and possibilities' without meaningful community engagement or deeper level of analysis required to make projects feasible (Markey et al., 2012).

Table 2 - Three Elements of Economic Strategies for Municipal Governments

Beginning	Middle	End
Phase 1: Strategy	Phase 2: 'Blue Sky' options and possibilities	Phase 3: Implementation
• Community process (participation, vision, values, etc.) • Goal identification	• Opportunity identification • Possibilities list • Context of place (assets and infrastructure; regional setting; global setting) • Business case	• Partnership development • Long term commitment • Long term funding • Flexibility • Transparency and accountability • Technical capacity

Citation: (Markey et al., 2015)

The Role of Community Economic Development

The restructuring of the forestry industry in BC has undoubtedly made an impact on the rural landscape across the province. Policy legacies still exist and entrench a structure that inhibits communities' ability to transition away from a dependency on the mass production of low-manufactured exports (Manson et al., 2016). As a result, economic development efforts are not given the necessary support to properly provide meaningful and continuous assistance within their communities.

One potential solution to build capacity in rural communities through the practice of community economic development. This approach fosters growth in communities through “a process by which communities can initiate and generate their own solutions to their common economic problems” (Markey et al., 2012). Rural places are able to identify local assets that are unique to a specific area, and incorporate them into the long-term planning process. (Markey et al., 2012). Ultimately community economic development has the ability to build capacity of rural communities, and strengthen resilience in their local economies that rely on natural-resource production (Halseth, 2015).

By adopting the principles of community economic development, some local governments have been able to response to economic shocks or crises in their communities (Halseth & Ryser, 2016). Others have successfully utilized planning tools to make communities more resilient (Markey et al., 2012). Examples of both of these approaches are given below.

Planning for Development

Valemount, with a population of only 1,020, has been able to extend the life of their community beyond the length of the industry from which it began. In 2001 three sawmills operated in Valemount, with the majority of residents working in one of the mills. However, as early as 1995 Valemount put in plans to create foundations for flexible community development.

The town identified the nascent potential of community assets, such as its location to the entrance to Mount Robson Provincial Park and Jasper National Park and factored this into its development plan. When it was necessary to renovate the community’s water systems, Valemount invested in improvements that accounted for an expansion of capacity, such as the result of a large destination tourist hotel. Once the water system was in place, the community was able to attract significant hotel investment, as it was able to accommodate its water usage. As of 2009, all forest product facilities in Valemount have closed, but as a result of community economic development, the community lives on (Markey et al., 2012).

Halseth (2015) uses the town of Mackenzie as an example of successful economic development after the closure of mill operation following the 2008 recession. Mackenzie adopted a long-term diversification strategy with ongoing public involvement. The ‘Mackenzie-in-Motion’ process, as it was named, resulted in five short term priorities and twelve overarching community goals, which obtained the support of community members. In addition, the process strengthened regional relationships with Regional District Fraser-For George and the McLeod Lake Indian Band, leading to the implementation of the McLeod Lake Mackenzie Community Forest and the economic, social, and environmental benefits that it will bring (Halseth, 2015).

Development from Crisis

Community economic development has also been beneficial in response to crises. Mine closures in the town of Tumbler Ridge during the 2000s, caused incredible hardship for its residents. Tumbler Ridge was the final town created using the ‘Instant Town Policy in 1981 (Mcneil et al., 2017). The economy of the town was built around two open-put coal mines, Quintette and Bullmoose. Yet when coal prices began to fall in the 1990s, the Quintette mine filed for bankruptcy, and production at the mine was scaled down. In March of 2000, Teck Corporation announced that the mine would close indefinitely. Media coverage painted the town as disposable, and that residents would be forced to relocate elsewhere (Markey et al., 2012).

However, a locally led emergency action plan provided the foundation for the revitalization of the community. Immediate assistance was offered to workers who lost their jobs in the form of unemployment insurance, retraining and relocation. The task force also identified action items necessary in the short, medium and long term, including creating municipal property tax base, stabilizing services through Emergency Services agreements, and developing a strategic marketing and diversification plan (Markey et al., 2012).

Economic viability in mining has returned to Tumbler Ridge, and the town has welcomed new mine sites into the region. However, the community has also put steps in place to withstand another downturn (Markey et al., 2012). This includes the establishment of civil society groups such as a local Bed and Breakfast Association, Tourism Co-operative, and the Dinosaur Museum Society. These groups work to develop small-scale diversification beyond resource dependence (Markey et al., 2012).

Finally, Halseth & Ryser (2016) explain the role community economic development played in Kitimat in response to rapid growth resulting from a mining boom that created a variety of community pressure, most notably in housing affordability. Despite attracting the industrial project to Kitimat, government policy was not in place to accommodate the substantial rise in the cost of living. In response, two community led initiatives, Kitimat Food Share and the securing of a housing resource worker, mobilized to develop and deploy crucial support in response to the pressure the community faced. Ultimately, they conclude that the situation in Kitimat can serve as an example of how the provincial government must invest in 'community readiness.' This includes exploring innovative and proactive ways to support local communities (Halseth & Ryser, 2016).

Theory into Practice

Despite facing significant challenges concerning economic development, rural communities in BC appear ready to adopt policies that are community based. Community members and local business owners strongly identify with their sense of place (Siemens, 2014). What is clear from these isolated cases in BC is that there is no consistent path to development for rural communities. Different situations, circumstances, and actions lead to different outcomes, unique to that specific community.

Community economic development is focused on endogenous economic growth, requiring investments in physical, human, community and economic infrastructure (Halseth & Ryser, 2017). Entrusting local governments with the tools to promote development can lead to the discovery of new comparative advantages, specific to that region, which ultimately have the potential to diversify economies away from resource-dependence.

Chapter 3.

Methodology

Overview

This paper seeks to identify the key components of an effective rural policy strategy in British Columbia that would promote the diversification and development of resource-dependent communities in British Columbia. Three methods of analysis are used for the purposes of this study. Firstly, a comparison of data from the 1986 and 2016 Canadian censuses will identify how the problem has formed over time. Secondly, cases studies of the province of Quebec and the country of Finland will offer alternative policy strategies in place in other comparable jurisdictions. Finally, a number of semi-structured interviews with a variety of stakeholders were conducted in order to supplement analysis. These methods are intended to establish a set of 'best practices' for development rural economies that is used to inform the evaluation of three policy options, and justify a policy recommendation.

Research Questions

This study has two interconnected research questions it will attempt to answer:

1. **How Can the Province Add Capacity to Local Governments?**
   The increased requirement that communities create their own economic development opportunity in BC has placed a significant burden on rural municipal governments. The first question that this study seeks to answer is: *how can the provincial government can more effectively add capacity to rural municipalities to support the prospects of economic development beyond resource-dependence?* This is addressed in the analysis of case studies in Chapter 5, and summarized in the policy options presented in Chapter 7.

2. **How Can Additional Capacity Produce More Community Based Development?**
   While there are a number of efforts underway in BC that strive to add governmental capacity to rural communities, most are still unable to take into consideration the unique challenges faced in the rural setting. The second

research question this study attempts to answer is how to implement the principles of community economic development into a broad-based initiative in the provincial government. This entails empowerment of local actors to identify their own solutions to problems they face, rather than reliance on a central government. This is addressed in the development of four ‘best practices’ in Chapter 6.

Methods

Literature and Census Analysis of BC

A vital component of this study is the identification and description of the policy problem, and the impacts it has had on rural communities in BC over time. There is a vast literature written on regional economic development in BC, as well as the effects of resource industry restructuring both of which are paramount to understanding the challenges faced by rural residents. As a result, a significant portion of this study is dedicated to the review of the relevant literature on the topic.

This component of the study also includes a comparison of data found in the 1986 and 2016 censuses. Restructuring of resource communities occurred most drastically during 1980s, therefore the 1986 census reveals outcomes in the province as this process began to unfold. Analysis of the problems in rural BC is done using the principles of the ‘New Rural Paradigm’ outlined by the OECD in 2006.

Case Studies

The jurisdictions chosen for study were selected after a broad review of the literature pertaining to the topic. Publicly available data sources, such as academic articles, OECD policy reviews, government legislation, regulations, and other publications were used to portray the rural policy frameworks of each case study.

Quebec and Finland were selected based on their similar forestry economy and institutional arrangements to British Columbia. They have both also been the subject of detailed analysis from the OECD, Finland in 2008 and Quebec in 2010. This is a result of their innovative and reputable approaches to rural development internationally.

Therefore, it is believed these cases are internationally renowned and worthy of comparison.

Interviews

Semi-structured interviews with relevant stakeholders provide further insight into the rural development dynamic in British Columbia, as well as personal experiences with resource-dependent communities. A total of six interview participants were included in this study:

1. Academics
    a. Dr. Greg Halseth – Professor at the University of Northern British Columbia – Interviewed December 12th 2017
    b. Dr. Sean Markey – Professor at Simon Fraser University – Interviewed February 28th 2018
2. Government Officials
    a. Amy Reid – Economic Development Officer at the City of Quesnel – Interviewed January 24th 2018
    b. Andrew Adams – Mayor of Campbell River – Interviewed March 17th 2018
3. Community Members and Non-Governmental Actors
    a. Cheryl Johnson – Executive Director of Community Futures British Columbia – Interviewed December 1st 2017
    b. Marie Crawford – General Manager, Richmond Operations at the Union of BC Municipalities – Interviewed March 21st 2018

Each interviewee brought a unique perspective to their interview which qualified the data collected. While interviews were semi-structured, participants were provided with an interview guide curtailed to their experience and knowledge of the topic. For example, academics were asked about the findings of their work, as well as feasibility of policy options, while various government officials were asked about the program or department where they are employed. While information from these interviews is used in the analysis, interview participants do not necessarily agree with the recommendation of this paper.

Chapter 4.

Analysis of British Columbia

Overview

British Columbia is divided into eight distinct Economic Regions (see figure 1) defined as "broad areas of the province for which economic and labour related data are collected, analyzed and monitored" (WorkBC, 2017b). Over 60% of the entire province's population resides in the Lower Mainland/Southwest region, concentrated around the major metropolitan centre of Vancouver. Vancouver Island/Coast and Thompson-Okanagan are the next largest Economic Regions, each of which possess their own major population centre, Victoria and Kelowna respectively.

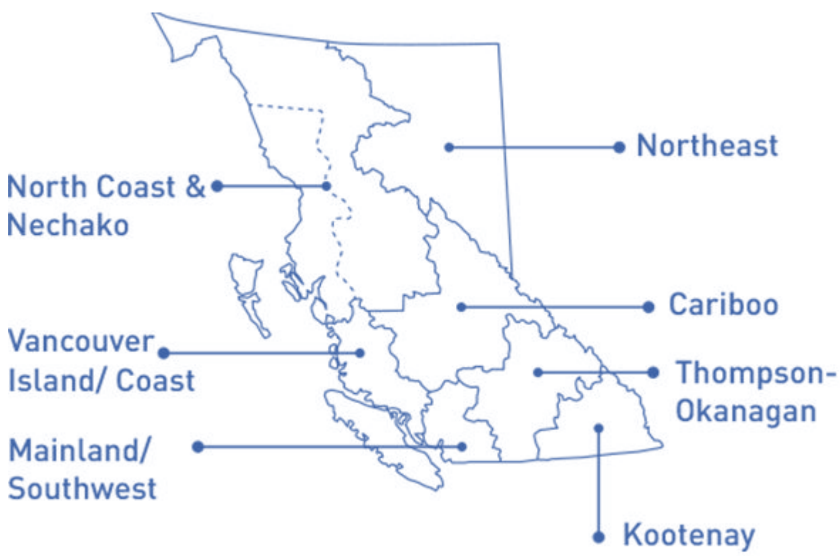

Figure 1 - Map of Economic Regions in British Columbia
Citation: WorkBC

All three of these regions sit adjacent to one another in the south-west corner of the province and border the United States. They have benefited from their geographic advantages; their proximity to each other, as well as the United States, has allowed for greater interconnectivity and development (Halseth, Ryser, & Markey, 2015). The other five Economic Regions are home to only 470,899 residents in total, just under 10% of the province’s population (see figure 2). These regions constitute the province’s rural periphery.

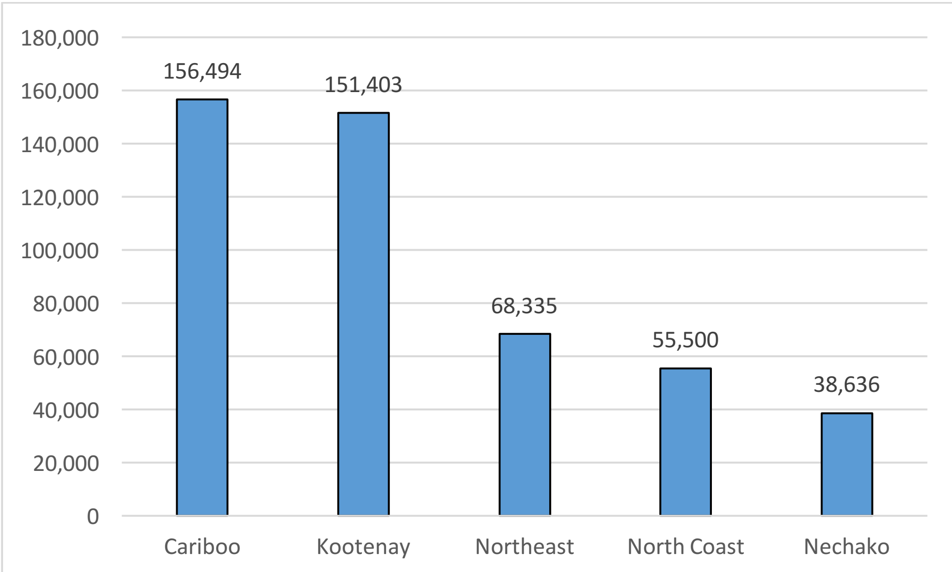

Figure 2 - Populaton of Peripheral Economic Regions in BC, 2016
Citation: Canadian Census

In a 2006 report titled ‘The New Rural Paradigm,’ the OECD asked the question: “Why do certain rural regions perform better than others?” (OECD, 2006). Their findings identified a number of challenges that contribute to weaker economic performance in rural region, including migration and aging, educational attainment and lower average labour productivity (OECD, 2006). This section will describe these four challenges in the context of rural British Columbia, using data obtained from the Canadian census and Statistics Canada.

Contemporary Challenges

Migration and Aging

Comparing the findings of the 1986 and 2016 censuses reveals the drastic demographic differences among Economic Regions in BC. The population of British Columbia has risen by more than 60% since 1986, however this has generally accrued in urban areas such as the Lower Mainland. Growth elsewhere has been minor in comparison, and even negative in the Nechako and North Coast regions (see figure 3).

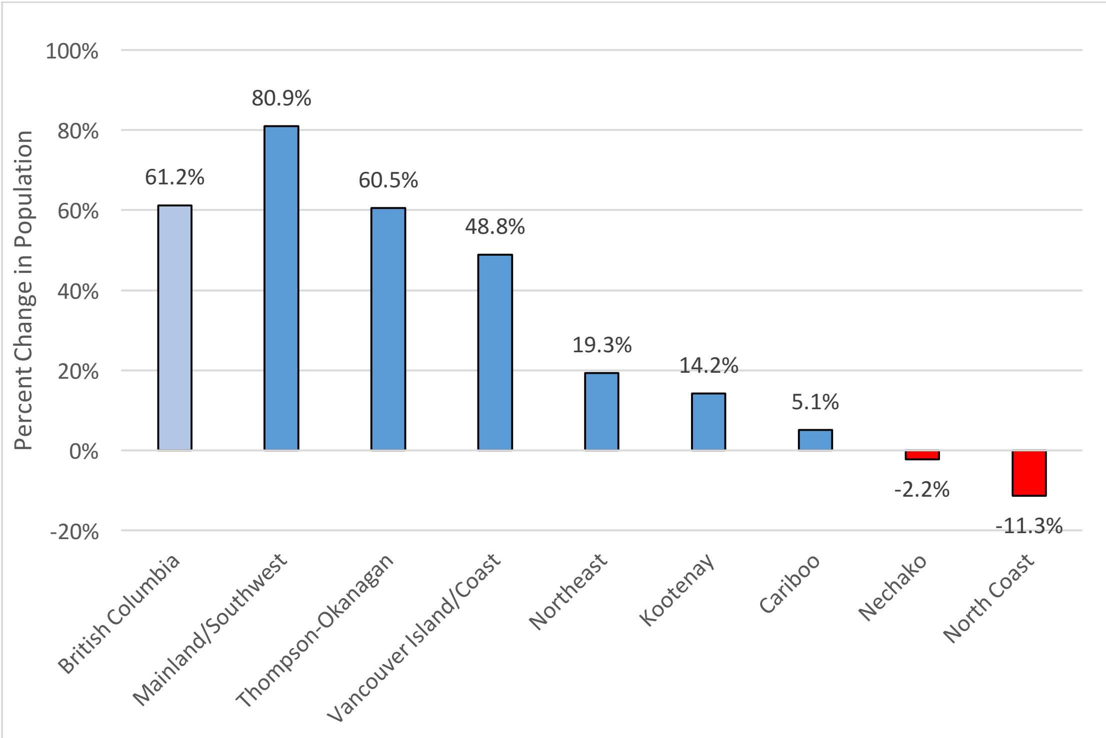

Figure 3 - Population Change in Economic Regions, 1986-2016
Citation: Canadian Census

Furthermore, the breakdown of population growth when it is disaggregated by age reveals a sharp demographic shift across the province. The periphery has become increasingly older, disproportionate to the rest of the province. Overall the share of people aged 20-44, or those considered to be the most 'economically active' has declined by 8% from 1986 to 2016. (see figure 4). This trend is consistent in other OECD countries, as many have experienced a general aging of the population in recent decades (OECD, 2014).

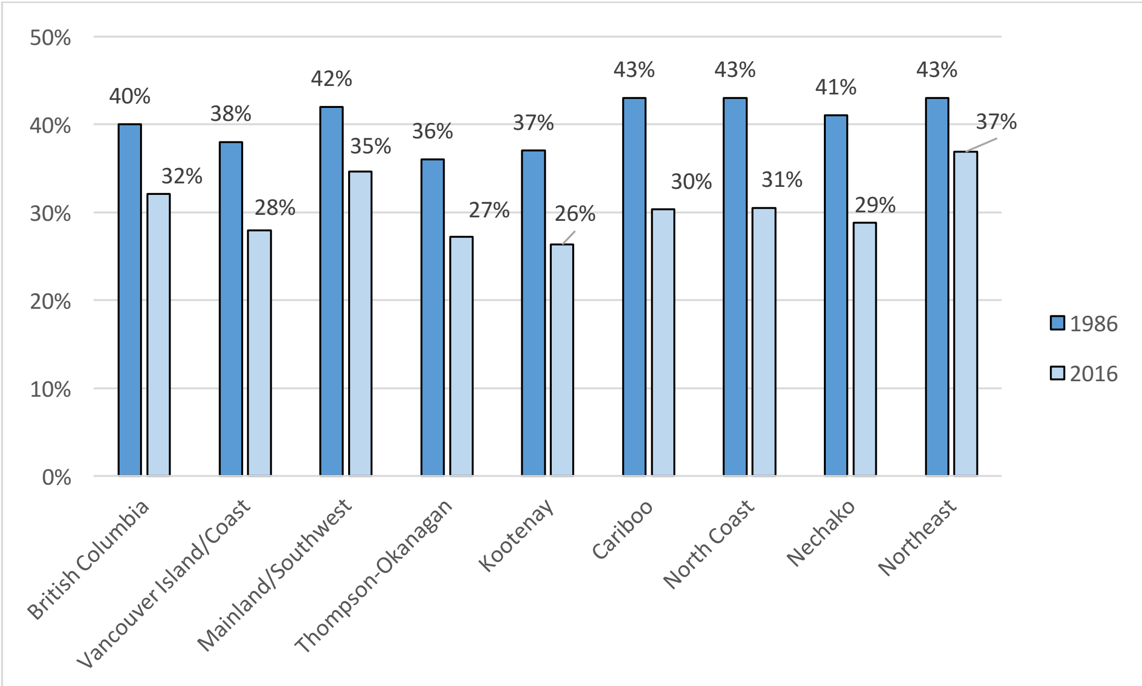

Figure 4 - Share of Population Aged 20-44 in Economic Regions, 1986 and 2016
Citation: Canadian Census

Despite an aging population affecting the whole province, there is still substantial variation among Economic Regions in BC. Northern regions, excluding the Northeast, have all experienced over a 10% reduction in the proportion of young working aged residents (age 20-44). As an exception, the Northeast has maintained a higher proportion of younger residents, as a result of recent oil and gas development in the region (Halseth & Ryser, 2017).

Hanlon and Halseth (2005) describe the process of "resource frontier aging" where a prolonged period of slow job growth results in a community aging in place (Hanlon & Halseth, 2005). The 'greying' of resource-dependent communities either through out-migration or aging limits a community's capability to sustain ongoing initiatives. This includes organizing themselves to provide services that the central government has withdrawn (Halseth & Ryser, 2017).

Educational Attainment

Additionally, variation also exists between the educational attainment of residents of each region. The OECD notes the importance of a well-educated population in generating the flow of ideas and innovation necessary for prosperous economic development (OECD, 2006). High-skilled employment often requires post-secondary education credentials, and therefore this also measures the proportion of the population that could fill high-skilled positions (OECD, 2006).

While every region possesses a higher percentage of post-secondary graduates in 2016, peripheral Economic Regions still lag behind. In 1986, post-secondary graduation rates across all regions differed by four to nine percentage points (see figure 5). However, by 2016, the Cariboo, North Coast, Nechako and Northeast regions all trail more than 10% behind other regions, and well below the provincial average.

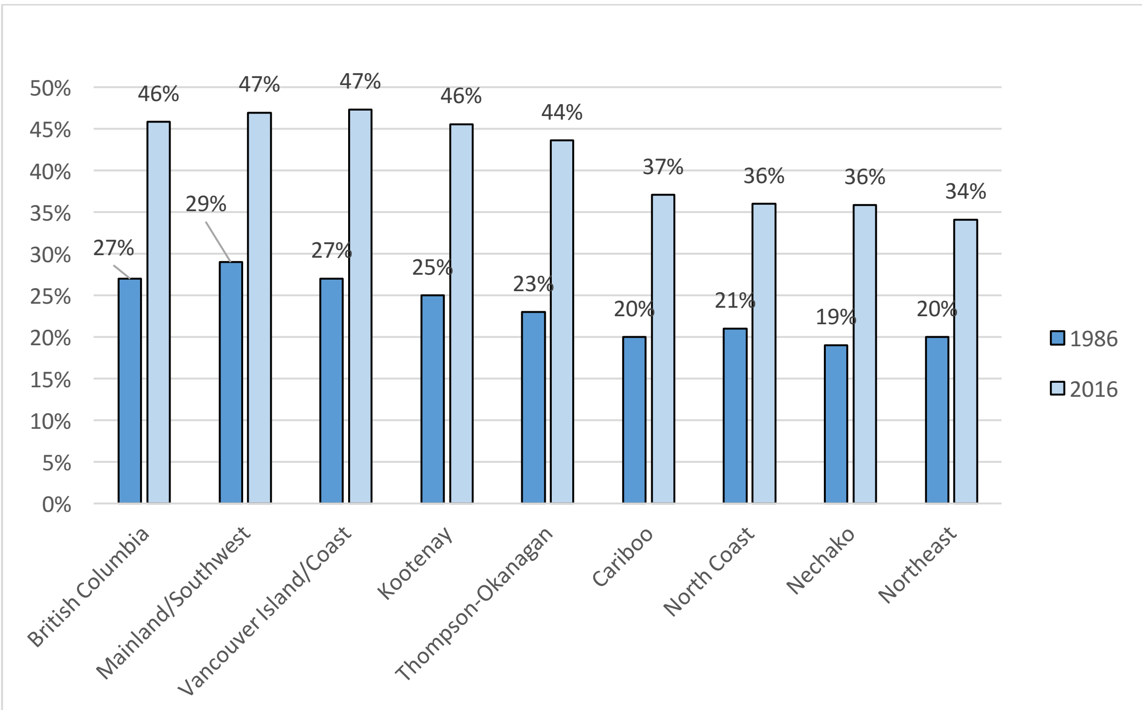

Figure 5 - Postsecondary Educational Attainment in Economic Regions, 1986 and 2016
Citation: Canadian Census

Labour Productivity

Resource companies have de-skilled their labour force. Firms have elected to increase their production using technological advancements rather than add value to their products through labour intensive means (Hayter 2000). As a result, industries like wood product manufacturing in BC remain productive compared to other economic activity in the province. As of 2006, wood product manufacturing has surpassed the average level of productivity across industries in the province. (see figure 6).

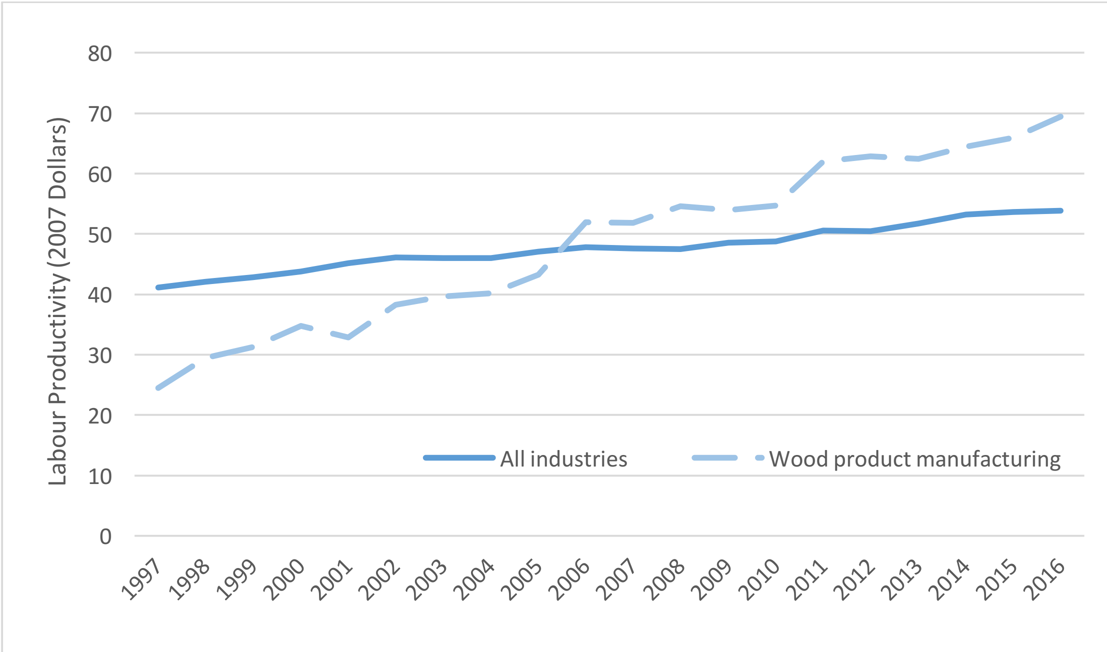

Figure 6 - Labour Productivity in BC, 1997-2016
Citation: Statistics Canada Table 383-0033

However, while the wood product manufacturing sector has become more productive, it has continually shed employment. The number of jobs decreased from 53,690 in 1995 to 27,915 in 2016 (see figure 7). This is a trend expected to continue into the future, as WorkBC projects a -1.6% growth rate for wood product manufacturing in BC until 2025, shedding 4,300 jobs (WorkBC, 2017a).

Figure 7 - Labour Productivity and Hours Worked for All Wood-Product Manufacturing Jobs in BC, 1997-2016
Citation: Statistics Canada Table 383-0033

The Role of Government

> "Rural communities are the backbone of British Columbia's economy and way of life. At a time when B.C. is leading Canada in both economic growth and job creation, the B.C. government is exploring new ways to ensure all British Columbians share in this growth and prosperity regardless of where they live in the province." – BC Government Rural Economic Webpage

Rural communities have a number of different avenues to access funding for development projects. Initiatives are undertaken by both the federal and provincial government, as well as non-profit organizations. However, few programs in British Columbia go beyond the 'traditional' approaches to rural development (Goldenberg, 2008). Traditional tools are mainly reliant on economic instruments, such as subsidies and other financial measures, and are rarely targeted at a specific region, or have specific goals in their application criteria (Goldenberg, 2008).

This section outlines the main governance structure and policy programs applicable to rural communities, and critiques their effectiveness using a number of expert interviews. It then identifies and describes four main issues with the current policies in place in BC. These are: (1) the inability to stabilize municipal budgets, (2) the increased bureaucratic burden to access supports, (3) the inability to promote long-term planning, and (4) the reduced opportunities for region cooperation.

Governance

The Community Charter Community and Revitalization Tax Exemption

Enacted in 2003, the *Community Charter* is provincial legislation that defines the role of municipalities in BC. Its guiding principle is the recognition of municipalities as an autonomous level of government, a feature unique to any provincial-municipal relations in Canada (Goldenberg, 2008). This idea is that municipalities should be provided with adequate resources for development purposes, and possess the ability to respond to economic and social development needs in their community (Goldenberg, 2008). Additionally, provincial relations with municipalities should be conducted without 'off-loading' or 'down-loading' responsibilities to the lower level of government. The *Charter* requires consultation with municipalities on provincial level policies or programs (Goldenberg, 2008).

As a result, municipalities are given particular responsibilities and power in certain areas within their jurisdiction. These include, but are not limited to:

- Municipal services,
- Public places
- The protection and enhancement of the well-being of the community
- Buildings and other structures (Ministry of Community Services, 2008)

Section 226 in Part 7, Division 7 of the *Community Charter*, known as the *Community Revitalization Tax Exemption,* provides municipalities with the authority to exempt property value taxes on land which contributes to economic, social, or environmental revitalization within the community (Ministry of Community Services, 2008). Municipalities must establish a revitalization program, which defines the purpose, conditions, and objectives of the exemption. Once that is defined, the Council enters into agreements with property owners, specifying conditions of the program and detailing the amount and extent of taxation exemptions (Ministry of Community Services, 2008).

Goldenberg (2008) classifies the *Community Charter* as a ‘new governance initiative’ for regional development. These are initiatives where the central government shares power and authority with actors in the community itself, acting more as an “enabler” or “convener” in development. New governance initiatives stress the importance of partnerships between governments, the private sector, communities, voluntary organizations and educational institutions (Goldenberg, 2008). The *Community Charter* provides municipalities with enhanced flexibility to be innovative in responding to the economic and social development needs of their communities. For example, the City of Quesnel used the Revitalization Tax Credit for the purposes of retaining West Fraser’s mill operations (A. Reid, personal communication, January 24, 2018.)

However, experts have noted a number of deficiencies in the construction of the *Community Charter.* While its recognition of municipalities as a distinct level is innovative in the context of Canada, this recognition does not consider the uniqueness of circumstance for rural municipalities compared to those in urban settings (Halseth, personal communication, December 12, 2017.). By granting both rural and urban communities equal privileges, the Charter implicitly benefits municipalities that are already in advantageous positions for economic development. Others, who are not so fortunate, are “buried” in the immense reporting requirements of the *Charter,* ultimately costing them time that could be dedicated to actual community development planning (G. Halseth, personal communication, December 12, 2017).

Regional Districts

While there are 162 independent municipalities in British Columbia, communities are loosely categorized into 27 regional districts. Regional districts are managed by a board of directors, composed of appointees from municipalities, and a Director that is elected from each electoral area. Directors serve a four-year term.

Regional districts have three main political and administrative roles in governance:

- Region-wide services, such as regional parks and emergency services
- Sub-regional and inter-municipal services, such as recreation facilities where residents of more than one community benefit.
- Provision of local services such as waterworks a fire protection to unincorporated communities within the region.

Some regional districts have also adopted a region-wide planning role, through the development of regional growth strategies. Regional growth strategies give long range planning direction through content that includes: regional vision statements, population employment projection, and regional targets over a 20-year minimum time frame. Currently, there are 10 regional districts with regional growth strategies.

Regional districts are a flexible governance tool available to rural communities in BC. They have the ability to coordinate regional activities if they are properly engaged. For example, the Peace River Regional District was instrumental in coordinating the interests of eight neighbouring municipalities to sign the Peace River Agreement, formerly the Fair Share Agreement, in 2015 (The Government of British Columbia, 2015). The agreement captures some of the resource wealth generated from oil and gas operations in the northeast. It provides the municipalities in the Peace River Regional District $1.1 billion of funding over a 20 year period from 2015 to 2035 for planning, programs and infrastructure (The Government of British Columbia, 2015).

Regional Districts are underutilized in BC as districts act more as informal collaborative bodies for regions, rather than an established level of government (S. Markey, personal communication, February 28, 2018). This is in part due to how policy has been rolled out by senior levels of government. Municipalities in BC have always been considered the third tier of government. Therefore, for the most part, both federal and provincial policy has always been rolled out for municipalities, while ignoring the potential of regional collaboration (G. Halseth, personal communication December 12, 2017).

Support Programs

Regional Economic Trusts

The most prominent economic development instrument used in British Columbia is the Regional Economic Trust. Four Regional Trusts have been developed to serve their respective region with initial funding and support to stimulate economic development.

The four Regional Economic Trusts are as follows:

1. Northern Development Initiative Trust
2. Island Coastal Economic Trust
3. Southern Interior Development Initiative Trust
4. Columbia Basin Trust

Over time, each Trust has developed its own distinct business model, but all four utilize grant-based instruments in order to distribute funds. Therefore, while the Northern Development Initiative Trust is described here, critiques can apply to grant programs from all four Trusts.

The Northern Development Initiative (NDI) Trust was first established in 2004 under the *Northern Development Initiative Trust Act, 2004.* The NDI Trust was created through an initial investment of $185 million by the province to stimulate economic development activity in the central and northern British Columbia. This money is used in assisting local governments through a number of capacity-building and development programs, including grants for local government internships, economic diversification infrastructure, and strategic initiatives.

Regional Trusts have become an excellent resource for small communities who suffer from capacity restraints. Functionally, assistance is available at multiple stages of the development of a project, including grant application writing, strategic planning, through to the project's implementation (A. Reid, personal communication, January 24, 2018. Additionally, the turnaround on applications is relatively fast, so communities know their project is funded within months after the application is submitted. Likewise, funding is flexible, so delays and setbacks are easily accommodated (A. Reid, personal communication, January 24, 2018).

The arms-length structure of the Regional Trusts has allowed them to remain outside of the influence of the central government. This has created greater consistency and stability, as changes in government priorities have not affected their programming. They are generally understood to have a legacy function, and it is likely in any government's interest to maintain their composition (S. Markey, personal communication, February 28 2018).

Despite the success of Regional Trusts, they are still designed as a "traditional" approach to rural economic development (Goldenberg, 2008). These types of instruments are not reflective of the changing nature of the world economy and are not innovative in their approach to rural development. Moreover, successive provincial governments have used the Trusts as a way to ‘wash their hands’ to look like they are taking action on rural development without providing support of their own (S. Markey, personal communication, February 28, 2018).

The Rural Advisory Council & The BC Rural Dividend

As of 2015, the Province has offered rural development programming through Department of Forests, Lands, Natural Resource Operations and Rural Development (FLNRORD). The Rural Advisory Council consists of 13 representatives from rural communities across the province. They act as a ‘rural lens’ to policy development, through supporting the government’s efforts by offering independent and impartial advice on matters related to rural development in the province. They provide recommendations to the premier and relevant government agencies that support economic activity and reduce barriers to improve the well-being of rural community members. The council also consults with local stakeholders such as business owners, First Nations and local government to gather feedback on government initiatives that affect rural communities.

The Rural Advisory Council was created for the purposes of establishing the BC Rural Dividend. The Dividend provides $25 million a year in grants to support economic diversification and development in rural communities with a population of 25,000 or less. Communities apply through three funding streams (see table 2), and must submit project plans that meet the criteria of one of four categories: (1) Community Capacity Building, (2) Workforce Development, (3) Community and Economic Development, (4) Business Sector Development. First Nations and not-for-profit organizations can also apply for the Dividend.

Table 3 - BC Rural Economic Dividend Funding Streams

Funding Stream	Support Objective	Project Eligibility	Maximum Funding
Project Development	Support for communities with limited capacity to undertake preliminary work to develop strong future projects	Applicants can apply for up to 100% of total project costs	$10,000
Single Applicant	Supports implementation of community-driven projects.	Applicants must contribute at least 20% of total project cost via financial or in-kind contribution	$100,000
Partnerships	Supports implementation of community-driven projects	Applicants and partners must contribute at least 40% of total project cost via financial or in-kind contribution	$500,000

The Rural Dividend has been beneficial in energizing development plans and projects in rural communities such as Quesnel. Quesnel has been very successful in it its applications to the Rural Dividend, as it has been granted nearly $360,000 during the first two intakes of the program (A. Reid, personal communication, January 24 2018).

Notably, during the second intake, Quesnel received funding to expand its Physician Recruitment program (A. Reid, personal communication, January 24 2018). In this program, a “Red Carpet Coordinator” is assigned to visiting physicians who are interested in practicing in Quesnel to facilitate a personalized tour of the city. This could include networking opportunities with other local healthcare professionals, tours of nearby hiking trails, or other activities related to the interests of the doctor. Coordinators also assist in the search for adequate rental housing, or employment opportunities for the physician’s family members. Through the Rural Dividend, Quesnel is looking to expand the program so that Red-Carpet Coordinators are available to all high-skilled trades positions. For example, a forestry company would have access to the service if they were looking to hire an electrician or an accountant that needed to move to Quesnel (A. Reid, personal communication, January 24, 2018).

This example from Quesnel shows positive development outcomes as a result of the Rural Dividend; however, the program is not without its challenges. The program maintains a broad set of criteria for project applications, ranging from service programs like Quesnel, to more traditional infrastructure developments like building sidewalks or bike lanes. While this program does allow for communities to identify projects that they feel to be of the greatest importance, it also limits the programs ability to lead to any sort of transformative change (G. Halseth, personal communication, December 12 2017). With intake periods every few months, communities are incentivized to submit 'shovel-ready' projects, rather than take the time to devise a coherent development strategy (S. Markey, personal communication, February 17 2018).

Additional Supports

There are also a number of Economic Development Organizations that exist in the province, some of which are partially funded by different levels of government. These organizations seek to develop community partnerships and collaboration to build economic development capacity.

Most notable is the Community Futures Development Network. The federal government created Community Futures in 1985 from previous rural development programs, and operations have since spread into offices throughout the country. Community Futures helps promote long-term job creation by offering support for entrepreneurs and small businesses in a rural setting. Community Futures has 34 local organizations positioned across British Columbia. Each office operates independently from one another, but all offer a range of tools and services such as business support services, business planning advice, loans, and self-employment assistance.

While provincial rural development policy has oscillated in British Columbia, Community Futures have become "stalwarts" through a consistent approach to development activity in rural BC (S. Markey, personal communication, February 28, 2018). Their decentralized network approach has promoted a greater understanding of the regions in which they operate. However, while many offices are doing excellent work, they have been criticized for maintaining traditional economic development activities, instead of experimenting with innovative programming options (S. Markey, personal communication, February 28, 2018).

The Union of BC Municipalities (UBCM) is also an important non-governmental player in rural development. UBCM is a forum for local government officials to monitor, interpret, and react to how policy decisions made by provincial and federal government will impact their communities. The main advocacy tool used by the UBCM is its annual resolution cycle. UBCM members can submit resolutions on issues affecting municipalities in the province for consideration at the yearly Conference. Resolutions that then voted on by the membership at large, and accepted resolutions are published in a yearly report.

Importantly, the union's advocacy is not limited to a specific demographic of municipalities in BC, rather the agency advocates on behalf of all municipalities and regional districts in the province, including a number of First Nations groups. This has allowed them to take a consensus approach to policy development, as their resolutions need to reflect the interests of all municipalities, rather than a specific categorization.

Key Findings from BC

While there are a number of policies, programs, and initiatives that are offered in British Columbia to rectify regional disparities, it is clear that there are issues that still need to be addressed. Supported through the qualitative assessments of these programs, four main deficiencies are apparent: (1) the inability to stabilize municipal budgets, (2) the increased bureaucratic burden to access supports, (3) the inability to promote long-term planning, and (4) the reduced opportunities for region cooperation. These four issues are used as the main points of comparison with other jurisdictions in the next chapter. Ultimately, they create the foundation to assess the effectiveness of each policy option stated in Chapter 7 and evaluated in Chapter 8.

Budgetary Stability for Municipalities

Without specific consideration for rural places, programs are ineffective at stabilizing the budgets of resource-dependent municipalities. Targeted programs like those offered by Regional Economic Trusts, and the BC Rural Dividend exist to help communities with capacity issues, however funds from these programs are administered through a competitive grant-based structure.

Grants for municipalities cannot be considered as stable source of funding year after year for many municipalities. There is often uncertainty surrounding when grants are going to be available, how long it will be until winners are announced, or if applications are going to be successful at all (A. Adams, personal communication, March

17 2018). If a municipality is unsuccessful in their application, the resources dedicated to the process are wasted. Therefore, while grants are able to add capacity to specific municipalities, they are an ineffective way to redistribute funds across the entire province.

Bureaucratic Burden to Access Support

In British Columbia, rural development programs are spread out over a number of different ministries and agencies, such as the Ministry of Forests, Lands, Natural Resource Operations and Rural Development, Regional Economic Trusts, and the Ministry of Municipal Affairs and Housing. While plenty of programs are available for municipalities, many have differing eligibility requirements and time horizons.

This creates areas of overlap and duplication that makes it more difficult for municipalities to access available funding. Communities are hesitant to begin projects if they are uncertain that they will obtain funding from the province (personal communication, January 24 2018). The increased burden of navigating through the patchwork of these programs is especially felt by municipalities facing capacity issues, who struggle to dedicate valuable resources to the process.

Promoting Long-term Planning

The market-based principles of the *Community Charter* value all municipalities in BC equally, despite vast differences in circumstances throughout the province. Economically vibrant municipalities in the province, like those in the Lower Mainland, reap the benefits of the greater governmental privileges in the *Community Charter*. Alternatively, smaller, rural communities are encumbered with the increased amounts of reporting paperwork that the *Charter* demands (G. Halseth, personal communication, December 12 2017). This constrains the ability of municipalities to dedicate scarce resources towards long-term planning, since this would come with additional reporting requirements.

Without consideration of the uniqueness and specificities of different places, policy is ineffective at promoting the long-term planning processes in the communities that it seeks to assist. These processes are important in a rural context, as they guide the applications for future development projects. Without strategic planning, projects appear ad hoc, as there is not consistent vision for what future development will entail.

> "[The *Charter*] applies both to Burnaby and Burns Lake...it just makes no sense. All of the opportunities the Gordon Campbell government thought could come to municipalities through the *Charter* are more likely to be realized in Burnaby, [than in] Burns Lake." – Greg Halseth, personal communication, December 12th, 2017

Opportunities for Regional Cooperation

The current structure of rural development policy offers little incentive for collaboration between municipalities. It has proved difficult for municipalities to effectively develop projects individually, let alone with other communities who may not hold the same interests (A. Reid personal communication, January 24, 2018). Especially in the rural context, where local government officials handle multiple files, the coordination costs associated with organizing a select group of municipalities makes things exceedingly challenging, even if it is to just hold a meeting (A. Reid, personal communication, January 24, 2018).

Regional Districts may be a mechanism for territorial collaboration, however this would require more active engagement and support from all other levels of government in order to be effective (S. Markey, personal communication, February 28, 2018). In some cases, such as the Peace River Agreement, communities have been able to build partnerships together through the Regional District. However, these have largely been sporadic (S. Markey, personal communication, February 28th 2018).

Chapter 5.

Analysis of Case Studies

Overview

This section will analyze the rural development policy of Quebec and Finland, specifically considering the four issues present in BC that were identified in the previous chapter. Quebec and Finland were chosen as case studies because of the similarities to BC. Mainly, that both economies rely heavily on forestry production. Secondly, both jurisdictions have been identified by the OECD as effective in building capacity in rural areas for the purposes of economic development.

Quebec

Background

Unlike BC, the rural-urban divide is far less intense in Quebec. There are a greater number of small to medium sized population centres throughout the province. The spatial distribution of the population is closer to that experienced in European countries, and the rate of urbanization in Quebec is far less than the rate in Canada as whole, and closer to the OECD average (OECD, 2010).

This can be credited to the province's ability to successfully diversify production away from reliance on lightly manufactured forestry products in regions. While performance varies by regions, much of rural Quebec benefits from a high percentage of processing industries, and tertiary activity (OECD, 2010). As a result, local income is significantly higher in places with a larger share of employment in secondary, and tertiary activities (OECD, 2010).

With such a substantial population of rural residents, there is an increased attention on rural outcomes in Quebec compared to the rest of Canada. Quebec is the only jurisdiction in the country with a dedicated 'rural policy' stemming from a strong cultural heritage that is linked with a rural identity (Simard, 2014). The main features of this policy, as related to economic development, are described below.

Municipalité Régionale de Comtés

There are over a thousand municipalities in Quebec, most of which possess fewer than a thousand residents. With such small population bases, and such long distances to other population centres, many of these municipalities would struggle to provide basic municipal services on their own.

In 1979, the Quebec government sought to promote territorial cohesion, and improve service delivery to remote regions by establishing an additional level of government known as *Municipalité Régionale de Comtés* or 'Regional Councils'. Regional Councils are a "supra-local" level of government, composed of the mayors of the member municipalities, who in turn elect a prefect to oversee the council's operations. Originally, Regional Councils were responsible for basic services such as waste management and fire departments. However, over time Regional Councils have evolved to also manage economic development and strategic planning initiatives in rural Quebec (OECD, 2010)

The activities of Regional Councils are twofold. Firstly, through the establishment of a *Centres de Développment Locale (CLDs),* Regional Councils are able to support entrepreneurs within the region that require assistance. This includes supports such as consultations, guidance in the preparing business plans, and financial management assistance, either in-kind or through repayable loans or grants.

Secondly, as a regionally representative body, Regional Councils allow local municipalities to organize and outline coordinated strategies for development (OECD, 2010). This has been instrumental in fostering a territorial approach to rural policy in Quebec, as regions negotiate funding support with the provincial government on behalf of their region (S. Markey, personal communication, February 24, 2018).

The Politique Nationale de la Ruralité (PNR)

The Ministry of Municipal Affairs, Regions, and Land Occupancy (MAMROT) is the government department responsible for overseeing rural development activity in the province. The ministry has historically employed the *Politique Nationale de la Ruralité* (PNR) as a means to implement this mandate (OECD, 2010). '

The PNR is a policy framework that brings together a range of stakeholders from all levels of government, as well as non-profit partner associations. It was first implemented in 2001 for a period of five years (PNR I) and renewed from another five years in 2007 (PNR II). In 2014 however, the PNR was not renewed by the new Liberal government in Quebec in an effort to cut back provincial spending (Jean, 2012).

The PNR addresses two problems inherent in the development of rural communities: (1) the requirement for significant resources, including manpower, skills, and money, and (2) the difficulty of implementation development projects despite the presence of adequate resources (Joyal & Batal, 2008). Development is managed by communities, through "rural pacts," which are intergovernmental agreements between the provincial government and the Regional Council that detail the conditions and plans for funding. PNR I alone generated over 4,700 development projects, and involved more than 35,000 people in the participation process, through their work on local development committees (Jean, 2012).

Joyal and Batal (2009) conducted a multiple case analysis of rural pacts with 12 different regions in Quebec. A survey was able to identify the pacts role in fostering collective assessment of regions through the creation of development plans with a shared vision between communities. Additionally, rural pacts were also able to better facilitate the mobilization of capital into the 12 communities. Only 10% of the $44 million in total projects that were implemented were provided by rural pacts, as a variety of other public and private actors also made investments in the regions (Joyal & Batal, 2008)

Included in the PNR are a range of initiatives implemented within specific areas, known as rural laboratories. Rural laboratories are pilot projects in rural communities that target innovative ventures in a range of sectors in rural communities. Notably, rural laboratories in the forestry sector have funded projects that attempt to increase value of non-timber forest products and using wood waste to heat industrial buildings (Gariepy & Pharo, 2009). Projects are selected by a committee of rural partners, and supported with a $100,000 annually for 6 years.

Simard (2014) provides a summary of a number of evaluations of PNR I and II. Evaluations highlight a number of successful outcomes of the implementation of the PNR, for both the regional and central governments. Firstly, the establishment of rural pacts, entrusted local actors with more power through their decentralized governance model. Sharing responsibility with regional stakeholders, and giving them decision-making power created additional capacity without necessarily costing more (Simard, 2014). Relatedly, the process gave stakeholders a forum to identify the natural advantages of their region beyond traditional resource development. This has promoted greater consistency across vast territories, and increased collaboration between different regional centres towards a common objective (Simard, 2014).

Finland

Background

Similar to Quebec, the concentration of rural residents within a single industry in Finland has been met with increased policy attention. Finland has enacted place-based policies that take into account the uniqueness of the rural territory, and provide specific programs to promote development (OECD, 2008). As of January 2016, rural policy has been the responsibility of the Ministry of Agriculture and Forestry. Additionally, the Ministry of Economic Affairs and Employment is responsible for integrating rural policy with overall regional development. Working together, these Ministries oversee and administer rural policy and programming across the country.

Finland defines the scope of rural policy along two distinct dimensions. 'Broad Rural Policy' refers to the inclusion of rural communities within the policy process in Finland. A council of representatives, known as the Rural Policy Committee, advises government on the concerns of rural communities. Alternatively, 'Narrow Rural Policy' contains the specific programmes and initiatives that are implemented to promote rural development and sustainability. Narrow Rural Policy is currently administered through the Rural Development Programme for Mainland Finland 2014-2020.

Broad Rural Policy and the Rural Policy Committee

The Rural Policy Committee provides a voice to rural residents across Finland on policy decisions that may affect them. During their term in power, the government sets regional development targets based on their priorities, as well as the *EU 2020 Strategy* goals. Currently, these priorities and goals have been translated into three focus areas:

1. Promote economically, socially and ecological sustainability in agriculture
2. Diversify rural industries to create employment with increased competitiveness
3. Improve the quality of life in rural areas by strengthening independent local activities

Furthermore, Finland can be broken down into 19 distinct regions that have all empowered a regional body to preside over development planning. Their purpose is to coordinate the specific interests of the region in the form of a strategic development plan, known as a 'smart specialization' strategy.

Profitable business opportunities in rural Finland have been shown to materialize through understanding and capitalizing on competitive advantages of certain regions (Lehtonen & Tykkyläinen, 2014). The 'smart specialization' planning process is designed to focus on 'activities' rather than single industries or companies in order to foster networking and diversification with the region (Finnish Rural Policy Committee, 2014). Strategies attempt to identify a region's strengths and weaknesses, taking into account the perspective of a variety of regional actors, such as representatives from the public sector, businesses, universities and non-governmental organizations.

For example, the strategy of North Karelia identifies the strengths within the region, both in terms of industry and geography. North Karelia is a prominently forestry-based economy, that is a "world leading expertise hub in forest bio-economy" (Regional Council of North Karealia, 2017). It also shares a border with Russia, which has historically benefited the region in terms of both commerce and tourism (Regional Council of North Karealia, 2017). North Karelia identifies growth areas for the future, specifically in technology and materials such as Information Communication Technology programing, and metal and plastic composite products. Central to development of these industries is the development of an innovation environment that can transform world-class expertise into products for business (Regional Council of North Karealia, 2017).

Narrow Rural Policy and the Rural Development Program

The Rural Development Program acts on the goals set by the Rural Policy Committee. Local Action Groups throughout Finland implement development projects in regions throughout Finland.

Local Action Groups use funds accessed through the *European Union Liaisons Entre Actions de Developpmente L'Economie Rurale* (LEADER) program for the purposes of rural development. LEADER is the central mechanism for fostering rural development and innovation in the European Union. The objective of LEADER is to "introduce long term rural development processes based on the capacity building of local actors rather than simply on the transfer of funds" (OECD, 2008)

Between 2007 and 2013, the Rural Development Program approved nearly 17,000 projects, and contributed to the creation of approximately 75,000 jobs in Finland (Finnish Rural Policy Committee, 2014). Financial support for businesses has been particularly effective in sparsely populated rural regions. Funding has been granted to more than 12,000 projects where businesses have invested in new technology, while 6,000 development projects have sought to make the living environment more attractive in rural communities by providing affordable housing options, and renovating village community centres (Finnish Rural Policy Committee, 2014).

Rizzo (2009) highlights the outcomes of the "professionalization" of rural development through Local Action Groups, using the North Karelia region as a case study. He notes that the majority of the actors involved in rural development are civil servants, rather than politicians, which prevents political influence from altering rural development in certain regions (Rizzo, 2013).

Certain regions, such as North Karelia, have been particularly responsive to investments in infrastructure and tourism projects (Andersson, 2009).. However, Hyytia (2014) notes that these investments do not span across the entire region (Hyytiä, 2014). As a result, increased investment may actually stifle the innovation potential of certain regions (Andersson, 2009).

Key Findings from Cases

Although the unique characteristics of Quebec and Finland have resulted in differentiated policy approaches between the two jurisdictions, both have adopted place-based measures to oversee rural development. Policies take into consideration unique aspects of rural territory and collaborate with regional actors in order to develop priorities. As a result, both jurisdictions have policies or programs in place to address the issues facing BC identified in Chapter 4.

Budgetary Stability for Municipalities

The rural policy of both jurisdictions is able to take into consideration the unique context of rural communities in order to stabilize municipal budgets. Quebec's rural pacts administer funding to the specific context of the region. As a result, regional actors are not competing against one another for scarce resources provided by the province. The process has resulted in a greater consistency across vast territories (Simard, 2014).

In Finland, the use of LEADER funds has created a stable source of funding for rural development. Both Local Action Groups, and the Rural Policy Committee utilize funds available through multiple sources within LEADER (OECD, 2008).

Bureaucratic Burden to Access Support

Concerning leadership, both jurisdictions use collaborative mechanisms between central and regions governments to identify problems and develop solutions. In Quebec, this is done through the PNR policy framework, which promotes a 'government to government' relationship between the province and regions (OECD, 2010). With this relationship, Regional Councils representing local actors and interests are given more power to make decisions that affect where they live (Simard, 2014).

In Finland, the Ministry of Economic Affairs and Employment establishes the "Broad Rural Policy," through the Rural Policy Committee, which has a clearly defined mandate as to how rural development policy is implemented. It is noted that the committee has not merely been used to coordinate policies from a wide range of actors, but has become prominent actor itself through defining priorities of rural development (OECD, 2008). In addition, with such an engrained structure, the process has become 'professionalized,' which makes it less susceptible to political influence (Rizzo, 2013).

Promoting Long-term Planning

The management of priorities is addressed quite differently in each of these jurisdictions. In Quebec, Regional Councils are able to dictate and organize their own priorities across the region. These are then given support by the provincial government through the PNR framework. This creates a funding arrangement over a designated period of time.

In Finland, the development of ‘smart specialization” strategies by each region are beneficial for communities to work together and identify their region’s competitive advantages (Lehtonen & Tykkyläinen, 2014).. The Rural Policy Committee is then able to work to address the needs of that specific area, building off of the outlined competitive advantages.

Opportunities for Cooperation

Finally, both jurisdictions have created opportunities for networking among multiple municipalities and non-state actors. The PNR process in Quebec includes Community Futures and other non-governmental organizations. Additionally, rural laboratories and working groups on specialty products bring together a range of stakeholders to identify new business opportunities. As a result, the PNR effectively mobilizes capital from a variety of different source for the development of rural areas (Joyal & Batal, 2008).

Local Action Groups (LAGs) in Finland facilitate collaboration between multiple communities and stakeholders. LAGs have been able to attract investment in new industries for rural communities, such as tourism in North Karelia. However, questions still remain as to if the benefits of these investments are equitable across all regions (Hyytiä, 2014).

Summary of Key Findings

Table 4 - Case Studies Summary Table

Key Finding	Quebec	Finland
Budgetary Stability	Rural pacts outline tailored funding specific to each region	Utilizes LEADER funding to create a dedicated source of revenue for regions
Bureaucratic Burden	PNR fostered a 'government to government' relationship that allows regions to identify their own needs	Narrow Rural Policy is active in investing in rural places
Planning for the Future	PNR is done on 5 year terms in order to create stability in regions	"Smart specialization" strategies outline future plans for regions and identify competitive advantages
Opportunity for Cooperation	MAMROT invests in rural laboratories and working groups on specialty projects, these identify innovative advantages that regions can offer	Local Action Groups represent a range of different actors within a specific region

Chapter 6.

Best Practices

Overview

The ‘inevitability’ of rural decline is a common refrain when referencing jurisdictions’ rural economic development strategies. However, rural decline should not be seen as inevitable, but rather the result of private and public sector policies that have destabilized and eroded the ability for communities to pursue their economic development agendas (Markey et al., 2012). Resource-dependent jurisdictions, such as Finland and Quebec have encountered much of the same challenges as in BC, however these policies have been met with a more community-based approach.

Best practices have been established through analysis of conclusions made in the rural development literature, qualitative data from select interviews, as well as findings from the case studies analyzed in Chapter 5. Each practice targets one of the specific issues in BC: (1) the stability of municipal budgets, (2) reducing the bureaucratic burden of development funding, (3) promoting long-term municipal planning, as well as (4) encouraging regional cooperation.

1. Top-Down Support for Bottom-Up Development

Markey et al. (2012) describes how senior levels of government need to provide ‘top-down’ support for ‘bottom-up’ development. Policies should leverage local solutions to problems, and utilize community assets and aspirations (Markey et al., 2012). This is important in order to stabilize budgets of resource-dependent municipalities, whose revenues rely heavily on the market forces that dictate their central commodity.

Through the PNR framework, Quebec was successful in empowering local government decision-making while stabilizing municipal budgets over predetermined periods of time (OECD, 2010). Rural pacts also allow communities to prioritize their own specific needs, while maintaining the support of the province. Additionally, pacts also establish funding through a government-to-government model (OECD, 2010) as each region negotiates a specific agreement. As a result, each agreement caters to the unique needs the region, and provides all communities located within the regional county the opportunity to participate.

2. 'One Window Access' for Local Governments

In order to access development funding in BC, communities must meet a patchwork of programs parameters, each with different eligibility criteria and response times. This causes confusion and strain for local councils and economic development offices, who are already faced with capacity issues (Halseth, 2015). Therefore, programming must promote coordination and information sharing across multiple ministries in order to resist overlapping and duplicative programming that increases the bureaucratic burden for local governments.

3. Encourage Long-term Planning

The OECD states that "local leaders and citizens are best placed to identify the individual attributes of the region and develop ways to combine them into a viable modernization strategy" (OECD, 2014). However, in order for this to occur, rural communities require information and support to be easily accessible (Markey et al., 2012). For communities that face capacity issues, this process becomes even more difficult when economic development is "done off the side of someone's desk" (A Reid, personal communication, January 24 2018). Goal-Oriented Development

The success of W.A.C. Bennett's rural development policy in BC was achieved through the formation and executive of specific objectives. He believed "the task of government is to manage the economy in a way that will achieve large social goals" (Markey et al., 2012). This included building roads, schools, and hospitals to make communities more attractive to workers. Development was achieved in this era through long-term planning and active intervention.

Governments must balance traditional economic development with other societal goals, such as economic, social and environmental sustainability (Markey et al., 2008). Finland has employed a set of overarching goals for regional development, based on the *EU 2020 Strategy* goals. Regions are allowed to innovate and experiment with different development projects, yet within the confines of a logical model of progress. Provincial policy options should take into consideration a long-term vision for rural development.

4. Promote Regional Cooperation Rather than Competition

Large scale regional transformation and growth is more attainable when neighbouring communities collaborate on projects. The higher costs of large scale projects make implementation more difficult for smaller communities. Traditional grant-based programs are structured to make communities compete with one another, and therefore councils rush to get the most benefit to their community without taking into consideration projects that could benefit the region as a whole (G. Halseth, personal communication, December 12 2017). Coordinating development practices across a region allows communities to share costs, and work together to a greater extent.

Quebec has successfully institutionalized regional coherence through the establishment of the Regional Councils. Regional Councils should be considered a national “best practice” of rural development (S. Markey, personal communication, February 28 2018). They have allowed for greater coherence, and prioritization of the strengths a region possesses, and solutions to challenges it faces together. The “supra-local” level of governments provides a forum for mayors and councillors to freely discuss the issues each communities face, and find linkages and parallels for the implementation of development projects (OECD, 2010).

Chapter 7.

Policy Options

Overview

This section will describe three policy options that could be implemented to address the stated policy problem. These options are based on the findings and recommendations of the rural development literature in BC, as well as polices implemented in the jurisdictions analyzed in Chapter 5. While they are not the only options available to government, they are intended to address the gaps within the current framework in BC. A detailed evaluation of each option takes place in Chapter 9.

Option 1: Increase Funding to the Regional Economic Trusts Grant Programs

An increase in funding to Regional Economic Trusts would make a single, lump-sum distribution of funds from the provincial budget into the variety of community grants offered by the four Trusts. While the total amount is variable, the Union of BC Municipalities had advocated for committing between $150 to $300 in 2013 (UBCM, 2013). Therefore, this option is analyzed using that amount as a benchmark.

Provincial funds have been granted to Regional Trusts in the past. Additional funds have characteristically come with broad conditions as to how the money should be spent. This includes an announcement in 2005 of $50 million of additional funding to the Northern Development Initiative Trust to help communities respond to the Mountain Pine Beetle Infestation (Office of the Premier, 2005), as well as the more recent $10 million investment in the Island Coastal Economic Trust "to support job growth and diversification" in 2017 (Office of the Premier, 2017). Therefore, this option is analyzed as though the amount transferred to Regional Trusts would be used to sustain current grant programs, and not be used for alternative delivery methods.

Option 2: Negotiate Regional Development Agreements

Negotiating Regional Development Agreements would have the provincial government establish unique funding arrangements with individual regions in BC. This would require individual negotiations with representatives from each region, and funding arrangements set out over a predetermined length of time.

This option is modeled after the 'rural pacts' employed in Quebec through the PNR. Quebec has been able to foster a territorial approach to rural development, resulting number of large scale development projects in certain regions, with the benefit of cost-sharing between municipalities (S. Markey, personal communication, February 28 2018). Regional agreements have been implemented in British Columbia before, namely the Fair Share and Peace River Agreements with municipalities in the Northeast, where $1.1 billion of additional revenue is supplied to the region over a 20-year period. However, these have been ad hoc and infrequent (S. Markey, personal communication, February 28 2018). This option would expand those processes to all regions of the province.

Option 3: Create a Community Development Bank

This option is based on a recommendation proposed by the Union of BC Municipalities (UBCM) in the 2013 report "Strong Fiscal Futures," which suggests a proportion of provincial revenues be dedicated for development purposes in rural communities. The creation a Community Development Bank would establish a special fund to be filled with revenues during years of high growth in the province. A fraction of revenues above a designated growth rate would be saved in the fund and earmarked to fund infrastructure and development projects. Funds would then be distributed to communities annually.

For the purposes of this study, this is assuming a 3% growth rate, and 25% of revenues transferred to communities. Therefore, every year that growth is over 3%, revenue would be deposited into the account. The UBCM also states that the timing of expenditures should be flexible, so that spending could be in years of slower economic growth, when construction costs are more affordable and a measure of stimulus is required (UBCM, 2013). More details concerning the calculations used for this option see Appendix A.

The UBCM also recommends that the money be spent based on approaches developed by local governments (UBCM, 2013). In order to streamline this process, this could be realized through a representative council, similar to the Rural Policy Committee in Finland. Members could be nominated to represent regions based on the input from local municipalities as they are in the existing Rural Advisory Council. The committee could then lay out specific development priorities and goals.

A representative council would ensure that distribution of funds would be done equitably. Currently, the Columbia Basin Trust offers a similar initiative known as the Community Initiatives and Affected Areas Program, which has compensated communities for dams constructed through the Columbia River Treaty. Over $4.2 billion is distributed annually, to eleven communities, including four First Nations groups. The breakdown of this funding is provided in Appendix B.

This option is assessed using the broad parameters outlined by the UBCM. However, there are a number of potential specific revenue sources that could be utilized by this fund. Notably, revenues could be taken from resource specific revenue sources such as stumpage fees, oil and gas royalties, or mine licensing fees, and directed back to the communities where these operations take place. Financing of this option is beyond the scope of this study, however is an important consideration for the implementation plan of this option.

Chapter 8.

Evaluation Criteria

Overview

For the purposes of this analysis, policy options will be evaluated on their effectiveness, using four separate measures based on the best practices established in Chapter 6. Effectiveness is the key objective of this analysis, however three secondary considerations are also measured. Secondary considerations include three government objectives: (1) the acceptance of the option by the community, (2) the level of administrative complexity associated with implementation, and (3) the cost of the option. Policies will be ranked on a scale of low to high, with low meaning the policy performs poorly on a particular measure, while high means it is relatively successful compared to the status quo and the other options.

Key Objective: Effectiveness

The effectiveness criterion considers the ability of each policy option to achieve the objective of this study: to strengthen local government capacity for place-based development. Therefore, effectiveness is measured through the policy's ability to (1) stabilize municipal budgets, (2) reduce the bureaucratic burden of development funding, (3) promote long-term municipal planning, as well as (4) encourage regional cooperation. Performance on these measures is evidenced through the policy's comparability to programs offered in the case studies, as well as through information obtained through expert interviews and the literature.

Secondary Considerations

Community Acceptance

A growing literature has argued that rural development policies should be more place-based, and take into account the perspective of local government actors (Ryser & Halseth, 2010). Therefore, it is important that these policy options are assessed on the level of support received from rural communities. The community acceptance criterion accounts for the perceived level of support a policy would garner from local communities who would be affected by the policy.

Ease of Implementation

Ease of implementation evaluates a policy option's feasibility from a government perspective. Policy feasibility includes a number of different considerations that could inhibit, delay, or jeopardize the implementation of the policy. As a result, the ease of implementation is measured by the perceived amount of political, bureaucratic, and time, costs associated with the implementation of a policy.

Cost

The cost criterion evaluated the perceived level of monetary cost associated with this option. While cost could also measure the total money made available to communities, this would prove to be difficult as funding of each option could vary substantially, making it difficult for comparison. Therefore, options are analyzed based on the estimate of the funds allocated by the province to each of the options, or the option's 'fixed costs.'

Evaluation Criteria and Measures Table

Table 4 - Criteria and Measures

Societal Objectives		
Criteria	**Definition**	**Measure**
Effectiveness	How effective is the option at stabilizing municipal budgets?	High – Effectively stabilizes budgets
		Medium – Somewhat stabilizes budgets
		Low – Does not stabilize budgets
	How effective is the option at reducing the bureaucratic burden for municipalities to access funding?	High – Low bureaucratic burden for local governments
		Medium – moderate bureaucratic burden for local governments
		Low – High bureaucratic burden for local governments
	How effective is the option at promoting long-term community planning?	High – Promotes long-term planning well
		Medium – Moderately able to promote long-term planning
		Low – Does not promote long-term planning
	How effective is the option at encouraging cooperation between municipalities within a specific region?	High – Successfully encourages cooperation
		Medium – Moderately encourages cooperation
		Low – Does not encourage cooperation
Governmental Considerations		
Criteria	**Definition**	**Measure**
Community Acceptance	How accepting would communities be of this option?	High – Very supportive
		Medium – Somewhat supportive
		Low – Not supportive
Ease of Implementation	How easy would it be for the provincial government to implement this policy?	High – Easy to implement
		Medium – Harder to implement
		Low – Complex to implement
Cost	How much would the policy cost to implement?	High – Low cost
		Medium – Moderate cost
		Low – High cost

Chapter 9.

Policy Evaluation

Overview

Evaluation of the three policy options occurs in two steps. First, policies are assessed by their performance on the four measures of effectiveness, as well as the three secondary considerations established in Chapter 8. The performance of a policy is given a ranking of either high, medium, or low depending on their performance on a specific measure.

Then, for comparative purposes, these rankings are assigned numerical values ranging from 1 to 3. Policies that perform well are assigned a value of 3, medium performance is assigned a 2, while a poor performance is given a 1. These scores are totaled in order to be easily compared against one another.

Since the purpose of this study is to develop the principles of an effective rural policy framework for British Columbia, effectiveness is evaluated prior to the secondary considerations. Only when a policy is deemed to be sufficiently effective can it be evaluated based on the secondary criteria. Ultimately, this process results in the recommendation of Option 3, creating a Community Development Bank for rural communities in BC.

Option 1: Increase Funding to Regional Economic Trusts

Effectiveness

Budgetary Stability

Trusts are already used extensively by rural communities to obtain funding for capacity support such as Economic Development Officers or project related funding. Depending on the region, Trusts have established distinct operational procedures, yet for the most part Trusts operate through grant-based programming.

The competitive nature of a grant-based system favours communities who are prepared to submit applications. For example, the municipality of Campbell River has developed an extensive Asset Management Plan that identifies priorities in infrastructure replacement and maintenance which provides the foundation for grant applications before a program is even announce (A Adams, personal communication, March 17th 2018). While this is achievable in the context of Campbell River, it may not be plausible in other municipalities that face greater capacity issues. Therefore, this option would not effectively stabilize municipal budgets.

Reduced Bureaucratic Burden

The Regional Trusts have been praised for their non-governmental structure, outside of the influence of the provincial government (A. Adams, personal communication, March 17, 2018). Compared to development programs offered within the government they have been far more flexible in their funding, and quicker in their turnaround time between when the grant is awarded and when the funding is received (A. Reid, personal communication, January 24 2018). If more money was put into these Trusts, it can be expected that the bureaucratic burden to access funding would be further reduced.

Long-term Planning

Awarding funding based on a grant-style program does not effectively promote long-term planning for communities. Communities are not able to effectively develop a realistic Financial Plan or allocate resources if they are dependent on being successful in receiving grants that are unknown as to when they will be announced (A. Adams, personal communication, March 17, 2018). For example, if funds make up a substantial portion of a specific budget, for instance the salary of an Economic Development Officer, it may be difficult to allocate resources in the future if there is uncertainty around availability of these resources.

Regional Cooperation

Finally, although there is a range of initiatives offered by the Regional Trusts that seek to promote cooperation, the central government maintains no control over the use of additional funding for Trusts. Therefore, it is assumed that this option would not promote cooperation any more than already occurs.

Community Acceptance

A benefit of this option is the familiarity, and support communities hold for Regional Trusts. Trusts are already established components of the current rural development policy framework in BC. Many regional municipalities work closely with the Regional Trusts already and are knowledgeable as to how and when grants will be offered. Additionally, communities appreciate how Trusts operate at an arm's length from government, which has made them more reliable for future planning (A. Adams, personal communication, March 17 2018). As a result, communities are comfortable with the Trusts initiatives and it can be anticipated that an enrichment of the Trusts would be welcomed by rural municipalities.

Ease of Implementation

A benefit of using the Regional Economic Trusts is that they it would be relatively simple administratively. Implementation of this option would not require any redesign of rural development policies and programs.

Cost

The UBCM has previously recommended an one-time injection of $150 to $300 million into the Trusts to fully revitalize the programs that are available (UBCM, 2013). Beyond this initial financing, there would be minimal cost to government as there is already a well-established structure in place. Since Trusts operate independent of provincial budgets, there would be very little costs to government beyond the funds injected. This amount is substantially lower than the cost of the other two options.

Summary of Option

While Option 1 would be attractive for government, as it is low cost, easy to implement and would have the support of communities, it does not meet the main objectives of this study, to substantially add capacity to rural communities for the purposes of economic development. Regional Economic Trusts do operate at arm's length from the government, and therefore do not possess the same bureaucratic burden as other programs, however they are unable to stabilize municipal budgets, promote long-term planning, and regional cooperation due to the inconsistent funding through grant based programs.

Table 5 Summary of Option 1

Effectiveness				Community Acceptance	Ease of Implementation	Cost
Budgetary Stability	Bureaucratic Ease	Long-Term Planning	Regional Cooperation	Level of Support	Ease of Implementation	Cost
Low	High	Low	Low	High	High	High

Option 2: Negotiate Regional Development Agreements

Effectiveness

Budgetary Stability

The greatest benefit of this option is the added budgetary stability that municipalities would receive from long term funding agreements. This would allow for municipal budgets to be more resistant to the economic shocks associated with resource markets. As witnessed in Quebec, rural pacts have facilitated the mobilization of capital to rural communities, beyond merely government support. As seen in Quebec, government funding provided through the PNR was only 10% of the total costs of projects while the rest was raised through private investments in the regions (Joyal & Batal, 2008). Therefore, this option has the potential to increase the flow of capital to communities beyond investment in the primary resource sector.

Reduced Bureaucratic Burden

Regional agreements would create “one window access” to the provincial government for municipalities. Through the negotiation of agreements, communities are given greater access to different Ministries to address the problems they have identified. Currently, municipalities in BC struggle with the “silo-ing” of the central government (Markey et al., 2012), as spreading programs across multiple different ministries make it difficult for municipalities to access, especially when they face capacity issues. In

Quebec, agreements are inherently flexible, as the central body at the province is able to adapt to the priorities of the region and seek out the necessary support (Simard, 2014). Therefore, this option would counter the “silo-ing” that is apparent in the existing rural development programming in BC.

Long-term Planning

The rural pacts in Quebec created a “government-to-government” relationship between the province and the region. Agreements set out funding arrangements for five years, which effectively allows communities to budget development activities accordingly, unlike a more traditional grant-based program. As described by an interview subject, when steady financing is in place communities are better able to plan for major infrastructure upgrades and development projects (A. Adams, personal communication, March 17 2018). Ultimately, this would improve the ability for communities to plan for the long-term, which allows for the development of larger scale projects.

Five years has been identified as a time horizon that is too short to effectively plan in the context of rural communities (A. Adams, personal communication, March 17th 2018). However, this process could be expanded, or updated in subsequent agreements to capture a longer period of time if necessary.

Regional Cooperation

In Quebec, Regional Councils work well at promoting regional coordination. In order for development funding agreements to work in BC, it would require empowering the Regional District level of government to represent an entire region in order to coordinate development planning among multiple municipalities. Regional Districts are an underutilized level of government in BC, but in certain cases they have proved to be effective at coordinating development activities across a broader area, such as their role in the Peace River Agreement (S. Markey, personal communication, February 28 2018).

Community Acceptance

While regional agreements may be an effective way at coordinating regional development, it can be anticipated that communities in BC would be skeptical of this approach. Currently in some regions, regional development can be easily facilitated; if services are already shared, and regions share common objective, greater levels of cooperation would be beneficial. Yet in areas where municipalities are further apart a regional approach may not make sense. In some regions in the interior for example, the long distances that separate communities inhibit the coordination of economic development across multiple municipalities. As a result, there may be mixed feeling among community stakeholders, depending on the circumstances of that specific place.

Ease of Implementation

There are significant barriers to the implementation of this option from a governmental perspective. While economic development has been carried out through the use of Regional Councils in Quebec since the 1980s, this option would be a dramatic departure from how development is currently done in BC. As a result, it would require a number of processes to take place in order to function appropriately.

This option necessitates the empowerment of Regional Districts to act similar to the Regional Councils in Quebec. Currently, Regional Districts are not an institutionalized level of government, and only informally participate in the development process. The role of Regional Districts would need to be redefined in order for agreements to be implemented.

For this to occur it would require significant alteration to the *Community Charter*. Stipulations in the Charter have defined the roles of municipalities, and many remain resistant to amalgamating economic development responsibilities. It would take significant political will from a provincial government in order to make changes to the *Community Charter*, as it has been of great benefit to certain municipalities in BC who would be very resistant to changes, as it would be perceived as a threat to the autonomy of their individual areas and communities (A. Adams, personal communication, March 17 2018). It is not expected that this would be easy to implement.

Cost

In addition to the administrative complexity associated with this option, it is also perceived to have the highest cost. The Peace River Agreement costs the provincial government $1.1 billion over 20 years (The Government of British Columbia, 2015). If this figure is generalized across the province, taking into consideration the needs of all 29 Regional Districts, it would make this option prohibitively expensive to implement.

Summary of Option

This option performs very well on the key objective of this study, by all four measures. The case of the PNR in Quebec has shown that rural pacts have built capacity in local governments, and assisted with economic development. However, rural pacts in Quebec have been built off of an well-established institutional structure that encompasses much more than merely rural development (OECD, 2010). This is unlike the situation in BC, and therefore this option scores poorly on the secondary considerations.

Table 6 Summary of Option 2

Effectiveness				Community Acceptance	Ease of Implementation	Cost
Budgetary Stability	Bureaucratic Ease	Long-Term Planning	Regional Cooperation	Level of Support	Ease of Implementation	Cost
High	High	High	High	Medium	Low	Low

Option 3: Create a Community Development Bank

Effectiveness

Budgetary Stability

This option would seek to empower municipalities by moving away from the 'resource bank' attitude and redistribute resource revenues back to rural communities. Communities would acquire an additional funding stream that would impact their ability to add capacity.

However, the flow of funds available in this option is dependent on the marketability of the resources that region would produce (UBCM, 2013). Based on previously steady economic growth in BC, there doesn't appear to be much concern (UBCM, 2013). However, if growth was to stagnate, this option may result in little to no funding for regions, and therefore not be available to support development activity. If growth is maintained, this option will be effective at stabilizing municipal budgets.

Reduced Bureaucratic Burden

Over the years, the Rural Policy Committee in Finland has taken on more of an advocacy role for rural regions, acting as a force of change, rather than merely managing development funding (OECD, 2008). As a result, this has reduced the stress on local municipalities, who are not burdened with the responsibilities of development.

A Rural Advisory Council with a redefined role could act in a similar way as the Rural Policy Committee in Finland. Municipalities would no longer feel “on their own,” but rather have the support of the provincial government in finding solutions for the problems they face.

Long-term Planning

Like the previous option, the use of a Community Development Bank would allow communities to effectively plan into the future, as it creates an additional source of funding that can be included into future financial calculations. Even in the event of low-growth years, the potential loss of revenue can be factored into the municipality’s budgetary calculations.

Regional Cooperation

This policy option has no explicit provisions to promote regional cooperation. Having a central agency, similar to that in Finland, who dictates where funding is spent has not resulted in an even distribution of funds across regions. It has been found that investments made by the Rural Policy Committee in Finland are not distributed equitably across regions in Finland (Hyytiä, 2014).

However, in the policy proposal of this option made by UBCM, there are provisions as to how this option could be designed to promote cooperation in regions. UBCM argues that key themes of the policy should include the development of regional economic strategies that fit the needs of individual regions (UBCM, 2013). This could be beneficial to the identification of regional advantages, much like the smart specialization strategies of regions in Finland (Regional Council of North Karealia, 2017).

Community Acceptance

Keeping resources in the region allows communities to be compensated not only for the increased economic activity, but the environmental impacts associated with resource development (M. Crawford, personal communication, March 21 2018). Since the option was first proposed by the UBCM, which is an agency representing all municipalities in the province, it can be anticipated that communities would be accepting of this option.

Ease of Implementation

This option would require additional bureaucracy to be operationalized. However, once in place, beyond the staffing of the Advisory Council it would require little in the way of overhead. That is of course, taking into account the lost revenues from provincial growth that would be earmarked for rural communities. However, the UBCM ranks the probability of this option working in BC as high, due to the applicability to the provincial context (UBCM, 2013).

Cost

Similar to the previous criteria, costs associated with this option are expected to be less than the Regional Development Agreements option, but more than increasing funding to Regional Economic Trusts. The UBCM suggests that this option would cost the provincial government roughly $2 billion over 10 years, or $200 million per year on average (UBCM, 2013). There would be a number of costs associated with the creation of the bureaucratic capacity to redirect revenues, as well as the compensation to the Advisory Council.

Summary of Option

For the most part, this option meets the main objectives of this study. While the ability to stabilize municipal budgets is dependent on economic growth in the province, and there are no explicit provisions to promote regional cooperation, the benefits of a Community Development Bank cannot be ignored. Additionally, this option also performs relatively well on the secondary considerations.

Table 7 Summary of Option 3

Effectiveness				Community Acceptance	Ease of Implementation	Cost
Budgetary Stability	Bureaucratic Ease	Long-Term Planning	Regional Cooperation	Level of Support	Ease of Implementation	Cost
Medium	High	High	Medium	High	High	Medium

Comparative Policy Matrix

In this analysis, the comparison of societal objectives and governmental considerations is done independently of one another. This is done to avoid the need to weight certain criteria over others which could potentially skew the results. First, policies are compared by their performance on the main objective of this study: effectiveness. Since a policy must be effective in order to be recommended, the lowest scoring option on this criterion is eliminated. Next, the governmental considerations are compared in order to reach the preferred policy option.

Societal Objectives

Considering solely the effectiveness criteria, it is clear from the analysis that both Options 2 and 3 perform almost equally well. However, simply increasing funding for the Regional Economic Trusts does not adequately meet the stated objective. As a result, option 1 is not recommended.

Table 8 - Option Scoring on Key Objective

Measure	Option 1	Option 2	Option 3
Effectiveness			
Budget Stability	1	3	2
Bureaucratic Ease	3	3	3
Long-Term Planning	1	3	3
Regional Cooperation	1	3	2
Total	**6**	**11**	**10**

Secondary Considerations

When the governmental considerations are introduced, it becomes clear that the. Option 2 is far more complex and costly to implement than option, and therefore the creation of a Community Development Bank is the best policy as measured by this analysis. While option 1 may perform highly on all three of these measures, its relative ineffectiveness of the option prevents it from being considered.

Table 9 - Option Scoring on Secondary Considerations

Measure	Option 1	Option 2	Option 3
Community Acceptance			
Level of Support	3	2	3
Ease of implementation			
Ease of Implementation	3	1	3
Cost			
Cost to Implement	3	1	2
Total	**9**	**4**	**8**

Chapter 10.

Recommendation

Recommended Option

Considering the benefits and trade-offs of each option, this study recommends the implementation of a Community Development Bank in BC. A Community Development Bank would add vital capacity to resource-dependent communities in a way that productively allows for future development and diversification away from single industries. Additionally, this option also poses fewer barriers to implementation, such as cost, public support, and administrative complexity considerations. While there may be some barriers to implementation, these risks and the necessary mitigation measures are described below. Ultimately, out of the three options evaluated in this study, it was chosen because it is the only option not to score low on any of the criteria. It also achieves middle or high ranking on every measure of effectiveness used in this study.

Risks and Implementation

There are a few considerations to take into account with the recommendation of a Community Development Bank. Firstly, the implementation of this option requires significant political will from the governing party in BC. However, the recent inclusion of Rural Development into the FLNRORD mandate, and subsequent engagement sessions that began in January 2018 provide an excellent window for the implementation of this option.

This option is also highly dependent on the economic uncertainty surrounding resource revenues in the future for BC. As mentioned, if economic growth stagnates in BC, this option would not produce the revenue necessary to benefit communities. While this is a large risk to the recommendation of this study, the future economic prospects of the province are outside the scope of this study.

Chapter 11.

Conclusion

This study has attempted to demonstrate how the provincial government could implement rural development policy that would effectively build capacity for resource-dependent municipalities in BC. Additional capacity for rural communities would allow for greater dedication to development planning and investment in community infrastructure that has the potential to make communities more vibrant, and ultimately more livable.

The major contribution of this study is the establishment of the four ‘best practices’ that can be used to guide future rural development policy from the provincial government. These best practices were determined using a mixed method approach, involving a review of the rural development literature in BC, analysis of existing programs available in BC, as well as analyzing the policy approaches of two similar jurisdictions: Quebec and Finland.

There are a number of limitations to this approach, which could be better addressed in future research endeavors. First and foremost, this study only considered non-sectoral policy options that could be applied to a variety of resource-dependent regions. Future research could provide more tailored options towards specific resource communities, such as forestry or mining.

Secondly, this study relied on the practices of only two jurisdictions. This was due to their comparability to British Columbia’s forestry dependent economy, their international reputation as leaders in rural development, as well as the time constraints associated with this project. Expanding the jurisdictional review, taking into account the approaches used in other resource-dependent jurisdictions, both in Canada and internationally would provide a more detailed and robust set of best practices. This is an endeavour currently being undertaken in Canada by the Libro Professorship in Regional Economic Development, titled “Making A Difference: Measuring Outcomes of Provincial Rural Policies and Programs” which began in 2017 and is due to be published in the forthcoming years (S. Markey, personal communication, February 28 2018). Details of this research project are given in Appendix C.

This study recommends the implementation of a Community Development Bank, which utilizes provincial revenues in high growth years to be reinvested back into rural communities. This option, along with two others, was evaluated on its ability to address the issues in the current design of policy in BC, as well as a number of governmental considerations. Ultimately, a Community Development Bank was chosen as the preferred option due to its strong performance on the key objective, as well as the minimal risks involved in its implementation.

However, a Community Development Bank cannot be seen as “the answer” to the problems systemic to the development rural BC. The slow degradation of rural communities is a problem inherent across the developed world. It is a problem requires vigilant and consistent action from all levels of government. Research and knowledge-sharing is only the beginning of the process that identifies to policy solutions that can not only sustain rural communities, but allow them to flourish.

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Appendix A

Example How the Community Development Bank Could Work

From 2000/01 to 2010/11 provincial government revenue grew at an average rate of 3% per year. In 4 of those years it grew a rate greater than 3%. The amount of revenue attributable to growth above 3% in those 4 years is $8.4 billion. Incremental revenue sharing would share a portion of that high growth revenue. If that amount were 25%, revenue sharing would be $2.1 billion or an average of $210 million per year over the 10 years.

Year	Provincial Revenue (Actual)	Results Using Sharing of 25% of Growth Over 3%		
		Provincial Revenue if 3% Growth were Achieved	Actual Provincial Revenue above 3% Growth	25% of Actual Provincial Revenue above 3% Growth
2000/01	29.7	N/A	N/A	N/A
2001/02	28.1	30.6	Nil	Nil
2002/03	27.7	31.5	Nil	Nil
2003/04	29.1	32.4	Nil	Nil
2004/05	33.3	33.4	Nil	Nil
2005/06	35.9	34.4	1.5	.375
2006/07	38.4	35.4	3.0	.75
2007/08	39.7	36.5	3.2	.8
2008/09	38.3	37.6	0.7	.175
2009/10	37.4	38.7	Nil	Nil
2010/11	39.9	39.9	Nil	Nil
Total	347.8	350.4	8.4	2.1

All $ is in billons

Appendix B: Funding Breakdown of the Community Initiatives and Affected Areas Program

Community	Allocated Funding
?Akisqnuk	$36,225
?aqam	$36,225
City of Revelstoke and CSRD Area B	$404,270
Lower Kooteney (Yaqan nu?ky)	$36,225
Regional District of Central Kootenay	$1,486,212
Regional District of East Kootenay	$1,197,530
Regional District of Kootenay Boundary	$354,973
Shushwap Indian Band	$36,225
Tobacco Plains	$36,225
Town of Golden	$325,562
Village of Valemount	$261,950

Appendix C

Making a Difference?: Measuring Outcomes of Provincial Rural Policies and Programs

Synopsis

Governments across Canada struggle develop and implement robust, flexible, and effective rural policies and programs to meet the ever-changing contexts of rural communities. Turbulence, uncertainty, and transition are the new realities for rural development. The migration from Keynesian rural development policies to neoliberal-inspired development policies has re-constructed how rural development is defined, the role of the provinces, the implications for rural regions, and the desired outcomes. One of the key purposes of public policy in a market economy is to correct for market failures. How effective are provincial rural development policy interventions? How do we know if the intervention was a 'good' or 'effective' investment of public funds? These questions will be examined through this initiative. Examining provincial experiences in designing, implementing, and evaluating rural policies and program will serve to advance rural development in Ontario.

Over the past 15 years, rural regional development approaches in both North America and Europe have been driven by attempts to better participate in globalization. Advancements in transportation and communication technologies mean that rural regions are now competing with other regions around the world for their livelihoods. In an attempt to harness the benefits from globalization, central governments have embraced neo-liberal regional development strategies focused on market efficiency and competitive advantages. From this perspective strategies focused on competitive regions, innovation, agglomeration, and the creative class emerged. These strategies often require high population densities and small distances to markets; both factors hinder the participation of rural areas. Over the years, the vision of rural development as a cornerstone to address regional disparities has disappeared. Recent rural development approaches leave many communities and local development actors to perceive a retreat of government from rural regions and rural regional development.

Researchers and government policy analysts are examining the new rural development realities at the national and sub-national levels, however, there are few forums to provide an opportunity to explicitly examine the convergence and divergence of these new realities. This research initiative will examine how other provinces in Canada have defined rural development policies/programs, designed new initiatives, and evaluated their success. An inventory of rural policies and programs from each primary provincial department/agency responsible for rural development will be created from 2010-present. A content analysis will be conducted to identify convergence and divergence related to the catalyst for the intervention, funding, priorities, and evaluation metrics. Key informant interviews will be held with 4-6 provinces to further examine the nuances of their provincial rural policies and programs. Two focus groups will be held with provincial government policy makers to explore the implications emerging from the content analysis and interviews. The findings from this research will provide the government of Ontario evidence-based recommendations for constructing and implementing successful rural policies and programs.

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- Ontario Ministry of Agriculture, Food and Rural Affairs