

# Northern Economic Development

New North Discussion Paper, May 2014

## 1. Background

### Historic and Current Programs and Initiatives

Northern Saskatchewan has been the subject of numerous large and small scale economic development initiatives over the years. This review covers only the most recent programs, interventions or strategies.

#### a. Northern Development Agreement (2002-2007)

A result of an accord between federal and provincial governments, based on a 50-50 funding split, the NDA focused economic development through five key areas:

- Training, Employment, Capacity building, Infrastructure development & Investment

Budgeted at \$20 million over the duration, by late 2006 the fund had expended around \$14 million on various projects. The assessment below is based off the evaluation of the NDA put together in 2007 by the key players.

Strengths	Weaknesses
<ul style="list-style-type: none"><li>• Generally, the NDA was regarded as successful; vast majority of the projects funded went to completion</li><li>• Cheap to run and administer; barely 3% of the total funding went to administration</li><li>• Most projects (+50%) were able to leverage other funding to enhance the value of their endeavours</li><li>• 62% of projects would not have gone ahead without the NDA funding</li></ul>	<ul style="list-style-type: none"><li>• Administration and project selection was a bureaucratic nightmare, as projects required many levels of approval across various departments (ministries). The delays in notice allegedly resulted in large drop-off in applications in later years</li><li>• Funding came from within existing departmental allocations; that is, there was no “new” money from the provincial side.</li><li>• Without opportunity cost analysis of the funding, difficult to say how successful it really was</li><li>• Funding was not geographically targeted; high need regions (ie, north-east) saw little benefit</li><li>• Some successes, such as broadband connection, would probably have happened without it</li><li>• Projects were over-weighted in the education, training and capacity building areas (70%); only 1% of funding went to attracting investment or new business ventures</li></ul>

Despite its various claims to novelty (for instance, the bringing together of political entities in the decision-making process), the NDA may really best be seen as an allocation mechanism for existing funding.

One abiding and still relevant observation from the evaluation of the NDA is that funds were not sufficient, or could not be adequately leveraged, to tap opportunities supplying services to the mining industry, or to fund new business ventures of any scale.

The policy of not providing funding to for-profit businesses fatally proscribed the initiative's goal of bringing new business and investment to the north.

#### **b. Enterprise Regions (2009-2011)**

The very short lived Enterprise Regions concept was “administered” in the north by the Ministry of FNMR. ERs would be non-profit entities with the goal of providing “focus and leadership ... to build thriving economic regions.”

The mandate of the ERs was to:

- Build Regional Economies
- Foster a culture of Enterprise and Innovation
- Build on competitive advantages
- Ensure the engagement of regional stakeholders (ie, First Nations, business leaders, etc)

#### **c. Northern Development Fund (??-2014)**

Originally belonging to the Department of Northern Affairs (then FNMR), and later moved to Economy, the NDF is now defunct. At different times the NDF provided grants and loans to support northern businesses, trappers, fishers, agriculturalists, and could be used for machinery and equipment, marketing, training and business development. Funding could also be accessed to support regional development corporations.

#### **d. Saskatchewan government's Plan for Growth (2012-present)**

The government's growth plan has six “themes”:

- Invest in infrastructure
- Educate a skilled workforce
- Ensure a competitive economic environment
- Support trade and other investments through international engagement
- Advance the province's natural resource strength
- Balance the budget, reduce debt and decrease the size of government

Very generic, the concept of the Plan is garden variety market-based, small government, low taxes, etc.

## 2. Discussion

There is no silver bullet solution to economic development (ED); there are as many strategies to achieving it as there are definitions of “economic development” itself.

Typically, though, economic development in this province and elsewhere has focused on education, training and capacity building, the encouragement of business development, and infrastructure investment. The NDA had no real success in encouraging innovation, despite the significant amount of money available. As the NDA experience suggests, government approaches to ED have been most successful when applied to the first two or three. It is little wonder that the present government, in the north at least, has identified training and education as key areas of investment in its Plan for Growth.

Although the government’s Plan for Growth appears to present a blank face to what many in the north would consider essential to growing the economy (ie, subsidies, direct investment, etc), virtually each of the approaches in the last decade, from both sides of politics, have been consistent in their lack of support for the idea of “picking and choosing winners and losers”; generally, governments in the last decade, in many jurisdictions, have shown no appetite for propping up private businesses on an ongoing basis (except, that is through the tax/royalty system). It is overwhelmingly likely that continuing to propose this concept to government will be wasted effort.<sup>1</sup>

Rather, efforts could begin with analysing the “state of play” in terms of what is already happening on the economic development front, those areas where effort ought to be advanced and which would have government support, and those that could be left to a time when the environment is more conducive to “big picture thinking.”

We might begin with the following prompts:

### 1. What kind of plan do we want?

The question is not as simple as it seems. If you look at the NDA and the ER concept, you see two approaches to ED that are virtually polar opposites in almost every way. For instance, while the NDA had a pool of funding, it had a Board with no autonomy, as well as no mandate to “seek out” entrepreneurial opportunities. When project applications stopped coming in, the NDA was becalmed. It was, in a sense, a passive entity. The ER concept, on the other hand, had a mandate to actively seek out

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<sup>1</sup> However, no government can pretend to be entirely consistent when it comes to its own practices. For example, government is more than happy to provide supports to housing, including private landlords.

opportunities, but no funding to give it any teeth. It is likely, in fact, that the ERs would have evolved into little more than glorified chambers of commerce—but without the “commerce.”

## **2. What sort of “industry” focus would it have (if any)?**

There is, quite understandably, a perception in many circles that mining is the “answer” to the north. While obvious benefits have come with mining, indications are that opportunities may be drying up, or are becoming somewhat more limited. Government Relations’ 2012 Northern Benefits Study shows sharp increases in capital expenditure over the last decade, but forecasts a decrease in expenditures on goods and services and contract construction over the next few years.

In addition, the “low hanging fruit” is almost all spoken for—northern contracts are heavily weighted in the low-skilled “service” areas such as cleaning/janitorial, catering, trucking, travel, etc.—while the potentially under-exploited areas for northern businesses (computers, hardware, mining equipment, chemicals, legal/financial, etc.) would seem to be in either the high-tech, high-skilled areas, have other barriers to entry such as high capital needs, or be in areas that would seem to offer little or no possibility for competitive advantage.

As well, of course, there is far more to the northern economy than mining. Statistically, most people still work in the “basic” service industries (retail, for example), government services, health, education and related fields. Province-wide, these are also growth areas in terms of employment. Labour market assessments still suggest that high turnover in high-skilled service industries is a major issue. Identifying the reasons why professionals are not staying in the north might be an area of interest for a comprehensive economic development strategy.<sup>2</sup>

## **3. Should government policies be examined?**

What has been the impact of the government’s trimming of the public service in recent years on regional economies? Do ministries have a responsibility to consider the economic impact on a community of relocating or eliminating a particular service or in the allocation of FTEs to a particular service location?

## **4. What about municipalities and municipal development corporations?**

Municipalities have the ability to form development corporations and to act like private businesses. As well, of course, municipalities themselves, in their resource allocation and their taxing decisions, can influence a community’s development. What impediments do they face? Are they doing enough?

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<sup>2</sup> c/f: NLMC “Northern Saskatchewan Regional Training Needs Assessment 2011-12”

### **5. What role could “financial innovation” play?**

“Crowd sourcing” is a buzz word right now, but the concept has been around for a long time. Recent examples from Alberta have local governments fronting the cash to take over profitable businesses with strong cash flow that would otherwise have closed (due to owners retiring), selling “stakes” in the business to locals and recovering their money, and running them under management in the style, if not also the substance, of a co-operative.

### **3. Conclusion**

It would be easy to conclude, viewing the totality of present government policies and commitments, that there is no “plan” for northern Saskatchewan. In fact, this is not really the case, if it ever was. There are indeed many actors in the north—both government and non-government—working away at reducing the education gap, building capacity, attempting to raise capital for a project, and so on. Many of these activities go on with a great deal of financial support from government, as they ought. Failing to consider this will result in many wheels being reinvented.

When northern leaders call for a “Plan,” what they are really asking for is some statement of how all this is fitting together to improve the lives of people in the north. As we all know, unemployment in some communities is at levels that elsewhere in the province would be regarded as catastrophic—social crisis levels, “send in troops” levels. What leaders want to see is that no one is being complacent about this—especially not government.