

Rowing Together:

Best Practices for the Regional Coordination of Economic Development in the Toronto Region

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CONTENTS

EXECUTIVE SUMMARY	2
1. INTRODUCTION	5
2. METHODOLOGY.....	5
3. LITERATURE REVIEW.....	6
3.1. EXPLAINING WHY REGIONAL ECONOMIC DEVELOPMENT STRATEGIES HAVE CHANGED	7
3.2. ENLARGING THE SCOPE OF REGIONAL ECONOMIC DEVELOPMENT	12
3.3. WHY REGIONAL COORDINATION HAS RISEN IN IMPORTANCE.....	17
3.4. BEST PRACTICES IN REGIONAL COORDINATION OF ECONOMIC DEVELOPMENT STRATEGY.....	18
4. THE CURRENT SITUATION IN THE TORONTO REGION	26
4.1. CURRENT PLAYERS.....	26
4.2. CURRENT ENVIRONMENT.....	31
4.3. SOME GROUNDS FOR MOVING FORWARD.....	34
5. WHERE TO GO FROM HERE?	37
6. CONCLUSION	40
BIBLIOGRAPHY.....	41

EXECUTIVE SUMMARY

A number of recent studies and reports have emphasized the need for a more coordinated approach to economic development in the Toronto region. This report draws on a literature review and a series of interviews to identify best practices in regional coordination and determine the barriers to and opportunities for coordination in the Toronto region. Based on these findings, the report suggests ways to enhance such regional coordination.

Context

Regional economic development policy, particularly the imperative of regional coordination, has changed significantly in the last two decades due in large part to changing business practices and changing expectations relating to the role and style of government. Local economic development has shifted from attracting new businesses to growing local enterprises and clusters, and from initiatives aimed at economically-distressed areas to broader support for innovation. These shifts have transformed the practice of local economic development, expanding its range of functions and stretching its reach to encompass regional approaches.

In large part, it is necessary to adopt a regional lens to advance innovation and clusters that cross municipal boundaries, but other supporting features, such as workforce development, are also more appropriately implemented at a regional scale. These new functions shift the geographic lens from what each local municipality might do separately to a regional approach that aligns the activities of numerous players, including local governments across municipal boundaries, other orders of governments, and the many other actors who contribute to the local economy such as employers, post-secondary institutions, research bodies, training facilities, and civic, sectoral and advocacy intermediaries.

Best Practices in Regional Coordination

This need for a regional approach puts the function of coordination front and centre. The most effective mechanism to coordinate economic development is a broadly-inclusive, deliberative process that leads to a common, collaboratively-developed economic development vision for an area. Consensus around such a vision allows the various independent actors to align their strategies and activities to ensure that the greater portion of efforts is pushing in the same direction.

A literature review of best practices shows that coordination comes in many forms. As an activity, coordination can be light (ex. simple exchange of information) or it can be intense (ex. highly structured, regular interactions). It can also range from informal (ex. understandings between players about roles and functions) to formal arrangements (ex. creating a new entity to manage relationships). Moreover, coordination can be driven by governments or emerge bottom-up from local organizations that identify a need and fashion a response.

Governments can encourage greater coordination in regional economic development through funding criteria in their programs, through contracts between different orders of government, by creating or supporting new structures (ex. intermediary organizations that develop and implement regional economic development strategies), or by reconfiguring political structures. Tracking outcomes using relevant data is essential to ensure accountability on the part of all participants to the goals and objectives agreed upon.

The Current Situation in the Toronto Region

There are a number of key actors relevant to any discussion of an economic development strategy for the Toronto region, including the many GTA municipalities, the Province of Ontario, the federal government, plus a number of civic, business and economic development organizations.

Currently, there is no economic development strategy for the Toronto region. Rather, the various actors involved in economic development generally work independently of one another due to their unique mandates, objectives, and/or priorities. As a result, a number of observers have judged local economic development activities to be fragmented, duplicated and sometimes even working towards cross-purposes.

Interview participants pointed to several factors to explain the present situation, including the dependence of municipal governments on property tax as a source of revenue, a lack of consensus on the functions that constitute economic development, and the overlap of organizational mandates. A poor history of collaboration on regional issues and the absence of a single political entity for the GTA also do not help.

Where to Go from Here?

Interviews with a number of key players in local economic development reveal some consensus and grounds for moving forward. There is broad agreement that the senior orders of government can and should play a supporting, facilitative role (though not a directing role), as well as about which economic development functions warrant a more regional approach (including the development of a regional vision) and which are better undertaken by local municipal bodies. Moreover, a large number of informants supported the principle of a comprehensive regional economic development agency (although there remains less consensus regarding how what that entity might look like, how it would be funded, what its authority would be, how it would relate to existing entities, what its authority would be, and so on). Perhaps most importantly, a number of key informants suggested that a continued lack of action would actually make the fragmentation and underperformance of the Toronto region worse.

Moving forward toward regional coordination requires some basic pre-requisites. First, regional coordination needs champions among politicians, government staff, the private sector and related agencies; coordination requires a network of supporters, each of whom can mobilize the support of the numerous constituencies who have a stake in this issue. Second, senior orders of government

need to signal their willingness to participate, including support for convening the necessary players as well as support in principle to help implement the proposed strategy. Third, the specific content of a regionally coordinated economic development strategy must be worked out through a deliberative process, both to ensure that all parties participate in developing the content as well as to generate the greatest degree of buy-in to whatever emerges. Finally, some preparatory work is required to flesh out the options to put a regional economic development vision into practice. These options fall across a spectrum, ranging from incremental change through formalized structures

In numerous studies, Canada, Ontario and the Toronto region have all been cited as jurisdictions with considerable assets yet which 'punch below their weight' economically. The presence of a diverse and well-educated population, a sound financial system and a supportive business climate, among other attractive features, sits incongruously with a poor record in GDP growth, productivity growth, R&D investment and many other indicators of economic performance. There is a sense that other comparable regions worldwide are surpassing Toronto, and that the explanation lies in Toronto's inability to capitalize on its strengths.

In short, the Toronto region's institutional structures have not risen to the challenge of its economic development needs. There are several options for moving forward, as the literature on this topic attests, and the relevant stakeholders can design and implement a strategy that best suits the interests and needs of the Toronto region. What has been lacking to date has been the political initiative and will, together with a commitment on the part of the majority of the players.

1. INTRODUCTION

Within a short span of time, several prominent organizations (the Organisation for Economic Cooperation and Development, the Mowat Centre for Policy Innovation, the Toronto Board of Trade, the Greater Toronto CivicAction Alliance etc.) have identified the need for a more coordinated approach to economic development in the Toronto region.¹ These organizations found that actors involved in economic development typically work independently of one another due to their unique mandates, objectives, and/or priorities. Consequently, regional economic development activities are fragmented, under-funded, duplicated, and sometimes even work at cross-purposes. Such individualistic approaches to economic development can have a detrimental effect on regions seeking to achieve their full economic potential.

Regional coordination is often proposed as a method for overcoming this challenge, as it provides mechanisms and incentives for economic development actors within a defined region to work towards common objectives (for example, developing industry clusters) based on locally-identified regional strengths. For this reason, the Intergovernmental Committee for Economic and Labour Force Development in Toronto (ICE Committee) commissioned this study to identify the barriers and opportunities for coordinating economic development in the Toronto region and to suggest ways for enhancing such regional coordination.

2. METHODOLOGY

Research for this paper proceeded along two tracks. First, a literature review of recent publications about regional economic development strategies was conducted, examining current thinking and best practices derived from scholarly publications, government reports, websites and so forth. Second, a series of interviews was undertaken with key players involved in economic development in the Greater Toronto Area, which provided insights into the current situation regarding regional activities and the prospects for a more coordinated regional approach.

This assignment had a short time frame and so both the literature review and the interview process represented a limited exploration of the issues at hand. Nevertheless, the literature is broadly representative of current thinking on the topic and all informants are key players who reflected a variety of institutional viewpoints regarding regional economic development in the Toronto region.²

¹ OECD, Territorial Reviews: Toronto, Canada, 2009; Neil Bradford and David Wolfe, Toward a Transformative Agenda for FedDev Ontario, 2010; Toronto Board of Trade, A Framework for a Stronger Toronto Region and a Prosperous Ontario, 2011; Toronto Board of Trade, Shifting into High Gear: A Prosperous Toronto region Means a Prosperous Ontario, 2011; Greater Toronto CivicAction, Background: Towards a New Model for Economic Cooperation Across the Toronto Region, 2011; Greater Toronto CivicAction, Breaking Boundaries: Time to Think and Act Like a Region, 2011.

² The thirteen informants are not disclosed because the interviews were not for attribution and, with such a small number of informants, it would have been possible to link insights or opinions to specific participants.

3. LITERATURE REVIEW

Regional economies form the backbone of national economies. For example, the 200 largest metropolitan economies account for 14 percent of the world's population and employment, yet generate more than 48 percent of global GDP.³ Governments at all levels can have a great bearing on the performance of their economies, including through spurring innovation and productivity growth. Recognizing the value of regions and applying a regional lens to programs constitutes a recognized best practice.⁴ As a consequence, locally-focused economic policies, or regional economic development strategies,⁵ take on greater importance.

What constitutes effective regional economic development policy, in particular the imperative of regional coordination, has changed significantly in the last two decades. Before enumerating what are considered best practices (the 'what?'), it is important to highlight why economic development strategies have changed (the 'why?'). In short, the 'why' provides the context for the 'what'.

Regional economic development has evolved, responding to changing business practices and changing expectations regarding the role and style of government. As is discussed below, many of these changes resulted from broader shifts in economic paradigms and societal values. Although some of the earlier approaches to economic development remain in practice (often for good reason), many new strategies have emerged and it is important to understand the reasons for the ascendancy of these approaches to appreciate their relevance to the present economic challenges.

Local economic development has moved from measures to attract new businesses to growing local enterprises through cluster strategies, and from initiatives aimed at economically-distressed areas to broader support for innovation. These new functions shift the geographic lens from what each local municipality might do separately to what a constellation of players, including numerous local governments in concert with provincial and federal governments, need to do collectively. This places coordination at the centre of any regional economic development strategy.

The literature review is organized as follows: the first section highlights the broader paradigmatic shifts, explaining why economic development as practiced at the local level has changed; the second section outlines how these changes have translated into practice, identifying the range of functions and strategies constituting regional economic development; the third section zeroes in on the

³ Emilia Istrate, Alan Berube and Carey Anne Nadeau, *Global MetroMonitor 2011*, The Brookings Institute, p. 4.

⁴ "There is strong quantitative evidence that many industries remain relatively concentrated in specific regions and those firms and research generators in proximity can outperform their counterparts located in less rich environments." From OECD, *Competitive Regional Clusters: National Policy Approaches*, 2007, p. 10.

⁵ One thesis of this paper is that economic development practiced at the local level has moved from a focus on that local area (thus representing functions undertaken by a municipality) to encompassing a broader scale, thus requiring a regional strategy. Therefore, in most instances the term "local economic development" will refer to initiatives undertaken by a single municipality or will reflect the earlier view of what economic development at a local level entailed, while "regional economic development" represents the more recent view, incorporating a wider geographic scope and a more integrated approach.

resulting significance of regional coordination—it is the changes in the functions of regional economic development that have raised the relevance and importance of regional coordination; and the fourth section illustrates some current best practices relating to regional coordination.

3.1. EXPLAINING WHY REGIONAL ECONOMIC DEVELOPMENT STRATEGIES HAVE CHANGED

In order to appreciate why regional coordination is important, it is necessary first to review certain changes or shifts that have necessitated the application of a regional lens to economic development. As detailed below, regional economic development has become both more relevant and more complex and this helps explain why regional coordination has emerged as an important consideration.

Several trends are evident in the literature, reflecting both emerging thinking and evolving practice:

- shift from business attraction to business enhancement;
- shift from directing to facilitating;
- shift from regional development to economic development; and
- shift from entirely economic to incorporating social and environmental considerations.

Shift in function: from business attraction to business enhancement

There was a time when local economic development largely consisted of chasing smokestacks, the now pejorative term used to describe the single-minded determination of municipalities wishing to entice major employers to locate manufacturing plants and major office developments in their communities. To convince employers to choose their locale, governments relied on both an array of sweeteners (such as tax concessions, grants and preferential loans) and civic boosterism (citing the compelling features of the local area). However, municipal governments recognized over time that employment growth relied as much, if not more, on local start-ups, the expansion of existing businesses, and preventing the outmigration of local businesses. As a result, support for small business development, business expansion and business retention became part of the economic development repertoire.⁶

The late 1980s and early 1990s witnessed the emergence of new forms of doing business in the private sector, prompted by several factors:

- cheaper transportation and growing globalization increasing competitive pressures, which compelled companies to reduce costs and constantly innovate to stay ahead;

⁶ Local governments were also recognizing that chasing smokestacks with tax concessions and grants was a zero-sum game, with virtually no limit on how far a competing jurisdiction might go to entice a company to locate.

- mass manufacturing giving way to more consumer-oriented approaches, with greater reliance on customization and shorter product cycles;
- the service sector continuing to increase its share of economic output and of employment; and
- information technology becoming an important element in the production of goods and services.

These factors resulted in greater emphasis being placed on the following:

- continuous efforts to reduce costs and create efficiencies;
- the promotion of skills and human capital and the rise of the knowledge economy;
- decentralized production and service processes, giving rise to supply chain management; and
- the constant need to innovate.

As a result, local economic development strategies adapted as well, placing the focus on the following:

- minimizing business costs to create a more attractive business climate, notably by reducing tax levels and regulatory requirements;
- emphasizing the more qualitative aspects of a locale that would entice a knowledge sector professional (quality of life, cultural amenities, educational facilities for adults and their children);
- promoting workforce development as a mechanism for complementing economic development; and
- supporting the capacity of companies to innovate by having regard to such elements as the research and development capacity of a local area, the strength of local networks and clusters, and the mechanisms for bringing innovation to market.

Thus, economic development morphed from a narrow focus on influencing the location decisions of an employer to a broad range of far more sophisticated functions that could facilitate the complex and inter-related dynamism of the new economy.

One of the more prominent approaches to business enhancement is cluster development. Gaining prominence in the 1990s as vehicles for local economic development,⁷ industry clusters refer to the geographic concentration of interrelated firms, suppliers and other institutions, usually educational and research bodies, where the synergy of the whole is greater than the sum of its parts. Clusters are seen to enhance productivity, wage and employment outcomes, and to contribute to greater knowledge circulation and innovation advances.⁸ Cluster strategies are approaches that seek to identify and strengthen local clusters.

⁷ Michael Porter, *The Competitive Advantage of Nations*, 1990.

⁸ OECD, *Competitive Regional Clusters: National Policy Approaches*, 2007, p. 30-2.

Shift in process: from directing to facilitating

It is noteworthy that supply chain management⁹ has become such a prominent feature of the new way of doing business, because it epitomizes the transition from hierarchical, vertically-integrated companies to networked collections of specialized firms, each negotiating with each other the terms of mutually beneficial partnerships. While businesses remain as competitive as ever, they are also far more reliant on alliances and partnerships among suppliers and buyers, each contributing to the other's ability to reduce costs, improve quality, quicken turn-around times and foster innovation.

Supply chains are not limited to goods or services but also include the generation and transmission of knowledge. They draw together not only businesses but also educational and research institutions, sources of capital, as well as training and workforce development bodies, as research and development is the foundation for new products and services, a dynamic financial system is the means for bringing innovation to market, and a skilled workforce enables the diffusion of new technologies across an industry sector.

Such a system cannot be directed or controlled because it no longer involves chains of command within a conglomerate. Rather, it requires negotiation among a range of independent and networked companies; relationships emerge in the course of doing business, as buyers seek suppliers and producers seek new ideas. However, improving the speed and/or sophistication of the process requires convening and facilitating. For example, companies may establish intermediaries that can serve as the interface between the multiplicity of individualized interests and the realization of economies of scale and mutual benefits.

These dynamics have consequences for public authorities, who similarly cannot expect to employ their traditional powers of coercion (such as through legislation) to support these emerging ways of doing business, but instead must rely more on incentives, advocacy and cajoling to advance public goals in this field. Engagement and negotiation are part of the evolving paradigm, which has resulted in the reliance on multi-level governance. The fact is that these changing forms of business practices also find their expression in changing government approaches; it is part of the zeitgeist of our times.¹⁰

⁹ Supply chain management refers to increasingly sophisticated systems for managing product logistics, both within a firm or between a network of firms acting as suppliers and buyers, related to the supply, production, transportation and inventory. See Francois Fulconis and Gilles Pache, "Exploiting SCM (Supply Chain Management) as a Source of Competitive Advantage: The Importance of Cooperative Goals Revisited," *Competitiveness Review*, 15(2), pp. 92-101 (2005).

¹⁰ "This emphasis on collaboration is not simply some new technique or fad that has emerged as a best practice in the last few years. It reflects substantial changes that have taken place in terms of the way organizations operate, both in the business and government realms. In essence, it represents the consequence of the weakening of hierarchical approaches to directing organizations, the erosion of a command-and-control form of top-down management." From Tom Zizys, "Collaboration Practices in Government and in Business: A

Shift in purpose: from regional development to economic development

The initial purpose of regional development was re-distributional, as is evident from its history in the European Union (EU). In the 1980s, the movement to a single European market relied on the harmonious development of the European Community. Consequently, European regional policy sought to reduce disparities between the various regions, which was articulated through the following objectives: (1) the development of structurally backward regions; (2) the conversion of regions in industrial decline; and (3) the promotion of development in rural areas.¹¹ A small portion of the early European Regional Economic Development Fund was earmarked for innovative activities, primarily related to cross-border cooperation, cooperation networks between towns and regions and issues related to urban problems. It also included assistance to access technology and skilled workers, in recognition of the growing competitiveness of the global economy.

However, beginning in the 1990s and accelerating through the 2000s, the focus of European regional development shifted toward strengthening research and technology infrastructures in line with the needs of business innovation, connecting small and medium enterprises (SMEs) to the regional knowledge infrastructure and providing direct support for clusters and industrial districts.¹² As a consequence, the intention of the EU regional development programs started taking on a more generic economic development role, moving from a redistribution of funding from richer member nations to poorer ones, to the support of broader community-wide goals, seeking to enhance the international competitiveness and innovative capabilities of the European continent as a whole.

The regional development/economic development trajectory in Canada followed a somewhat similar arc, with federal policies in the 1960s aimed at eliminating economic disparities across Canadian regions.¹³ In the 1980s and 1990s this focus evolved into industrial restructuring and economic diversification objectives. With the full onset of globalization and the knowledge economy by the 2000s, the focus of Canadian regional development became upgrading traditional manufacturing, diversifying resource-based economies and growing leading-edge firms.¹⁴

In the case of both Europe and Canada, the initial forays into regional development were characterized by top-down approaches; however, these early experiences soon clarified the importance of coordination, starting with other orders of government. As a result, regional development theory and practice increasingly reflected institutional arrangements that promoted better alignment among the activities of the relevant governmental players.

Literature Review," in Joan Roberts and Pauline O'Connor, *The Inter-agency Services Collaboration Project*, Wellesley Institute, 2007, p 68.

¹¹ David Wolfe, *From Entanglement to Alignment: A Review of International Practice in Regional Economic Development*, Mowat Centre for Policy Evaluation, 2010, p. 4. The following discussion follows this study.

¹² *Ibid.*, p. 8.

¹³ This and the discussion that follows is drawn from Neil Bradford, *Regional Economic Development Agencies in Canada: Lessons for Southern Ontario*, Mowat Centre for Policy Innovation, 2010,

¹⁴ *Ibid.*, pp. 3-6.

This focus on structures was epitomized in Europe through the concept of “multi-level governance,” which advanced the notion that the national government level no longer had a monopoly on policy-making. Rather, national governments had to engage in collective decision-making with other orders of governments as well as external stakeholder.¹⁵ In Canada, this evolution moved from federally centralized bureaucratic control over the distribution of grants, subsidies and tax concessions to companies, to joint federal-provincial funding of a wide range of projects (notably infrastructure) to regional development programmes delivered through decentralized federal regional development agencies.¹⁶ This desire to coordinate the actions of all orders of government led to bilateral framework agreements stipulating how different government initiatives could be linked up to generate mutually-reinforcing impacts.¹⁷

The movement from a top-down approach to one facilitating coordination and partnership among multiple stakeholders reflected the practical reality of a multi-jurisdictional world. It also coincided with what was needed to support transformations in the changing economic and business environment, as discussed earlier.

Shift in context: from entirely economic considerations to incorporating social and environmental considerations

Finally, what had been seen as solely business calculations now must have regard for multiple bottom-lines. While the role of governments may have diminished somewhat in the last two decades (the range of its reach restrained by fiscal concerns), the demands that society has of all its prominent institutions, from public to private, have risen.¹⁸ These include expectations for transparency, accountability, environmental sustainability and social benefit, evidenced by such trends as the growth in corporate social responsibility, the green movement and extensive requirements for disclosures on matters previously deemed private.

But these expectations do not only create responsibilities, they also engender opportunities. The sustainability cause has given momentum to an entire green industry. The desire for social impact has spawned social corporate responsibility as well as a social economy, with social enterprises and community economic development. The drive for social justice has encouraged diversity in our workplaces and the inclusion of previously marginalized populations as equal economic actors. These objectives do serve different goals but in all instances they have also been shown to

¹⁵ Wolfe, p. 5.

¹⁶ There are now five such bodies: Atlantic Canada Opportunities Agency; Western Economic Diversification Canada; Canadian Economic Development for Quebec Regions; FedNor (Northern Ontario); and FedDev (Federal Development Agency for Southern Ontario).

¹⁷ OECD, *Linking Regions and Central Governments: Contracts for Regional Development*, 2007, pp. 176-9.

¹⁸ A widespread trend has been the decline in trust in all prominent institutions, from government to business and labour unions, from organized religion to the media. See: Francis Fukuyama, *The Great Disruption: Human Nature and the Reconstitution of Social Order*, 1999. This may account for the growing demands for accountability.

contribute positively to the business bottom-line. As such, they also become considerations in economic development, from generating a green industry cluster to promoting gay/lesbian events as part of the place-making that supports the creative sector.¹⁹

3.2. ENLARGING THE SCOPE OF REGIONAL ECONOMIC DEVELOPMENT

The shifts in function, process, purpose, and context outlined in the previous section have made regional economic development a much more complex, holistic and inclusive exercise: more complex because of the range of factors being addressed; more holistic because of the multiple outcomes being pursued; and more inclusive because of the vast array of stakeholders being engaged. As a result, the repertoire of functions and strategies that constitute regional economic development has greatly expanded.

Functions

Table 1 (see the following page) summarizes the expanded list of potential economic development functions. This list is a 'menu' – a large city may cover the majority of these activities, while smaller municipalities may only engage in two or three. Additionally, single-purpose agencies are sometimes set up to specifically address only one of these functions. As the range of economic development activities have expanded and as individual municipalities have taken on these broader activities, the potential for fragmentation, duplication and working at cross-purposes increases. But whether or not they are appropriately advanced regionally or locally, a regional economic development strategy should address all of the functions on this list.

As a result of the shifts that have transformed economic development and have expanded its functions, some strategic directions in particular have gained prominence among economic development policy makers; these are detailed below.

Strategy: innovation

Moving away from business attraction as the prime function of local economic development and placing greater emphasis on business enhancement means focusing on innovation. Innovation drives productivity growth and enhanced competitiveness; therefore, innovation underpins economic performance in the globalized economy, as advanced economies – such as Canada's – need to compete on the basis of higher valued-added products and services as opposed to cheaper cost.

Innovation needs to be understood broadly; it is not limited to science and research, and companies need to be innovative in their operations, organizational structures, business models and

¹⁹ Richard Florida, "Bohemia and economic geography," *Journal of Economic Geography* 2 (2002) pp. 55-71. The theory is that metropolitan regions with high concentrations of technology workers, artists, musicians, lesbians and gay men, exhibit a higher level of economic development, as the concentration of creative people and creative activities attracts more creative people.

Table 1: Menu of potential economic development functions

ACTIVITY	DESCRIPTION
Business attraction and retention	Influencing the location decisions of businesses.
Business climate	Reducing the financial and regulatory cost of doing business; lowering corporate taxes, cutting red tape, reducing the regulatory burden.
Cluster strategies	Focusing on the development of key sectors, convening the sector and the supporting institutions to address common issues and find win-win solutions.
Enterprise development	Providing small business advisory and support services, assisting start-ups.
Export support	Facilitating the promotion of local products to the export market; making linkages in other countries, organizing trade missions.
Financing support	Facilitating access to capital, for venture capital and commercialization of new products, either through development funds or other vehicles.
Green economy/environmental sustainability	Developing a green economy cluster strategy (or some sub-sector) and/or applying an environmental sustainability lens across all industries.
Investment attraction and promotion	Attracting investment from outside the locality. (This also overlaps with business attraction, as investment can be in the form of locating a business.)
Physical infrastructure (spatial planning, transit, transportation, communications, energy)	Developing the physical infrastructure so that it supports business needs, including well situated and serviced employment lands, efficient transportation options, low cost energy, and access to hi-speed communications networks.
Servicing businesses	Providing businesses with the support they require to conduct their operations, in particular assisting them through the approval process for locating new operations or expanding existing ones.
Small and medium enterprise support	Ensuring that smaller firms are not disadvantaged by reason of their size from accessing information and resources that can assist their business.
Social economy and community development	Providing support to the social economy, through capacity building, grant programs, supportive policies, preferential procurement, convening of stakeholders.
Workforce development	Ensuring that employers can access qualified workers, by matching the unemployed to job opportunities, conducting labour market analyses to forecast skills needs, and linking training to employer demand.

relationships as well as with the development, application, and/or adoption of technologies.²⁰ These innovations can be either “radical” or “incremental”. Radical innovation arises from major technological change (for example, the advent of computers and mobile communications), while incremental innovation is the consequence of constant modification at a minor scale, which is the chief source of productivity growth.²¹

The need for innovation explains the importance of higher-level skills in an advanced economy. It is not merely the researchers, scientists and engineers who may be developing new products and processes but, even more so, the capacity of enterprises to adopt these innovations to their specific circumstances. Consequently, innovation depends on technologists and technicians, the mid-level skilled and semi-skilled workers, together with capable production workers who can pick up, apply and adapt new approaches. Senior staff also require appropriate management and supervisory skills to guide workforces along the innovation trajectory. The truly innovative organization embraces this mentality across all its operations, from finance to marketing to human resources management.²²

Strategy: cluster approach

Despite a certain level of “cluster fatigue,”²³ cluster strategies are still seen as effective mechanisms for promoting and diffusing innovation across an industry sector. Areas with strong clusters have higher rates of innovation, entrepreneurship, employment growth and better wages, and there is a strong correlation between per-capita GDP and cluster concentration.²⁴

Clusters depend on a combination of factors for their success; these factors are listed in the following bullets.²⁵

- **Place matters:** clusters emerge gradually and are the consequence of the right mix of local strengths represented by a range of stakeholders, including universities and other knowledge-

²⁰ John Stanwick, *Innovation: Its Links With Productivity and Skill Development*, National Centre for Vocational Education Research, 2011, p. 2.

²¹ *Ibid.*

²² OECD, *Skills for Innovation and Research*, 2011, pp. 17-20.

²³ OECD, *Investing for Growth: Building Innovative Regions*, p. 7 applies this phrase, reflecting a sentiment that is no stranger to Ontario: “[T]he idea of “clusters” – a buzzword a couple of years ago that was eventually dismissed as faddish – is creeping back into vocabularies both inside and outside government.” Adam Radwanski, Tim Kiladze and Tara Perkins, “What’s wrong with Ontario – and how to make it right,” *The Globe and Mail*, February 18, 2012.

²⁴ Jonathan Sallet, Ed Paisley and Justin Masterman, *The Geography of Innovation: The Federal Government and the Growth of Regional Innovation Clusters*, Science Progress, 2009, p. 11; Mark Muro and Bruce Katz, *The New ‘Cluster Moment’: How Regional Innovation Clusters Can Foster the Next Economy*, The Brookings Institute, 2010, p. 5. These outcomes explain why 26 of 31 European Union countries have cluster initiative programs in place.

²⁵ *Ibid.*, pp. 11-17.

generating research institutions, businesses, government programs and workforce skills; one doesn't "create" clusters, one nurtures and expands clusters that already exist.²⁶

- Knowledge flows: the transfer of innovative ideas emerging from knowledge-generating establishments to entrepreneurs and innovative companies is the essential process that defines innovation clusters.
- Money is key: a good idea doesn't blossom into a successful company without investment; venture capital, angel investment and public financing are critical to the creation and growth of these enterprises; the lack of seed-stage and early-stage capital financing is a significant barrier.
- Skills make the difference: companies need employees with the higher level skills to develop and exploit innovation; workforce development strategies need to respond to the changing requirements of employers.
- Networks provide the linkages: when companies, universities, workers, policy makers and sources of capital are in close and frequent contact, collaboration happens and clusters flourish.
- Patience makes perfect: the evolution of clusters takes many years, often decades.
- The need for leadership: the first notable clusters were the result of circumstances (Silicon Valley being the best example), but to nurture clusters deliberately takes leadership.

Strategy: workforce development

Successful regional economic development strategies consciously engage the workforce development system as an adjunct, to ensure the availability of workers skilled in the right specialities relevant to the local economy. Too often, labour market programs are limited to two functions: acquiring credentials (via the education system) and support in finding employment (via publicly-funded employment services). Workforce development has a far wider ambit: it is not limited to delivering education or to placing individuals in jobs, but rather is focused on understanding and anticipating current and future employer skill needs and guiding and enhancing education and training systems so that they respond to and work with these labour market demands.²⁷

Workforce development is typically sector-based (each industry has its own labour market dynamics that requires its own approaches), dependent on intermediary organizations (to knit together the range of stakeholders, from employers, to employees, educational bodies, training organizations, and employment service providers) and focused on post-employment as well as pre-employment

²⁶ Mark Muro and Bruce Katz, p. 6.

²⁷ Three useful guides to workforce development: Aspen Institute, "Where Labor Supply Meets Labor Demand: Connecting Workforce Development to Economic Development in Local Labor Markets," August 2011; Francesca Froy and Sylvain Giguere, "Putting in Place Jobs that Last: A Guide to Rebuilding Quality Employment at Local Level," *OECD Local Economic and Employment Development Working Papers*, 2010; Toronto Workforce Innovation Group, *Planning to Succeed in Toronto: Integrated Workforce Planning Examples from the US and Europe*, 2009.

services (post-employment includes continuous workplace training and career advancement, sometimes organized by sectoral career ladder programs).²⁸

Workforce development is also typically regionally focused, generally because labour markets operate at a regional level.²⁹ It is noteworthy that the boundaries of a census metropolitan area as defined by Statistics Canada include both an urban core area and those adjacent municipalities with at least 50 percent of their employed residents working in the urban core area. As such, Statistics Canada's census metropolitan areas essentially define a local labour market.

Strategy: social innovation and the social economy

An innovative economy is not measured only in terms of private gain. Social innovation applies new thinking to social problems to the benefit of the public good. A more elaborate definition describes social innovation as follows:

A novel solution to a social problem that is more effective, efficient, sustainable or just than existing solutions and for which the value created accrues primarily to society as a whole rather than private individuals. A social innovation can be a product, production process or technology (much like innovation in general), but it can also be a principle, an idea, a piece of legislation, a social movement, an intervention or some combination of them.³⁰

The social economy is the term applied to the substantial economic weight of the broader non-profit, voluntary and co-operative sector. It includes not only the range of services provided by the sector, representing significant expenditures, but also direct economic activity, through community economic development as well as the increasing tendency to create social enterprises, entities that operate like businesses but which use a portion of their surpluses to support social or community goals.

A regional economic development strategy benefits from incorporating social innovation and the social economy in its purview, by reason of the significant economic activity represented by the

²⁸ Some very useful resources for learning about career ladders approaches include: Joan Fitzgerald, *Moving Up in the New Economy: Career Ladders for U.S. Workers*, The Century Foundation, 2006 – this is *the* book on career ladders, reviewing numerous programs in five distinct industry sectors; Davis Jenkins and Christopher Spence, *The Career Pathways How-To Guide*, Workforce Strategy Center, October 2006; Randall Wilson, *Invisible No Longer: Advancing the Entry-level Workforce in Health Care, Jobs for the Future*, May 2006; Pablo Mitnik and Matthew Zeidenberg, *From Bad Jobs to Good Jobs? An Analysis of the Prospects for Career Ladders in the Service Industries*, Center on Wisconsin Strategy, 2007.

²⁹ Certainly workers do migrate between provinces depending on the job market, but by and large labour markets are defined by daily-work commuting patterns, which closely align with regional economic development areas.

³⁰ Centre for Social Innovation, Stanford University, cited in Mark Goldenberg, Wathira Kamoji, Larry Orton and Michael Williamson, *Social Innovation in Canada: An Update*, Canadian Policy Research Networks, 2009, p. 5.

third sector³¹ and the complementary innovation present in its dynamic corners. There are opportunities for synergies between the mainstream and social economy, and some of that cross-over is already present in such realms as corporate social responsibility and the pursuit of sustainable development.

3.3. WHY REGIONAL COORDINATION HAS RISEN IN IMPORTANCE

When the primary goal of economic development was to influence the location decisions of businesses, municipal boundaries mattered greatly. However, this geographic equation changes as the goals of economic development shift towards promoting innovation and cluster strategies, and as factors such as workforce development and sustainable development come into play. Indeed, the reach of an economic development strategy must necessarily cross municipal boundaries, because the players that have a bearing on the success of local companies and workers are not limited to the same municipality. For example, clusters do not align themselves according to jurisdictional borders because companies belonging to a cluster may be spread across neighbouring municipalities; moreover, the suppliers of a cluster may also cover a wider area, the universities and research institutes that form the R&D foundation for the cluster will be similarly spread out, and the cluster's labour force will be drawn from a large commuter shed and receive their education and workplace training through a number of post-secondary institutions and other training bodies.

This shift means that individual municipalities need a different calculus for calibrating their efforts, where economic development strategy needs to engage stakeholders outside one's municipal boundaries and where the benefits of one's activities cannot all be captured by firms located in the same municipality. Thus, coordination becomes essential, and that coordination needs to apply a regional lens.³²

Process becomes increasingly important as economic development strategy broadens its reach, encompassing a wider range of stakeholders and a more complex set of factors; these reasons are listed in the following bullets.

- **Multi-level governance:** the range of issues and the geographic target area necessarily involves several orders of government, different municipal jurisdictions and typically different departments and ministries among the various governments; no one government has overriding authority over this field; moreover, each locale will need to develop strategies that

³¹ When hospitals, colleges and universities are included, the broader non-profit sector accounts for 7 percent of Canada's gross domestic product. (Statistics Canada, *Satellite Account of Non-profit Institutions and Volunteering*, 2007, Cat. No. 13-015-X, 2009, p. 5.)

³² Tijs Creutzberg, *Canada's Innovation Underperformance: Whose Policy Problem Is it?* Mowat Centre for Policy Innovation, 2011, especially pp. 10-11; OECD, *Investing for Growth: Building Innovative Regions*, Background Report for the Meeting of the Territorial Development Policy Committee (TDPC) at Ministerial Level (2009); David Wolfe, *op. cit.*, p. 18.

respond to local conditions, and for that reason senior orders of government need to empower regional and local tiers to ensure that local knowledge drives the strategy.

- Bottom-up partnerships: the engagement of a multiplicity of stakeholders outside formal governments cannot be mandated, only encouraged; this involves convening and relationship-building among employers, educational institutions and research institutes, networks such as chambers of commerce, industry sector councils, research networks, civic groups, and intermediaries of one shape or another, so that a shared vision can emerge.

At bottom line, the issue becomes one of coordination: how does one ensure that the various pieces of the puzzle fit, from government initiatives to the decisions of numerous participants, when the scale of what needs to be done involves so many different actors? The most effective mechanism is a broadly-inclusive, deliberative process that leads to a common, collaboratively-developed economic development vision for an area. Consensus around such a vision allows the various independent actors to align their strategies and activities to ensure that the greater portion of efforts is pushing in the same direction.

3.4. BEST PRACTICES IN REGIONAL COORDINATION OF ECONOMIC DEVELOPMENT STRATEGY

To summarize the emerging thinking, several large-scale shifts have transformed the practice of local economic development, expanding its range of functions and stretching its reach to encompass regional approaches. In large part, this is a consequence of adopting cluster strategies to promote innovation and greater competitiveness, but also because other supporting features, such as workforce development, are more appropriately implemented at a regional scale. However, to pursue such a regional approach requires aligning the activities of numerous players, from several orders of governments as well as multiple local jurisdictions, and engaging the many actors who contribute to the local economy, including employers, post-secondary institutions, research bodies, training facilities, and civic, sectoral and advocacy intermediaries. This puts the function of coordination front and centre.

Putting coordination in context

What do we mean by coordination? There are several continuums to consider. First, coordination as an activity can be light or intense. Table 2 illustrates the spectrum of possibilities, ranging from a lower level of coordination (ex. communication) to a mid level of coordination (ex. joint planning of projects but distinct activities) to a high level of coordination (ex. implementation of joint activities or new entities). Second, coordination can be defined by less formal or more formal arrangements. In Table 2, the degree of formality in the relationship increases as one moves from top to bottom in each of the columns.

One could apply such a continuum to the range of functions under economic development. This would reveal a matrix: some functions may have lower levels of coordination, while other functions

may be more formal. For example, the major stakeholders could agree on a common entity (a consortium) that would gather, analyze and report on economic development data (high level of coordination, high degree of formality), while deciding to convene a table to meet regularly to exchange information and discuss possibilities relating to the green economy (low level of coordination, high degree of formality).

Table 2: Range of Coordinating Activities

← LEVEL OF COORDINATION →		
Communicating	Planning and Cooperating	Implementing
Awareness Keeping track of what other players are doing in the same field	Tacit cooperation Informal understandings between players about roles and functions	Common resources Players apply economies of scale (e.g. data gathering, back office operations)
Intermittent communications Some direct communications between players on an ad hoc basis	Formal cooperation Joint planning, but each player undertakes own activities	Common activities Players collaborate regularly on specific events (e.g. conference, trade mission)
Formal communications Regular meetings to exchange information	Joint projects Distinct activities, but players also enter into joint projects from time to time	Consortium Players combine in a new entity (an intermediary) to advance a particular goal

Table 3: Models of Macro Regional Collaboration³³

Model	Ad-hoc, issue-by-issue relationships; no central coordination	Private sector initiative with government support; sector driven	Civil society lead in coordinating initiatives; broad-based consultations with the public, private and non-profit sectors	Legislated mandate from member states/provinces; permanent secretariat; input from private sector	Multilevel governance; institutionalized policy networks of national, regional and local governments; legislated mandate
Example	Great Lakes – St. Lawrence Region	Quebec – New York Corridor Coalition	Toronto CivicAction Alliance	Pacific NorthWest Economic Region	European Union Macro-Regions
Initiator	Bottom-up	Predominately bottom-up	Mixed	Predominately government-led	Government-led

³³ Matthew Mendelsohn, Reuven Shlozberg, Josh Hjartarson and Neville McGuire, *The Vital Commons: A Policy Agenda for the Great Lakes Century*, Mowat Centre for Policy Innovation, 2011, pp. 20-21.

Another consideration is where the impetus for the coordination comes from, as many different actors from among the various stakeholders can take the lead in initiating and managing coordination activities. In some instances government drives the process, but in other cases the initiative emerges from the bottom-up, where business leaders or civic groups identify the need for coordination and fashion a mechanism to serve that purpose (see Table 3).

Although some of the models in table 3 are "bottom-up", the 'best practices' identified in the literature tend to focus on the following models and strategies that governments can use to encourage coordination.

Encouraging coordination through funding criteria

This diversity of what constitutes coordination is reflected in the different practices encouraging its adoption in regional economic development. In some instances, funding bodies have promoted coordination by making it a condition of funding.

For example, funding for pilot projects to draft Regional Technology Plans through the European Regional Development Funds in the 1990s were predicated on a bottom-up approach; they were to be demand-driven, based on the needs identified by firms within the region, emerging out of a dialogue between the firms, regionally-based technology transfer organizations and the public sector.³⁴ Alternatively, the U.S. Department of Labor funded the Workforce Innovation in Regional Economic Development (WIRED) Initiative as a way to spur more sophisticated approaches to workforce development that would complement regional economic development strategies. Their human capital aims spanned worker training, entrepreneurship, and the kindergarten to university pipeline, with a special emphasis on the STEM fields (Science, Technology, Engineering and Mathematics); funding for studies and/or implementation of strategies was conditional on demonstrable, wide-ranging collaboration.³⁵

Encouraging coordination through “contracts”

Multi-level governance anticipates governments coordinating activities and spending within their respective jurisdictions to achieve a common outcome or goal. This requires mechanisms for articulating roles and responsibilities as a way to manage their cooperation, based on the view that no one order of government can direct the activities or spending of another. The notion of “contracts,” essentially agreements between governments setting out expectations, has emerged as

³⁴ David Wolfe, *op. cit.*, p. 6.

³⁵ Kevin Hollenbeck and Nancy Hewat, “Evaluation of Regional Collaborations for Economic Development: Lessons from the Employment and Training Administration’s WIRED Initiative,” *Employment Research*, Vol. 17, No. 3 [2010], W. E. Upjohn Institute for Employment Research, p. 1.

an organizing concept for understanding these newly emerged relationships.³⁶ In the literature, two types of contracts are particularly relevant.

- Transactional contracts refer to the circumstance where governments can define precisely in advance the outputs of their relationship; essentially, Government A will do (1), (2) and (3), while Government B will do (4), (5) and (6). The contract anticipates mutual performance and presumably the combination of these activities done together will produce a more robust outcome.
- Relational contracts refer to the circumstance where governments anticipate that the outputs will be determined during the course of the contracted relationship, so the contract defines how the governments will behave toward each other (commitment to the relationship, agreement on a consultative and decision-making process, an understanding of how costs and benefits will be divided, and so on) rather than dictating their specific activities.

Canada is recognized for the innovative use of contractual agreements in its federal system, the most noteworthy being the trilateral Urban Development Agreement between the Government of Canada, the Government of British Columbia and the City of Vancouver that is commonly known as the Vancouver Agreement.³⁷ The Vancouver Agreement enshrined a collaborative partnership that sought to overcome the typical silo-based approaches of different government departments and instead promoted a more horizontal form of coordination. While this was an urban development agreement, it has great relevance and applicability to the field of economic development, where the three orders of government similarly share a multiplicity of roles and responsibilities warranting a more explicit mechanism for coordination.³⁸

Encouraging coordination through new structures

The most concrete and most prevalent manifestation of a desire to foster coordination is through the creation of an entity that can facilitate dialogue and communication among the various actors. In many instances, these entities are also mandated to take action on behalf of all stakeholders. In other cases, a regional entity is created to exercise a specific economic development function at a regional level.

³⁶ This section has relied upon OECD, *Linking Regions and Central Governments: Contracts for Regional Development*, 2007.

³⁷ *Ibid.*, p. 180 and following.

³⁸ The Vancouver Agreement has been highly praised as a model for collaboration. It received the Institute for Public Administration of Canada's prize for innovative management (2004), a United Nations Public Service Award for improving transparency, accountability and responsiveness in the public service (2005) and a partnership award from the Association of Professional Executives of the Public Service of Canada (2006). The Agreement was allowed to lapse in 2010. (From Vancouver Agreement website: <http://www.vancouveragreement.ca>.)

Institutionalization of Informal Discussions

In some instances, coordination emerges as a result of informal discussions that lead to productive action. For example, in 1997 the then mayor of Chicago invited several mayors from surrounding suburbs to explore how to better promote the interests of the entire region. From that meeting emerged the Metropolitan Mayors' Caucus. Now made up of 272 mayors, the entire Caucus meets three times a year to discuss regional issues, and selects an executive board that meets every two months to guide the deliberations of the caucus.³⁹ According to their website, outcomes attributed to the work of the caucus include improvements in electric service reliability, funding for cleaner air, the creation of a state-wide economic development plan, investment in the region's roads and other public infrastructure, plans to protect the region's critical utilities, including electricity, natural gas and water, plus the adoption of a housing agenda.

Creation of Intermediary Organizations

Often, stakeholders create a specific organization tasked to develop and implement some aspect of regional economic development; these organizations often focus on a specific industry sector. The following bullets highlight some examples.

- Kitchener-Waterloo has three organizations that undertake some aspect of regional economic development: Canada's Technology Triangle Inc (CTT) is the regional marketing association for the region; Communitech facilitates the exchange of ideas between local technology firms, service firms, academic institutions, business support organizations and governments; and the Prosperity Council of Waterloo Region is a broad association focused on regional public policy. All three entities were initiated through the private sector.⁴⁰
- In the Cleveland area, the Manufacturing Advocacy & Growth Network (MAGNET) brings together higher education institutions, regional economic development organizations and technology centres to provide market research and business consulting advice to local manufacturers; it focuses on helping these organizations achieve bottom-line efficiencies and increased productivity through process improvement programs. MAGNET also advocates on behalf of manufacturing and supports education and workforce development.⁴¹

³⁹ See their website for more details: www.mayorscaucus.org; also: Toronto Board of Trade, *Better Together: Driving Regional Economic Cooperation and Development*, 2010, p. 8.

⁴⁰ Toronto Board of Trade, *op. cit.*, p. 7-8.

⁴¹ From their website: www.magnetnetwork.org; also, Bruce Katz and Judith Rodin, "Metropolitan Business Plans Bring Regional Industries Into the 21st Century," *The Next Metro Economy*, No. 11, January 20, 2012, Brookings-Rockefeller Project on State and Metropolitan Innovation, <<http://www.brookings.edu/projects/state-metro-innovation/next-metro-economy.aspx>>.

- In Connecticut, the Clean Energy Finance and Investment Authority consolidates and repurposes existing state funds into a quasi-public finance authority that provides low-cost financing to promising clean energy and energy efficiency projects.⁴²
- In Seattle, the Building Energy-Efficiency Testing and Integration (BETI) Center and Demonstration Network aims to help local businesses commercialize innovations in building energy-efficient technologies, platforms, and materials by providing product validation and integration services. In addition, BETI fosters greater collaboration among businesses, entrepreneurs, trade associations, local and state government agencies, state universities, research networks, venture capitalists, and regional utilities.⁴³
- Rather than focus on one specific industry, the Los Angeles Regional Export Council, a public-private partnership, aims to double regional export levels in five years by expanding access to export training and market research, streamlining export services, and providing networking opportunities for export-ready companies in twelve key industries.⁴⁴
- ACC10 is the regional economic development agency for Catalonia, a region in Spain that encompasses 41 counties (including Barcelona) representing a population of 7.2 million residents. This agency takes a holistic approach to economic development by covering an extensive range of functions, such as training (ex. management strategies, use of ICTs, talent development), differentiation (ex. innovation, internationalization), growth (ex. alliances, corporate business initiatives, financing), and global link-up (ex. support for global businesses, presence in business and knowledge networks, attraction of high-impact investments).⁴⁵

Regional Investment Promotion Agencies

Given that international investors view opportunities through a regional, not local municipal, lens, stakeholders are moving away from having a multitude of fragmented agencies seeking to attract foreign investment locally. A Toronto Board of Trade study makes the case for regional investment promotion agencies, citing the following examples.⁴⁶

- Montreal International: this regional body covers the Greater Montreal area, and is financially supported by the federal, provincial, regional (Communauté métropolitaine de Montréal) and local government (City of Montreal), as well as private sector partners; its main mission is to attract foreign direct investment, focusing on specific clusters, particularly ICT, environmental

⁴² Bruce Katz and Judith Rodin, "Connecticut Looks to Jumpstart Its Clean Economy," The Next Metro Economy, No. 4, January 18, 2012, Brookings-Rockefeller Project on State and Metropolitan Innovation, <<http://www.brookings.edu/projects/state-metro-innovation/next-metro-economy.aspx>>.

⁴³ Bruce Katz and Judith Rodin, "Metropolitan Business Plans Bring Regional Industries Into the 21st Century," The Next Metro Economy, No. 11, January 20, 2012, Brookings-Rockefeller Project on State and Metropolitan Innovation, <<http://www.brookings.edu/projects/state-metro-innovation/next-metro-economy.aspx>>.

⁴⁴ Bruce Katz and Judith Rodin, "Los Angeles Doubles Down on Exports," The Next Metro Economy, No. 7, January 19, 2012, Brookings-Rockefeller Project on State and Metropolitan Innovation, <<http://www.brookings.edu/projects/state-metro-innovation/next-metro-economy.aspx>>.

⁴⁵ From their website: <http://www.acc10.cat/en//index.jsp>.

⁴⁶ Toronto Board of Trade, *op. cit.*, p. 11-16.

technologies and aerospace; its International Mobility Services department assists Montreal-based companies that recruit qualified staff abroad with obtaining official documents (visas, work permits and stay extensions).⁴⁷

- Paris Region Economic Development Agency (PREDA): this agency covers the Paris region (a population of approximately 12 million, compared to 2 million in the City of Paris); its focus is the development of industry clusters, encouraging research and innovation investment; PREDA is a not-for-profit organization managed by a board representing government, business organizations, labour and employer groups, academic institutions and research organizations.
- Think London: the official investment promotion agency for London, this body is a partnership between the private sector and local and central governments, which relies on public-private networks to provide expertise and advice to international businesses considering whether and how to invest in the London area.
- Invest in Catalonia: the investment promotion agency of ACC10 (cited above) works through 35 business promotion centres that provide advisory services and assistance to companies seeking to set-up operations or expand in Catalonia; Invest in Catalonia has developed 10 competitive geographic hubs that have land available for business and are equipped with supportive physical and research infrastructure.

Reconfiguring Political Structures

In some jurisdictions, the local governments saw the existing political administrative and fiscal structures as impediments to regional economic development, and sought to address these barriers. For example, the Regional Prosperity Initiative in northeast Ohio seeks to overcome a perceived “go-it-alone, winner-take-all” mentality, recognizing that competition between local governments for property and other tax revenues actually harms the economic development goals of the region as a whole; as a result, it has undertaken to explore region-wide land use planning accompanied with resource sharing as a way to reduce intergovernmental competition.⁴⁸ Alternatively, the Verband Region Stuttgart in Germany is an example of more formalized political structure. Created in 1994, it is an actual regional political institution, together with a regional assembly directly elected by local citizens; its responsibilities included regional transportation and infrastructure planning, culture and sport, elements of waste management, and promoting business and tourism.⁴⁹

Supporting outcomes with data

In addition to applying a regional focus and encouraging coordination, one other finding from the literature warrants emphasis: the importance of relying on data. Economic development activity can

⁴⁷ Montreal International, Partnering for Greater Montreal’s Development: 2010 Activity Report, p. 24.

⁴⁸ See their website: www.neo-rpi.org; also, see Toronto Board of Trade, *op. cit.*, p. 8-9.

⁴⁹ See Toronto Board of Trade, *op. cit.*, p. 9-10. The notion of a regional structure has been suggested for the Greater Toronto Area, most notably as one of the recommendations of the Task Force on the Future of the Greater Toronto Area (the Golden report, 1996), although the report did not propose direct elections to the GTA council.

result in rather diffuse outcomes, involving as it does convening, networking and encouraging others. Participants and funders need to have some sense that activities actually result in benefits. As in most fields, the practice of monitoring and tracking outcomes has risen in importance in the economic development literature. As far as best practices go, the following observations provide guidance.⁵⁰

- The vision drives the indicators: statistics mean little by themselves, requiring a context and a purpose. In the case of regional economic development, this means a shared vision expressed through a collectively agreed-upon strategy, which itself must articulate the performance measures that determine progress; while there may well be indicators that most regions might adopt as indicators, that is not reason to abdicate the activity of determining locally which indicators matter.
- Track the data that is needed: articulating the performance metrics as a consequence of the strategy means identifying the data that is needed; collecting too much data only clouds the analysis, while limiting the analysis to one or two indicators may narrow understanding of what is truly happening.
- Focus on outcomes, not inputs or outputs: outcomes represent impact, changes in behaviours; inputs are resources that fuel an activity but which by themselves may or may not produce change; outputs are measurements of the activity (for example, the number of brochures produced, or visits made) but do not reflect changes that have resulted as a consequence.
- Choose realistic indicators: indicators should be measurable but also directly related to local economic development activity. Regional GDP and employment figures by themselves may be an unfair yardstick given that macro-economic circumstances hold such sway over these numbers. Indicators should be linked to activities being undertaken as part of the economic development strategy, not broader economic impacts.

Summary

Coordination has many dimensions: there are low to high or intense levels of coordination, ranging from communicating intentions to deliberating and acting in concert; there are degrees of formality, from tacit understandings to highly structured processes and agreements; and coordination is also defined by how it came about—bottom-up processes, civic intermediary initiatives and government-legislated structures are the result of different local contexts, reflecting both the possibilities and the expectations that local conditions create.

What constitutes best practices for encouraging coordination mirrors the range of coordination options, from funding conditional on evidence of coordination, to negotiated contracts stipulating roles and responsibilities among key players, to creating formal structures. In all instances, however,

⁵⁰ These best practices are derived from George Erickcek, “Indicators, Dashboards, Benchmarks, and Scorecards in Regional Economic Development: Lessons Learned,” *Employment Research*, Vol. 19, No. 1, Upjohn Institute for Employment Research, 2012, pp. 1-3.

tracking outcomes using relevant data is essential, to ensure accountability on the part of all participants to the goals and objectives agreed upon.

4. THE CURRENT SITUATION IN THE TORONTO REGION

The literature review above described institutional structures and collaborative processes, mapping out a logical sequencing of planning, convening and implementing. In comparison, the interviews to be reported in this section highlighted the far more complex reality of finding solutions not only for technical problems, but also for dealing with jurisdictional turf skirmishes, animosities generated by politics and personalities, and a legacy of poor collaboration at the regional level. Although the literature often makes reference to the need for leadership as a contributing factor toward a regional economic development strategy (the studies typically cast it in terms of “someone needs to take the initiative”), these interviews revealed that it is not merely a matter of overcoming inertia but rather of convincing stakeholders that the whole can be greater than the sum of its parts.

Almost all informants were extremely cooperative and frank. Among the key stakeholders, there is a genuine interest in the issue of economic development and how to make it operate better in the Toronto region.

As an outsider, it became apparent that this issue has a longstanding history and that previous efforts to coordinate a regional strategy, both for the institutions and the individuals involved, greatly affects the prevailing viewpoints as well as opportunities for moving forward. It also means that for an outsider, it is necessary to exercise caution together with humility – caution to appreciate that there are many layers to the issues present in this topic and that not everything is going to be expressed from an objective viewpoint, and humility to accept that an outsider is not going to understand all the nuances and undercurrents that inform the way things are and the possibilities for how they could be.

4.1. CURRENT PLAYERS

There are a number of key actors relevant to any discussion of a regional economic development strategy for the Toronto region. The following is a brief synopsis of their role and some impressions from the key informants.

Municipalities in the GTA

As is the case with most regions, in the Toronto region one larger city anchors a set of other cities of varying sizes, some of which have emerged as significant economic and employment centres in their own right.

There is, to varying degrees, an apparent divide between the 416 (Toronto) and 905 (surrounding regions) municipalities. Perhaps because of its size and profile, Toronto is seen by the informants as more likely to capture the benefits that would emerge from a more coordinated regional strategy;

on the other hand, it is in the regions where one finds more opportunities for new employment and land development.

Those municipalities that operate within regions with a regional economic development office (Halton, York, Durham but not Peel) tend to work well with their region counterpart, but there is not a history or mechanism for working across regional boundaries on GTA economic development. For its part, in the absence of a collective GTA strategy, the City of Toronto takes a regional perspective in its analysis and formulation of strategy; that is, in developing a city strategy it situates its approach in the regional context. While also being a supporter of the regional investment agency for the Toronto area (the GTMA, discussed below), the City created its own investment agency in 2009, used to attract investment and businesses to the City of Toronto, providing linkages with local business networks, advice on site location and introductions to professional services.

In the absence of a more regional approach, municipalities will continue to advance their own local strategies. It is worth highlighting a major structural challenge, namely the great dependence of municipal governments on property tax as a source of revenue. Regional economic development offers the promise of a larger regional economic pie, but the various governments need to be assured that the economic and fiscal benefits will be fairly distributed. (Other notable barriers to regional coordination are articulated below in the *Current environment* section)

Province of Ontario

Three provincial ministries have responsibility for the regional economic development file: the Ministry of Economic Development and Innovation (MEDI), the Ministry of Agriculture, Food and Rural Affairs (OMAFRA), and the Ministry of Municipal Affairs and Housing (MMAH). These ministries established the Interministry Community Development Initiative (ICDI), a vehicle for providing one-window access to the provincial administration for municipalities. Through the access point of the ICDI, municipalities can be connected to whichever provincial official is appropriate to their request or issue, to link them to the right expertise, program or resource. This client-responsive approach is complemented by four teams made of officials of relevant provincial ministries assigned to four regions; these Provincial Economic Transformation Teams (PETTs) provide a ground-level, horizontal forum for addressing regional issues.

Beyond the ICDI, MEDI has a wide range of programs and funds supporting research, innovation, research networks, small business support, export assistance as well as regional economic development, notably through regional economic development funds and the Ontario Network of Excellence (ONE).

However, there is not a formal policy or plan for a GTA economic development strategy. It appears that there is strong support for the concept of a GTA economic development strategy among some provincial officials, but there is not currently a formal effort to make such a strategy happen. Evidently there would be issues the province would have to address:

- accepting the risk of taking action on an issue rife with opposing viewpoints without any guarantee of success;
- determining what would be the geographic scope of the initiative (the GTA has a generally well-understood territory, but for the sake of economic development some definitions of the the Toronto region sometimes extend to Hamilton and/or Kitchener-Waterloo); and
- determining where funding would come from if the province took action (particularly in the current period of deficit reduction), and if funding were found how this funding for Toronto might be perceived in other parts of the province.

Overall, there is broad consensus among all the informants that the province has a critical, if not the critical, role to play as the catalyst to spark a stronger regional economic development approach in the GTA.⁵¹

Federal Economic Development Agency for Southern Ontario (FedDev Ontario)

FedDev Ontario is the newest of the federal government’s regional development agencies and, as the ‘new kid on the GTA block’, has not yet articulated a formal policy for the Toronto region; rather, its focus is to support a more competitive southern Ontario as a whole. FedDev Ontario currently administers a number of funding programs, but these do not amount to a cohesive, localized, economic development strategy. Moving forward, it is seeking to apply a place-placed approach to economic development, which may include some pilot initiatives within urban settings.

Other GTA players are not at all certain about FedDev Ontario’s intentions for the Toronto region. Given the intricate history and the involvement of a number of established players, some informants expressed some scepticism about the role that FedDev Ontario could play. Nevertheless, there appears to be an open attitude toward FedDev Ontario as a supporting partner, both as a funder and through potential knowledge-transfer from other federal-regional initiatives. However, the local players do not envisage FedDev Ontario as the lead driver for regional economic development in the GTA.

Greater Toronto CivicAction Alliance

CivicAction is a civil society-led initiative that promotes broad-based consultations across a multiplicity of stakeholders to arrive at practical solutions to the complex social, economic and environmental issues that beset the Toronto region. Every four years it hosts a *City Summit*, a gathering of regional leaders who review and provide direction on the recommendations of numerous collaborative working groups.

⁵¹ It is noteworthy that this sentiment affirms the view from the literature which advances a facilitating role for provincial and federal governments.

In advance of its 2011 Greater Toronto Summit, CivicAction developed a series of recommendations for the economic development field:

- to establish a regional economic cooperation council, made up of key regional stakeholders and decision-makers, to define an economic vision and agree upon strategies;
- to develop an economic cluster strategy framework, which would provide the vehicle to pursue regional cluster strategies;
- to create one regional investment promotion agency that would consolidate all marketing and outreach activities currently being undertaken by existing entities.

However, this event did not result in a consensus to proceed on these recommendations, in part, it seems, because the proposal to create a consolidated regional investment promotion agency was contentious. While the development of a regional cooperation council and a cluster framework received broad support, the creation of a new agency that replaces rather than re-aligns existing entities represented too problematic a shift.

CivicAction is continuing to meet with local politicians and other stakeholders to find common ground on which to pursue a regional economic development approach.

Greater Toronto Marketing Alliance (GTMA)

Established in 1997 as a public-private partnership, the GTMA's prime function is to attract direct foreign investment to the GTA. The investment promotion agency has a strong supporting constituency and receives funding from most of the municipalities and regions in the GTA, the provincial and federal governments, and the private sector. However, some of the GTMA's supporting municipalities and regions also carry out their own foreign investment attraction activities.

Some interview respondents suggested that the ideal agency would amalgamate the various investment activities currently being performed by GTMA and individual municipalities. Others indicated that despite its broad support, the GTMA is underfunded, given its purpose and the globally competitive field of regional investment attraction. Indeed, while the literature review did not involve an in-depth examination of the activities of other regional investment promotion agencies, the range and depth of their work described on their various websites suggest larger budgets and higher levels of support.

Toronto Region Research Alliance (TRRA)

The TRRA was an outcome of an earlier CivicAction City Summit and, until its funding was recently wrapped up, was a non-profit entity dedicated to building the region's public and private research capacity, enhancing the commercialization of research, and attracting new research-intensive companies to the area. Its geography extended beyond the GTA to include Kitchener-Waterloo,

Hamilton and Guelph. Being focused on research, TRRA had strong links with post-secondary institutions and has generated a number of cluster-focused studies.

Although their primary mandates were distinct, there were some areas where the functions of the GTMA and the TRRA overlapped (notably some aspects of the attraction of businesses and of investment). In the context of the earlier discussion about the evolving economic development paradigm, the GTMA tends more towards the business attraction model (that is, promoting the region to investors and those making business location decisions) while the TRRA was more focused on the 'grow-your-own' approach, supporting innovation and the commercialization of research and local start-ups.⁵² Recently, the TRRA proposed a major study to examine the merits of a regional economic development agency. Like the recommendations circulated at the CivicAction summit, this study did not attract the support of the majority of existing stakeholders and did not proceed.

Toronto Financial Services Alliance (TFSA)

The TFSA is the intermediary that advances a cluster strategy approach to the financial services industry in the Toronto region, often cited as a model for a cluster-driven approach. Founded by the City of Toronto to advance this strategically important sector, the TFSA is now a public-private partnership that adopts a regional focus. Alongside the City, the governing membership includes financial industry companies and academic institutions from across the region, and the provincial government. Some interview respondents suggested that TFSA's regional mandate could be further strengthened if the governing membership included other municipalities.

Toronto Board of Trade (TBOT)

The Toronto Board of Trade is Canada's largest chamber of commerce and includes businesses across the Toronto region. Over the last few years it has published several reports on the question of a regional economic development strategy. These reports have been useful advocacy pieces on this topic, but some interview participants considered the Board's adoption of a regional lens as an activity beyond its mandate.

Greater Toronto Area Economic Development Partnership

All area municipal economic development officers meet periodically (four to six times a year) to share information and discuss issues of mutual interest. This forum is seen as a constructive table by those who participate. The discussions have begun to expand into other areas, such as exploring

⁵² The GTMA is seen by some as having a strong following in the 905 region, while TRRA, albeit with a wider geographic reach, is viewed more as a 416 entity. The reason may be that the 905 area has more available, developable land (and thus is naturally drawn to a business attraction approach) while the City of Toronto has the greater concentration of post-secondary institutions, research bodies, businesses and civic networks that can contribute to viable cluster strategies.

opportunities for common data gathering and data sharing, and advocacy with the province. Some joint initiatives between individual municipalities have also emerged from this forum.

4.2. CURRENT ENVIRONMENT

It is unlikely that those familiar with economic development in the Toronto region would suggest that a regional economic development strategy currently exists for the Toronto region. Rather, the various actors involved in economic development typically work independently of one another due to their unique mandates, objectives, and/or priorities. As a result, a number of observers have judged local economic development activities to be fragmented, duplicated and sometimes even working towards cross-purposes.

However, it is not only the institutional structures that produce a fragmented approach to economic development in the broader Toronto region. Interview participants pointed to several other factors to explain the present situation, which are listed in the following bullets.

- No consensus on definition of economic development: it appears that the numerous stakeholders in this field do not share a common understanding of what economic development is. The spectrum of functions that make up economic development is practiced only in fragments, and each actors' view of economic development depends on its specific niche
- Strong sense of turf among organizations: a number of organizations already exist that are mandated to serve some aspect of the spectrum of economic development functions. These organizations develop a constituency and a momentum, and these interests also constrain the ability to design a regional economic development strategy, which might involve ceding one's organizational objectives to a more broadly developed plan.
- Strong sense of turf among municipalities: local politicians know their municipal boundaries; their first and often primary concern is serving their municipality. Moreover, the fiscal architecture, the overwhelming reliance of municipal administrations on property tax as a source of revenue, means that decisions directly affecting property tax revenue (for example, the location of a company moving to the GTA) have very great consequences for municipalities, and local calculations will as a matter of financial logic trump regional considerations.
- Lack of a political entity for the GTA: the GTA is currently governed by over two dozen municipal administrations, including both local and regional municipal authorities. Without an over-arching political entity, there is not an over-arching political voice for the GTA, which inhibits the ability of any actor to advance GTA strategies (not only for economic development but for other region-wide issues, as well).
- Poor history of collaboration: with so many reasons standing in the way of collaboration, it is not surprising that previous attempts to promote greater coordination of economic development strategies or greater integration of administrative structures have not succeeded; this track record lowers expectations and acts as the self-justification for unilateral approaches.
- Personalities: where there have been impasses it is not always only a matter of conflicting powers (different orders of government) or competing jurisdictions (sorting out costs and

benefits between municipalities), sometimes the conflicts have been between individuals in positions of authority and have had as much to do with personalities as policies.

- The lack of political will: these numerous barriers and the history of failure saps political will; municipal politicians have no incentive to lead on initiatives whose regional benefits may be considerable but whose local impact may be marginal, while provincial and federal politicians see no advantage in risking political capital in what to date has been an unproductive quagmire.

In numerous studies, Canada, Ontario and the Toronto region have all been cited as jurisdictions with considerable assets yet which ‘punch below their weight’ economically.⁵³ The presence of a diverse and well-educated population, a sound financial system and a supportive business climate, among other attractive features, sits incongruously with a poor record in GDP growth, productivity growth, R&D investment and many other indicators of economic performance. There is a sense that other comparable regions worldwide are surpassing Toronto, and that the explanation lies not in their achievements but in Toronto's inability to capitalize on its strengths. The gridlock that characterizes the transportation infrastructure is an appropriate metaphor for the limited ability to advance solutions that address the current predicament.⁵⁴

The literature review highlighted a number of key elements that contribute to effective regional coordination of economic development. The current status of a coordinated approach to regional economic development in the GTA can be assessed by responses to the following questions.

- “Is there a regional economic development vision that the various stakeholders can align with?” Not currently, as each entity (be it a municipal government or other economic development organization) has a vision and plan specific to that entity. Consequently, there is no over-arching vision that can provide a framework for the work of these separate entities.

⁵³ A review of several rankings studies puts it as follows: Toronto’s strengths are its livability, ease of doing business, stable political and economic context, excellent public health and education systems; comparatively low business costs; and more robust recovery from recent recession. Its weaknesses are its low productivity, poor record on innovation and commercialization, inadequate investment in transportation and other infrastructure, and a growing city-suburb divide. See Zach Taylor, *‘Lies, Damned Lies, and Statistics’: A Critical Examination of City Ranking Studies*, Intergovernmental Committee for Economic and Labour Force Development, 2011. The Conference Board of Canada gives Canada a “D” grade on innovation, ranking it at 14th out of 17 countries examined (see <http://www.conferenceboard.ca/HCP/Details/Innovation.aspx#>). The OECD cites the lack of regional coordination on economic development as one reason for Toronto’s lower-than-average economic performance (OECD, *Territorial Reviews: Toronto, Canada*, 2009). The Toronto Board of Trade’s most recent *Scorecard on Prosperity* (2011) calculates that the Toronto region has slipped in comparison to other world metropolitan regions, primarily because of its poor showing on productivity and GDP growth
<http://www.bot.com/AM/Template.cfm?Section=Scorecard&Template=/CM/HTMLDisplay.cfm&ContentID=6652>.

⁵⁴ The most recent characterization of this malaise can be found in John Lorinc, “How Toronto Lost Its Groove,” *The Walrus*, November 2011.

- “Are the various stakeholders embracing the pursuit of innovation?” In large measure, yes, but their efforts are somewhat disjointed. Innovation activities are not integrated as part of a regional economic development strategy.⁵⁵
- “Is there a form of multi-level governance that can support a regional economic development strategy?” No, there is no regular forum or process whereby the various governments (never mind all the stakeholders) can deliberate on and advance a regional economic development strategy. There have been periodic one-off summits in their absence.
- “Is there a process for engaging the various stakeholders in collaborative work focused on regional economic development?” Not really, although there have been several attempts. CivicAction’s City Summit provides a respected forum but has not had much success on this particular file. The GTA Economic Development Partnership is a useful forum for information exchange, but it is limited in terms of mandate, membership and capacity to take on a larger role.
- “Are cluster strategies being pursued?” The TFSA is a formal cluster strategy intermediary (for the financial services sector) and other cluster strategies are promoted via provincial entities, municipal economic development offices and industry associations; however with this multiplicity of approaches there is not a framework for ensuring that cluster approaches have region-wide engagement and participation from all stakeholders.
- “Is there a workforce development system in place that could support a regional economic development strategy?” There are workforce development boards for each of the City of Toronto, York Region, Durham Region, and one for Peel and Halton Regions. Although these bodies provide labour market analyses and initiate training, employment and career-related projects, there is no body or plan related to a regional workforce development strategy, particularly one that is demand-driven (ex. responsive to what employers need).

In short, the institutional structures in the Toronto region have not risen to the challenge of its economic development needs. The global economic transformation of the last 20 years or so has completely changed the way companies operate. Advanced economies need to rely on research, innovation and skills to compete worldwide. To do so, they require the building blocks, in education, research, training, infrastructure and financing, as well as the linkages, through place-based strategies and facilitated networks, to knit these assets together in the most productive way. While there are individual accomplishments that different governments can point to, such as funding programs and projects that have succeeded because of government investment or planning, there is

⁵⁵ One recent report describes this lack of integration as follows: “The innovation policy landscape is cluttered with overlapping programs, confusing eligibility requirements, and time-consuming administrative hurdles...The commercialization [of research] gap needs filling with government supports that link business to academia—and vice versa.” Ontario Chamber of Commerce, Mowat Centre for Policy Innovation, and Leger Marketing, *Emerging Stronger: A Transformative Agenda for Ontario*, 2012, p. 7.

a collective failure when it comes to devising a regional economic development framework and strategy for the Toronto region.

4.3. SOME GROUNDS FOR MOVING FORWARD

There were a number of areas that revealed general consensus across the range of key informants.

Role of higher orders of government

The literature unequivocally proposes that senior orders of governments should provide a supporting/facilitative role to enable the development and implementation of regional economic development strategies. Echoing this sentiment, the key informants do not expect the higher orders of government to direct a process for creating a regional economic development strategy. They see them primarily in a supporting role, albeit a critically necessary role, particularly as convenors (especially the province) and as funders (more so the federal government).

This is not to diminish either the importance of their role or the value added by their participation. The Toronto region is highly significant to the provincial and national economy and its economic status warrants investment, even when that attention does not translate into political reward.

A regional economic development agency

The literature emphasizes the importance of achieving a common regional vision for economic development, the touchstone from which one can fashion strategies and structures to put that vision into effect. Among the key informants, discussion typically focused on institutional structures, either support for an existing entity or advocacy for change, as opposed to advancing the merits of a common vision. It may be that informants sought to embed the way forward in something concrete or it may be that economic development strategy in the Toronto region has become defined in terms of existing or proposed entities.

That being said, despite the existence of numerous obstacles to collaboration and coordination, a large number of the informants interviewed said they would support a regional economic development agency, one that was properly funded by all three orders of government and by the private sector, with all the stakeholders at the table. At first blush this can appear as a striking contradiction, on the one hand, numerous institutional and political reasons impeding a more concerted strategy, on the other hand, a general willingness to embrace a regional economic development vehicle. The devil may be in the details: how an entity is funded, its balance of representation, and its authority would all be contentious matters to resolve.⁵⁶

⁵⁶ The view of one key informant who would be familiar with the operating expenses of such an endeavour estimates that such an entity would likely require \$4-6 million, ideally \$10 million.

There is another view, a minority but nevertheless present, that feels that an economic development strategy will not come from some formal entity; rather, the way to proceed is incrementally, with the slow adoption of the habit of coordination, which would emerge organically as a matter of practice. This group feels that pursuing coordination through a revamped institutional structure is just not possible, given past history and the current alignment of views.

Views on maintaining the status quo

A number of the key informants felt that not taking action would actually make the fragmentation and underperformance of the Toronto region worse. In particular, the multiplicity of initiatives by a range of different players does not amount to an economic development vision for the region, which is what these informants believe the region needs. Further, if there is not a consensus on how to proceed, it is highly likely that the regional efforts that do exist will continue to be under-resourced, so that even the status quo satisfies no one. Finally, trust may further erode between different municipalities, orders of government and organizations.

The locus for various economic development functions

Looking at specific functions, there was often consensus among the informants about which economic development functions warranted a more regional approach, and which were better undertaken at a local municipal level. The functions perceived as better undertaken as at a regional level included the following:

- developing a regional vision, as such an activity requires a regional scale by definition;
- business/investment attraction, as most informants agreed that the area had to be marketed as a region given that businesses from outside the region pay little regard to local municipal boundaries (at a practical level, there was much concern that fiscal realities, such as property taxes from businesses, inhibited local governments from adopting a regional perspective; the literature is greatly skewed toward a regional approach, based on the fact that modern urban economies are regional);
- research on broad economic situation (as well as data-sharing), as it was widely appreciated that data gathering and analysis could benefit from economies of scale through the pooling of efforts and the sharing of information (indeed, discussions of this nature are already occurring between local economic development offices); and
- designation of employment lands, which would ensure that growth followed a regional plan as opposed to individual municipalities pushing their individual development timetables).

In essence, it was the view of most informants that those functions that required intimate contact with local businesses were typically functions that should be performed at the local level, if for no other reason that local municipalities would be very reluctant to give up their connection with local businesses. These functions included the following:

- Business expansion and retention, as this function involves regular contact and interaction with local businesses;
- SME development, which is another function that relies upon close interaction with local businesses; and
- Servicing of locating businesses, as local officials are seen as better suited to assist businesses navigating the local regulatory environment once a business has made the decision to locate in a particular jurisdiction.

Interestingly, interview participants rarely referred to either workforce development or export development in the context of regional coordination.

Most saw workforce development as lower down the priority list of economic development functions; possibly because this is not a core function of most municipal governments and so they do not give it much thought. This viewpoint contrasts with the literature, which suggests that workforce development should be pursued in tandem with economic development given that labour markets are regional. Perhaps it is simply the case that in the Toronto region, there is limited appreciation of what workforce development may mean or how it could be pursued strategically.

With respect to export development, some respondents suggested there may be a regional role for export support (perhaps some adjunct of Ontario Exports); however, another view expresses caution on the grounds that export support requires in-country presence (which is expensive) and a lot of contact with local companies (a relationship that individual municipalities now maintain). Overall, this was not a function that was high on the list of regional or local economic development activities.

5. WHERE TO GO FROM HERE?

Several different proposals to examine the case for a regional economic development agency, while unsuccessful, have at least necessitated ongoing talks among key stakeholders about regional economic development coordination. As key players and funding structures change, so will the nature of discussions. This evolving landscape provides some hope for taking the next step towards more regional coordination.

However, one needs to acknowledge some basic pre-requisites for moving forward. Some sense of common purpose among regional actors is required to advance a regional approach. There is currently a significant amount of competition as well as turf guarding in the Toronto region; unless a culture of greater cooperation takes hold, nothing can change. Certainly the disincentive to regional strategies caused by the heavy reliance on property tax for municipal revenues is very real; therefore any proposal for greater coordination needs to ensure that the fiscal benefits of such an approach are shared in a way that rewards cooperation.

This common purpose might also be the starting point for identifying the core functions of a regional economic development entity. This coordinating entity must also have adequate resources, staff, and the power or capacity to make an impact. A coordinating body needs weight; it needs the background research to substantiate its claims, the promotional wherewithal to have impact, and the influence to bring together all the relevant players. In short, it needs to 'go big or go home'.

Regional coordination also needs champions at all levels, starting with political champions but also advocates among the various stakeholders. It is not enough for one or two leaders to be the spokespersons for this initiative; coordination requires a network of supporters, each of whom can mobilize the support of the numerous constituencies who have a stake in this issue.

Ultimately, there also needs to be an acknowledgement of the consequences of no concrete action. The current situation contributes to a series of fragmented economic development activities, with the efforts of various governments and the resources of various funders dispersed among several entities and several initiatives, with no common vision or strategy. There is no reason to think this situation would spontaneously right itself. While the economic performance of the Toronto region may require interventions beyond simply devising a regional economic development strategy, it is highly likely that a regional economic development strategy is an important prerequisite.

Necessary Elements

To summarize, in order for a more formalized coordination approach to happen, the following four elements need to come together.

1. Champions

While the Province has a critical role to play as the convenor for beginning and facilitating the process, for something sustainable to take place there also has to be a set of local champions to see it through, that is, champions among local politicians, local government officials, the private sector, and other interests connected with economic development. Given the history of this issue, in order to achieve success the local stakeholders would need to assemble a team of champions representing the cross-section of interests.

2. Senior level government commitment

The senior orders of government need to signal their willingness to play. This includes support for a process leading to an outcome, as well as support in principle to help implement the proposed strategy. It is essential that any funding be made conditional on an explicitly collaborative process and outcome.

3. A deliberative process

There will need to be agreement on how to proceed, that is, there is need to design the process. Questions such as who should be at the table, how can issues most effectively be discussed, and what is the decision-making process will need to be agreed upon. Options such as a “summit” meeting, engagement of the political process, and structure and mandate of working groups, would all need to be worked out and agreed to by the broader constituency.

4. Fleshing out options

One cannot bring all the stakeholders into a process without some way to frame the issues, to narrow down the options and to assemble some supporting evidence for the options. This need not be a full-blown “study” but it does require some preparatory work. There needs to be a document that can summarize the current situation and provide a framework for a discussion. The deliberative process would be used to frame the issues.

The specific content of a regionally coordinated economic development strategy would be worked out through a deliberative process; however, any regional coordination strategy should include the following elements:

- a vision for regional economic development (ex. what are the key sectors, who are the key players, what are the role of the various stakeholders, and how will they be assembled and coordinated);
- a protocol for attracting foreign investment and businesses (allocation of roles between entities);
- a framework for regional cluster strategies;

- an economic research, data and analysis agenda, with an allocation of roles and sharing of information among all stakeholders;
- a workforce development strategy (something beyond the current focus on credential attainment and employment placement); and
- incorporation of environmental sustainability and social economy considerations.

Scenarios for a regionally coordinated economic development strategy would also likely fall across a spectrum, ranging from incremental change through formalized structures. Table 4 highlights three potential options for framing a regionally coordinated approach in the Toronto region.

Table 4: Options for Coordination

Creeping cooperation	Identify specific functions for a regional approach	Re-mandate/re-align existing entities
<ul style="list-style-type: none"> • let cooperation and coordination emerge organically, over time and as interests see fit 	<ul style="list-style-type: none"> • focus on a specific function that could benefit from a regional approach 	<ul style="list-style-type: none"> • create a coordinating body or process or re-mandate existing entities
Advantages		
<ul style="list-style-type: none"> • not disruptive, less challenging to existing practices and institutions • allows for change to emerge as players feel comfortable 	<ul style="list-style-type: none"> • more likely that something doable can emerge within an activity for which there exists considerable consensus⁵⁷ • could serve as step toward a broader regional strategy 	<ul style="list-style-type: none"> • deals directly with the current reality in the Toronto region • allows for a range of possibilities⁵⁸ • would build on a regional economic development vision and strategy
Disadvantages		
<ul style="list-style-type: none"> • being incremental, no timeline to implement vision that guides the direction of change • if part of the resistance to change is institutional inertia, then may be difficult to expect meaningful change without formalized commitments 	<ul style="list-style-type: none"> • addressing a smaller part of the larger picture may divert attention from developing the broader strategy 	<ul style="list-style-type: none"> • inviting organizations to join a process that may re-align their roles may be an unrealistic proposition • in current fiscal environment, ability to create new entity may be constrained by limited resources

⁵⁷ Could be something more limited, such as common research and data analysis strategy, or creating an intermediary for a specific regional cluster strategy.

⁵⁸ For example, formal integration of organizations; MOU among various organizations delineating roles; development of an over-arching body that acts as an intermediary to develop a regional strategy.

6. CONCLUSION

The question of a regional economic development strategy for the Toronto region highlights a notable disconnect between the literature on the topic and the on-the-ground impediments to achieving good policy in practice. The literature makes a compelling case for stronger coordination within urban regional economies, particularly with respect to promoting innovation and competitiveness. In contrast, the current status quo in the Toronto region reflects a history of limited cooperation and the intense focus on purely local calculations caused in part by a property-tax revenue base. Beyond the disincentives caused by local government revenue sources, this underachievement is also the result of jurisdictional turf protection and personality differences.

Although these barriers may provide explanations, they should not be used as excuses for not taking action. There are many examples of effective regional economic development strategies worldwide, and it is unlikely that they emerged in circumstances bereft of jurisdictional competition and political squabbling.

The first step requires a coming together of the parties, and a senior order of government could play an important convening role in this process. At first the initiative would need to be sounded out informally, engaging the key players to collaborate in designing an acceptable formal process. The actual content of the deliberations, including any background studies or framing documents, should emerge as a result of the agreed-upon process, both to ensure that all parties participate in developing the content, as well as to generate the greatest degree of buy-in to whatever documents or studies may eventually be relied upon.

There are several options for moving forward, and the relevant stakeholders are fully capable of designing a strategy that best suits the interests and needs of the Toronto region. What has been lacking to date has been the political initiative and will, together with a commitment on the part of the majority of the players.

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