

## Issue in Focus

Removing British Columbia from Western Economic Diversification Canada by establishing a British Columbia Regional Economic Development Authority

## Background

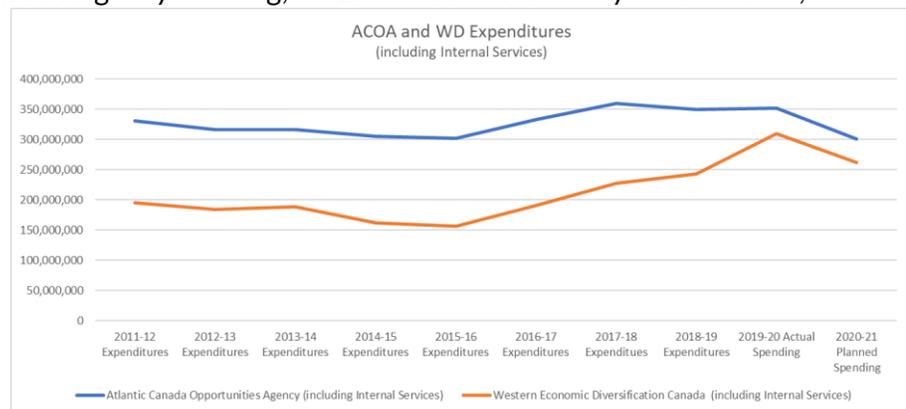
Regional Economic Development Authorities (RDAs) were created by the Government of Canada to address regional economic disparities and diversify local economies. Created in the late '80s, RDAs provide a local tool for federal policy, which serves the dual purpose of “translating national goals at different territorial scales while also promoting regional interests in federal policy making.”<sup>i</sup>

The federal government currently operates six Regional Economic Development Authorities (RDAs) in Canada: Western Economic Diversification Canada (WD), covering Manitoba, Saskatchewan, Alberta, British Columbia; the Atlantic Canada Opportunities Agency (ACOA), covering Newfoundland, Nova Scotia, New Brunswick, and Prince Edward Island; Canada Economic Development for Quebec Regions (CED); the Federal Economic Development Agency for Southern Ontario (FedDev Ontario); the Federal Economic Development Initiative for Northern Ontario (FedNor); and the Canadian Northern Economic Development Agency (CanNor), covering the three territories.

In the 2020 Fall Economic Statement tabled by Finance Minister Chrystia Freeland on November 30, 2020, the government noted that *“To better tailor support to businesses in Western Canada, in recognition of its diverse regional economies, the government proposes to introduce a new approach to regional development in the West by creating separate regional development agencies for British Columbia and the Prairies, adding a new, seventh Regional Development Agency in British Columbia. Additional details and investments will follow.”*<sup>ii</sup>

## Issue

As the Saskatchewan Chamber of Commerce showcased in its 2019 report “An Imbalance in Federal Regional Development Agency Funding,” WD has been chronically underfunded, particularly when compared to the ACOA. Without including any of the funding related to the COVID-19 pandemic, when comparing expenditures (actual, forecasted and planned, including internal services) between WD and ACOA over the last 10



Sources: Atlantic Canada Opportunities Agency Departmental Plans  
Western Economic Diversification Canada Departmental Plans

years, ACOA received almost \$1.15 billion more from the federal government despite serving a significantly smaller population.

The rationale for this funding disparity has centered around Atlantic Canada's chronically high unemployment rates, however, this reasoning does not adequately consider Western Canada's larger scale and recent considerable economic challenges. In terms of expenditures per unemployed worker, in February 2019 Statistics Canada estimated that there were 130,000 unemployed residents in the Atlantic provinces, while 374,900 people were unemployed in the western provinces during the same period.<sup>iii</sup> This means that in Federal Budget 2019-20, ACOA was allocated \$2,427 per unemployed worker, while WD was allocated just \$671 per unemployed worker.

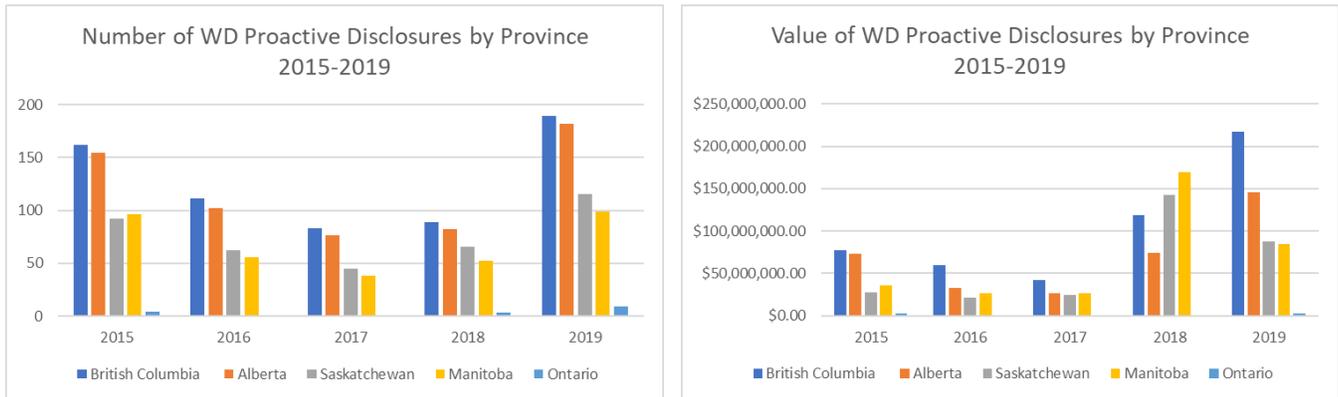
The prairie provinces have been undergoing a fundamental restructuring of their economies, partially because federal policy continues to challenge and disincentivize its traditional economic pillars (such as oil and gas). In this environment, western provinces can use economic development funding to take advantage of different opportunities as newly dormant labour and capital can be redirected; this could generate an unprecedented return on the federal government's investment.

The Saskatchewan Chamber of Commerce agrees that the economic development issues and opportunities facing the coastal province of British Columbia are materially different than those of the landlocked prairie provinces. Additionally, British Columbia has not experienced the same economic upheaval as the prairie provinces resulting from the federal government's net-zero carbon emission agenda. As such, addressing British Columbia through a separate RDA makes sense.

Nevertheless, this cannot be used as an excuse to limit the federal resources prairie businesses can access. In fact, it is a rare opportunity to address the longstanding inequitable funding of regional RDAs. The additional \$1.15 billion the federal government has allocated to economic development in the Atlantic provinces has supported the development of new innovations and employment from businesses operating in that region without offering the same opportunities to Western Canada. Moving forward, the new BC RDA should be funded with new money as opposed to the historical allocation being split between WD and the new BC RDA.'

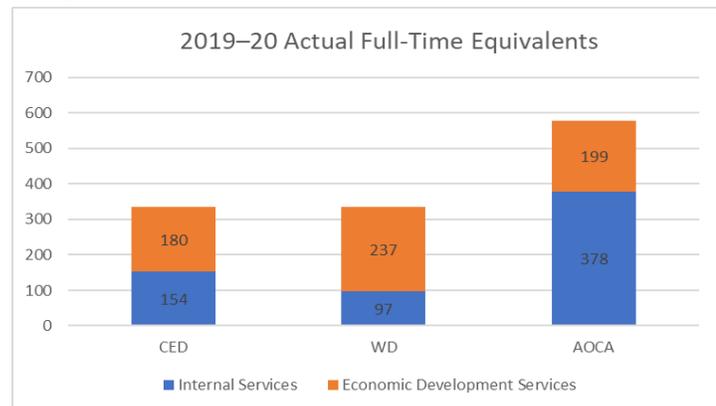
WD does not report its spending on a provincial level, so it can be challenging to understand the budget required for the new BC RDA if existing WD funding remains intact. However, through the government's proactive disclosures requirement, a broad, approximate understanding of the provincial funding divide within WD can be estimated. As per *The Guidelines on the Reporting of Grants and Contributions Awards*, WD reports all grants and contribution distributed through proactive disclosures except where exceptions have been granted.<sup>iv</sup> Proactive disclosures for WD grants and contributions inform the public of the transfers of money, goods, services or assets to individuals, organizations, or other levels of government.<sup>v</sup> It is important to note that WD offers multi-year funding agreements. These agreements are filed under one proactive disclosure; therefore, the total amount of proactive disclosure commitments does not equal the

amount of WD funding in a single year.<sup>1</sup> Also, WD can fund large special activities or projects, which can skew a province's allocation in a calendar year. For example, BC was awarded \$55 million in 2019 to replace the Haisla Bridge. Nevertheless, analyzing proactive disclosures over the last five years gives an approximate range for funding commitments.<sup>vi</sup>



Over 5 years, WD's proactive disclosures committed almost \$515 million to BC (\$217 million of which was in 2019<sup>2</sup>).<sup>vii</sup> Compare this to almost \$353 million for Alberta,<sup>3</sup> about \$343 million for Manitoba, and \$304 million for Saskatchewan.

Beyond the funding required for grants and contributions, appropriate human resources are important for the successful operation of a regional economic development authority. A new RDA in BC will require staffing. The only other province in Canada that is covered on a 1:1 ratio with an economic development agency is Quebec. The Quebec CED had 334 actual full-time equivalents in 2019-20 (180 for core services and 154 for internal services<sup>4</sup>).<sup>viii</sup> Comparatively, while serving four provinces, there were 334 actual full-time equivalents for WD in fiscal 2019-20 (237 for core services and 97 for internal services).<sup>ix</sup> AOCA, which also serves four provinces, had 577 full-time equivalents (378 for



Sources: Atlantic Canada Opportunities Agency Departmental Plan  
Western Economic Diversification Canada Departmental Plan  
Canada Economic Development for Quebec Regions Department Plan

<sup>1</sup> Over 5 years, WD proactive disclosures commit to approximately \$1.5 billion while reported spending is about \$1.1 billion.

<sup>2</sup> Increased authorities spending is attributed to additional funding received related to Budget 2019 initiatives for Regional Economic Growth through Innovation (REGI), the operating budget carry forward and collective bargaining agreement settlements.

<sup>3</sup> A 2016 provisional disclosure which directed funding to Enerkem Alberta Biofuels L.P. to commercialize methanol-to-ethanol technology at the Edmonton Alberta Biofuels plant was recorded with the recipient province as Quebec, in this chart the amount is included in Alberta's total.

<sup>4</sup> Internal Services are those groups of related activities and resources that the Federal Government considers to be services in support of programs and/or required to meet corporate obligations of an organization; such as Acquisition Management Services, Communications Services, Financial Management Services, Human Resources Management Services, Information Management Services, Information Technology Services, Legal Services, Materiel Management Services, Management and Oversight Services, Real Property Management Services.

economic development in Atlantic Canada, and 199 for internal services).<sup>x</sup> The CED, which covers a population of over 8.5 million, had a 2019-20 actual spending of \$311,428,742, with internal services accounting for \$19,638,153. This is compared to the leaner operations of WD, which covers a population of over 12.1 million, whose 2019-20 actual spending was \$309,080,429, with internal services accounting for \$13,639,563.<sup>xi</sup> Part of the difference in the cost of internal services is because the CED, and ACOA as well, operate numerous offices in each province, unlike the WD which only operates one regional office in each province. For a BC RDA to be successful it will need to expand beyond the current Vancouver location, and new funding will be required to do so. However, as WD already has limited human resources compared to other RDAs, its capacities should not be correspondingly cut.

## Recommendation

RDAs were at the forefront of the Government of Canada's COVID-19 economic response – using regional specifics and local networks, these agencies rolled out the emergency relief programs. As a result, engagement in and awareness of these agencies has never been higher. An opportunity is now before the federal government to leverage this asset to strengthen Western Canada. The Saskatchewan Chamber of Commerce has been advocating for the federal government to provide equitable funding for WD compared to other regional economic development agencies and the establishment of a new RDA for BC offers a unique opportunity to accomplish this. The Saskatchewan Chamber of Commerce recommends that a BC specific RDA be developed but that WD's current funding amount remain intact and the new RDA be funded separately with new monies for grants and contributions, as well as human resource considerations.

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<sup>i</sup> Bradford, N. (2010, 06). Regional Economic Development Agencies in Canada: Lessons for Southern Ontario. Retrieved from Mowat Centre for Policy Innovation: [https://mowatcentre.ca/wp-content/uploads/publications/7\\_regional\\_economic\\_development.pdf](https://mowatcentre.ca/wp-content/uploads/publications/7_regional_economic_development.pdf)

<sup>ii</sup> Government of Canada. *Fall Economic Statement 2020: Supporting Canadians and Fighting COVID-19*. Retrieved from Department of Finance Canada: <https://www.budget.gc.ca/fes-eea/2020/report-rapport/toc-tdm-en.html>

<sup>iii</sup> Statistics Canada. Table 14-10-0287-01 Labour force characteristics, monthly, seasonally adjusted and trend-cycle, last 5 months <https://www150.statcan.gc.ca/t1/tbl1/en/cv.action?pid=1410028701>

<sup>iv</sup> Government of Canada. *Guidelines on the Reporting of Grants and Contributions Awards*. <https://www.tbs-sct.gc.ca/pol/doc-eng.aspx?id=32563>

<sup>v</sup> Government of Canada. *Search Grants and Contributions* [https://search.open.canada.ca/en/gc/?\\_ga=2.220292312.1503135938.1612474272-1587600910.1611180970](https://search.open.canada.ca/en/gc/?_ga=2.220292312.1503135938.1612474272-1587600910.1611180970)

<sup>vi</sup> Ibid.,

<sup>vii</sup> Ibid.,

<sup>viii</sup> Canada Economic Development for Quebec Regions. 2019-2020 Departmental Results Report <https://dec.canada.ca/eng/publications/drr/2020-2021/415/index.html>

<sup>ix</sup> Western Economic Diversification. *2019-20 Departmental Results Report*. Government of Canada [https://www.wd-deo.gc.ca/eng/20104.asp#\\_Toc55211603](https://www.wd-deo.gc.ca/eng/20104.asp#_Toc55211603)

<sup>x</sup> Atlantic Canada Opportunities Agency. *2020-21 Departmental Plan - Spending and human resources*. Government of Canada. <https://www.canada.ca/en/atlantic-canada-opportunities/corporate/transparency/dp-2020-21-toc/dp-2020-21-spending.html>

<sup>xi</sup> Western Economic Diversification. 2019-20 Departmental Results Report. Government of Canada [https://www.wd-deo.gc.ca/eng/20104.asp#\\_Toc55211603](https://www.wd-deo.gc.ca/eng/20104.asp#_Toc55211603)