
Report on the Review of Economic Development Initiatives

NORTH ISLAND-COAST DEVELOPMENT INITIATIVE TRUST
NORTHERN DEVELOPMENT INITIATIVE TRUST
SOUTHERN INTERIOR DEVELOPMENT INITIATIVE TRUST
NECHAKO KITAMAAT DEVELOPMENT FUND SOCIETY

Ministry of Jobs, Tourism and Innovation

**Internal Audit & Advisory Services
Ministry of Finance**

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Abbreviations

CFA	Community First Agreement
Entities	Island Coastal Economic Trust, Northern Development Initiative Trust, Nechako Kitamaat Development Fund Society, and Southern Interior Development Initiative Trust
GVRD	Greater Vancouver Regional District
IAAS	Internal Audit and Advisory Services
ICET	North Island-Coastal Economic Development Initiative Trust
Ministry	Ministry of, Jobs, Tourism, and Innovation
NDIT	Northern Development Initiative Trust
NKDF	Nechako Kitamaat Development Fund Society
RAC	Regional Advisory Committee
RBCS	Rural BC Secretariat
SIDIT	Southern Interior Development Initiative Trust

Executive Summary

Internal Audit & Advisory Services has completed its review of four entities, the three regional development initiative Trusts and Nechako Kitamaat Development Fund Society. The review assessed the entities' effectiveness in meeting their stated objectives and whether their different business models have reduced risks to rural communities affected by the economic downturn.

Nechako Kitamaat was incorporated in 1999 as a Crown Corporation, to support sustainable economic activity in certain northern communities. The three development initiative Trusts were created in 2004/5, as independent entities to promote economic development outside the Lower Mainland. The Ministry of Jobs, Tourism, and Innovation is responsible for government's relationship with these entities, which must be arms' length with the fully independent Trusts.

The Trusts' purpose (to "support investment"), and Nechako Kitamaat's (to "promote sustainable economic development") are flexible, allowing them to adopt different business models depending on the specific geographical needs.

Objectives and Scope

The objectives of the review were to:

- provide an assessment of the functioning and effectiveness of each entity in the context of their regional needs; and
- assess the effectiveness of ministry relationships with the entities.

The scope of the engagement included the governance, service delivery, and performance management structures of each entity and their impact on operational results. It excluded the adequacy the funding provided to the Trusts, and comparison of the different business models used by each of the three Trusts.

Measuring Effectiveness

Acting as a catalyst, or as a "tipping point", the entities have been able to leverage project financing out of their one-time provincial funding up to nearly 5 times with financing from other public and private sources.

Trust annual reports show significant success in project outcomes such as job creation and leveraged investment attracted, measuring direct project outcomes, both in the individual projects they fund and in aggregate. Results reported by project proponents are not verified by the entities, nor by IAAS as part of this review.

The overall contribution to regional development cannot be measured because a large number of factors, external to any project, affect economic data. To assess the contribution, we had to rely on commentary from the “user community” – Economic Development Officers, local politicians (who were also Trust Regional Advisory Committee members), and other external groups.

All reported favourably that the entities were “good at what they do” in implementing their business models. However, there is an acknowledgement that none covers all aspects of economic development, given their limited resources. In all interviews, it was emphasized to us that local needs and funding priorities are best understood by local communities, articulated by their elected representatives, municipal staff, and other local user groups.

The Trust Acts established Regional Advisory Committees. Two Trusts have active Committees, providing a regional approach to projects through local and regional politicians coming together and identifying local needs for their relevance to regional needs. Community buy-in is very high in these two Trusts, which extensively fund broadly defined development through regional projects having local benefits.

Barriers to Effectiveness

Three issues emerged in our discussions as limiting the entities’ ability to effectively support economic development:

- a. There is a lack of broad, integrated, community and regional plans that could provide a roadmap of projects necessary to achieve an agreed upon vision, complementing government’s priorities and its sector strategies. Such integrated plans could provide government and the Trusts with an understanding of the magnitude and type of development funding that is needed in the medium-term in order to achieve desired results.
- b. Development funding may require the building blocks of infrastructure development and “quality of life” projects that are essential for a community to be “investment ready” for job- and revenue-creating “economic development” projects. The entities fund these types of projects to different degrees. Two entities also support specifically-targeted job training or retraining, another facet of community development.

- c. Smaller communities with limited financial or staff resources to conduct community planning, research funding opportunities, and apply, manage, and report to multiple funding sources do not fully participate in the entities' funding opportunities. "One stop shopping" - a single application and a single reporting structure through a funding coordinator (Trust, UBCM, or other) - could enable communities to participate more fully in funding opportunities. One Trust has delivered a program for the Federal government, confirming the practicality of this approach.

While outside the direct scope of our review, the themes referenced above are illustrated in the multiplicity of, e.g., Provincial job and employment programs targeted at specific employment sectors and clients. Interviewees would prefer to see sustained block funding that they could target appropriately to local needs.

Functioning –
Sound Practices

The entities have satisfactory practices for governance, development of their funding strategies, policies, and their implementation. Funding applications are processed in a sound manner for organizations of their size. Due diligence meets expectations, monitoring and reporting are adequate, and performance measurement is being upgraded to measure longer-term results where appropriate.

Independent Five
Year Review

The acts establishing the three Trusts included a requirement for an independent review of the Act and evaluation of its functioning after five years. The three Trusts are at different stages in their reviews. One has completed the review, which has been forwarded to the Ministry and is under discussion. The other two Trusts are working with the Ministry to conduct the review in the manner expected.

Ministry
Relationships

The Ministry, primarily through the Rural BC Secretariat, has maintained an arms'-length relationship with the entities. Ministry engagement ranges from passive to active prime-contact collaboration at both the regional staff and Victoria-based executive levels. Information sharing between the Ministry and the entities is based on common objectives of each, with the expectation that they will inform themselves about Provincial initiatives and strategies to better inform their funding and strategic decisions.

Provincial Board appointees do not receive any information from government. An appropriate information sharing process could enable these appointees to inform the entities' operations or decisions.

Recommendations applicable to ministry activities to address the issues raised during the review are contained in this report. Detailed discussion of the issues has been carried out with management and staff of the ministry and with the entities.

We wish to express our appreciation to staff from the Ministry of Jobs, Tourism, and Innovation and the entities for their cooperation during the course of this review.

A handwritten signature in black ink, appearing to read "C. Brown", with a horizontal line underneath.

Chris D. Brown, CA
Assistant Deputy Minister
Internal Audit & Advisory Services
Ministry of Finance

Introduction

The government of BC enacted legislation in 2004/05, creating the three Trusts to promote economic development in three regions of the province. By virtue of the legislation, the government of BC provided one time allocations to the three Trusts totalling \$285 million – \$50 million to each Trust and an additional \$135 million to Northern Development Initiative Trust (NDIT) from BC Rail sale proceeds, reflecting the adverse effect the sale was expected to have on the region. The three Trusts are independent entities with a mandate to “support investment” in key sectors in their respective regions.

Nechako Kitamaat Development Fund Society (NKDF) was created in 1999 to promote sustainable economic development in northern communities affected by the cancellation of the Kemano project. The government of British Columbia and Alcan Inc. each contributed \$7.5 million for the initial funding of NKDF. The three Trusts are completely independent of government, with which they can, therefore, have only an arms’ length relationship. NKDF is not independent of government, but is overseen by the Ministry responsible for economic development.

The Legislation

The Acts creating the entities broadly described their mandates as “support investment” (Trusts) and “promote economic development” (NKDF) in their respective communities. These broad and enabling definitions were a deliberate intent by those who drafted the legislation to provide the entities with flexibility and independence in carrying out their mandates.

Business Models

The four entities have varying interpretations of their mandate as manifested in the different business models they have developed:

- Southern Interior Development Initiative Trust’s (SIDIT) model is predominately private sector venture capital, with the necessary funding compensation structure for the entity to be sustainable, together with some community development programs and job skills training scholarships.
- North Island-Coastal Economic Development Initiative Trust’s (ICET) model is of non-repayable grants funding various public sector projects, without the entity being sustainable.
- NDIT’s model has several specifically targeted programs for non-repayable grants and loans to public and private sector projects, within a sustainable entity framework.

Entities' Funding Programs

- NKDF's model is of non-repayable grants to public and private sector projects, within a sustainable entity framework.

Two entities, ICET and NKDF, provide only non-repayable grants:

- NKDF funds "quality of life" projects in its communities, to the extent that its original \$15 million investment funds provide annual income – some \$500-600,000. Not having any Regional Advisory Committee (RAC), projects are evaluated by NKDF's manager and presented directly to the Board for approval.
- ICET funds various infrastructure and public sector development projects. To date, in excess of \$40 million of the original \$50 million provincial funding has been disbursed, leaving it with limited funds to continue funding projects. A sustainable model, based on investing the original funding in medium-term bonds, could fund some \$3 million annually from income. Projects are specifically recommended through RAC meetings, for Board approval.

The other two entities, NDIR and SIDIT, provide a mix of grants and repayable financing:

- NDIR has specific pools of funding created by its establishing Act and has created a number of targeted programs for different aspects of development that use funds from the applicable pools. The programs cover a wide range of activities, both community development and direct, job-creating, economic development through secured long-term loans and grants. Funding projects allows some \$25 million of funding each year from its original \$185 million funding. To date, grants and loans are almost evenly split by dollar value. Projects are specifically recommended through RAC meetings, for Board approval.
- SIDIT has three basic programs. One is a venture capital program for business, providing loan and/or equity financing, with an extended payback anticipated. Annual disbursements of \$7.5 million were planned for four years. The high loan interest rate appropriate for such financing should create a steady income stream. The second program supports community development that should lead directly to additional investment. The third provides trades skills training scholarships through community colleges, designed to retain youth in their communities. RAC members are invited to comment on projects before being sent to the Board for approval.

Purpose

Internal Audit & Advisory Services (IAAS) conducted a review to assess the effectiveness of the three Trusts and NKDF (the entities), and their different business models, in meeting their stated objectives.

Objectives and Scope

Objectives

The objectives of the review were to:

- provide an assessment of the functioning and effectiveness of each entity in the context of their regional needs; and
- assess the effectiveness of ministry relationships with the entities.

Scope

The scope of the engagement included the governance, service delivery, and performance management structures of each entity and their impact on operational results.

We also assessed for the three Trusts, the effectiveness of their functioning and business models. We were unable to compare our assessments to Trusts' self-assessments required under their enabling legislation, as originally intended, because these assessments are incomplete.

The review did not assess the adequacy and appropriateness of the levels of funding provided to the Trusts, nor did it include a comparison of the different business models used by each of the three Trusts reviewed.

Approach

To gain the entities' perspectives, we conducted 35 interviews. We interviewed at each entity the CEO (and, for NDI, its Regional Managers), the Board Chair and a sample of Board members (including provincial appointees for the Trusts), and a sample of members of each Trust's RACs. Some RAC members were also Board members, adding to that perspective and all were local government officials, providing additional "user community" perspective.

To gain the "user communities" perspectives, we conducted 43 interviews. We interviewed senior staff from organizations such as municipal economic development offices, Chambers of Commerce, community development agencies, and Ministry Regional Managers.

Given the geography, face-to-face interviews were generally limited to the communities housing the entities offices; other interviews were by telephone.

A random, non-statistically significant, sample of project funding files was reviewed, to evaluate the methodology for processing funding requests. Entities' reports were reviewed to assess the quality and adequacy of performance management

Comments and Recommendations

1.0 The Business Models

The Trusts’ business models have been developed by their Boards, the majority of whose members are local politicians. They are members of RACs, appointed by the Committees, and serve at will. The model should, therefore, reflect local communities’ needs, as defined by their local political representatives on the RACs, and can be modified through their representatives. This process appears to work in practice, because active RACs have shown an ability to influence evolutionary change to Trust business models.

NKDF’s model has been developed by the Board, which represents the various specified interest groups required in its Act. This succeeds in providing a broad cross section of local information and opinion.

The business model is a key factor in determining the amount and distribution of the funds among communities. A venture capital model tends to have funding concentrated in larger communities having the necessary infrastructure critical mass and expertise to attract investment and business. On the other hand, the other models have a more even distribution of funding among the different communities because they cover a wider range of community and economic development projects. Appendix A provides a breakdown of funding distribution by size of community.

2.0 Economic Development Issues

Economic
Development
Scope

The effectiveness of an entity in having its funding meet local development needs is shaped, in part, by the breadth of its definition of “economic development”, which informs the design of the business model.

In our discussions with the staff, Board members, and various stakeholders of the entities, we found that the definition of economic development may go beyond creating jobs and attracting investment. It can include projects and programs that improve the “quality of life” and increase the capacity of communities, enabling them to be “investment ready” and attract “economic development” business venture investment, or tourism.

Programs for skills training/retraining, grant writer training, renovation of community halls, recreational trails, harbour and airport improvements, and construction of housing for seniors respond to this broader definition. While the overall effect cannot

be determined, this broadening has resulted in smaller communities receiving a greater share of funding for the upgrading of essential infrastructure. This greater share of funding in small communities is reflected in Appendix A.

Sustainability

The entities' different business models are not comparable. Sustainable models limit the annual disbursements, but provide the ability to fund in the future. A non-sustainable model may provide the jump-start that a community may need to become self-supporting. However, it is impossible to determine the ultimate effect of any model in the short time that the Trusts have existed and NKDF's annual project funding is too small and diversified to create measurable large-scale results.

Sufficiency of funding is not within the scope of this review. However, a formal sustainability model and critical mass are needed if a Trust is to continue delivering adequate economic development funding in the longer term.

Development
Funding Issues

Although outside the direct scope of the review, a number of interviewees noted that locally-managed/delivered broad funding programs can be targeted at specific local needs as defined in community plans, rather than province-wide program funding targeted at defined, potentially narrow, issues. This could enable specific local needs to be met in a more focused manner and with more stable funding.

Building on current programs described, above, the Trusts can be a useful agent to deliver provincial development initiatives – infrastructure or human resources focused - where local customization is appropriate, given their local knowledge base. In all interviews, it was emphasized to us that local needs and funding priorities are best understood by local communities, articulated by their elected representatives, municipal staff, and other local user groups.

Broadly targeted funding is exemplified in the Canada/BC/UBCM Agreement on the Transfer of Federal Gas Tax Revenues, whose intent is similar to the purpose statement of the Acts. It was noted as being supportive of the goal of funding of overall economic development visions, rather than what is still the practice of funding according to program availability.

Smaller
Communities

As discussed, below, smaller communities, generally with limited financial or staff resources, may be unable to fully participate in planning and funding opportunities, reflecting either or both a lack of tax dollars to match external funding and the staff necessary to conduct community planning, research funding opportunities, and manage and report to multiple funding sources.

“One-stop
Shopping”

Many in the user communities, large and small, would like to see “one stop shopping”, whereby grant applicants could complete a single application and have a single reporting structure through a funding coordinator – which could be a Trust, UBCM (as in the gas tax agreement, above), or other. This would reduce the multitude of different programs, creating further efficiencies and enabling communities to more fully participate in funding opportunities. The ability of one Trust to successfully create this environment and deliver a program on behalf of the Federal government confirms the practicality of such an approach.

The issues for small communities trying to leverage their limited resources and Trust grants to targeted Provincial programs are illustrated in the many job and employment programs delivered by or on behalf of the Province (28 programs for \$208 million, according to one current listing). The programs are aimed at particular facets of employment and may not be applicable to particular local needs. Interviewees would prefer to see less restrictive funding that they could use to target their specific local needs through leveraging Trust grants.

Recommendations

- (1) **Government should consider the efficiency and cost effectiveness of using sustained regionally-delivered broad purpose funding for local economic development, akin to the Canada/BC/UBCM Agreement on the Transfer of Federal Gas Tax Revenues, in lieu of current province-wide programs that may be narrowly targeted and untimely for local needs.**
- (2) **As part of Recommendation 1, government should consider incenting a single application, management, and reporting process for programs having multiple funding sources, building on previous Trust experience.**

Demographic Issues

An issue that must be considered in establishing community plans is the aging demographic that many smaller communities are facing, shown in the three charts of Appendix B:

- Chart 1: In 2006, the over 44 age group was a larger percentage of community population in the under 5,000 population communities than it is in the Greater Vancouver Regional District (GVRD). It is the largest percentage in communities of under 1,000 from 45 through 74, after which older people gravitate toward larger communities, but still under 5,000.
- Chart 1: The 20-44 age group represents a higher percentage of total community population in the GVRD than in small communities. However, the slightly higher relative percentage of younger children in smaller communities implies that they may be more attractive to families with that demographic.
- Charts 1 & 2: Comparison of 2006 data with those from 1986 shows a different pattern for age group preferences between the GVRD and smaller communities, with the GVRD losing its previous relative advantage for the over 44 age groups, all the way through 90+, but gaining relatively in the child age demographics.
- Chart 3: This shows how small community populations have changed (<1,000 is only about 9% of the total <5,000 population, so is not segregated). The previous high concentration of young people – children through 39 year olds – has been replaced to a large degree by a population of people over 40, particularly of retired ages.

These data show a jump in the age groups of five years from similar 2001 data. The implication is that the populations are aging in place. The data imply a need to articulate accurately in plans (see, below) the type of potential economic development activity that is practical, and its target market, that a community needs in order to thrive.

Planning Issues

A general theme from stakeholders was that smaller communities have limited tax revenues and small staffs. They do not have resources to conduct community planning, fully research funding opportunities, and apply, manage, and report to multiple funding sources. Therefore, they do not fully participate in the entities' funding opportunities. While one Trust supports them through a grant-writer program and another will fund project managers as part of its project funding, these do not fully address the issue.

Planning is essential if the Trusts are to fund overall economic development, rather than reactively fund individual projects as at present. This, coupled with “one-stop shopping” discussed, above, would create an environment where, particularly, smaller communities could more fully participate in Trust funding activities, leveraging their limited resources with increased effectiveness.

A planning approach, such as Rural BC Secretariat’s (RBCS) Community First Agreements (CFAs), in full or an abbreviated format for a multi-year term, could enable a community to create an economic development vision, plan, and medium-term strategy that identifies and prioritizes projects needed to support community development and create “investment readiness” for permanent job-creating economic development. Rolled-up into Regional District and Regional Advisory Committee (RAC) level regional plans, this would enable and incent the Trusts to target funding toward overall economic development rather than one-off projects. This could roll-up further to the Provincial level and be consistent with cross government Provincial plans – e.g., its tourism or ports strategy, agriculture plan, etc. These plans could provide government and the Trusts with an understanding of the magnitude of economic development funding that is needed in the medium-term in order to achieve desired results.

Recommendation

- (3) The ministry should develop in consultation with the entities and other stakeholders, as appropriate, a medium-term economic development planning framework for communities and regions, such as Rural BC Secretariat’s Community First Agreements in full or abbreviated format,**
- (4) The ministry should find a means to support financially- or staff-constrained communities in undertaking the planning work of Recommendation #3.**

3.0 Measuring Success

Defining Success

There are many factors external to the entities’ funding activities that influence and contribute to economic development. It is impossible to isolate and quantify the contribution of an entity’s activity to the aggregate result. This means that the entities can measure the successes of each funded project, but aggregation of all projects does not necessarily provide a conclusive view of overall economic development gains achieved.

All of the entities attempt to gain maximum leverage of their one-time provincial funding with financing from other sources, whether Federal, Provincial, municipal, or private sector (NGOs and others). They have been able to achieve multiples of their funding, acting either as a catalyst, or as a “tipping point”.

The entities monitor and report success of predetermined outcomes for both the individual projects they fund and in aggregate across their geographies. Annual or special reports publish results of activity and compare it to performance targets. The measurements reflect project proponent reporting that is not verified by the entities, nor by IAAS as part of this review.

Measuring
Success

Because of the externalities issue discussed, above, we had to rely on commentary from the “user community” in order to answer whether the entities were successfully meeting regional needs. That the entities are helping to meet regional needs and thereby produce a benefit to provincial taxpayers as a whole is evident from our discussions with user communities. All reported favourably that the entities were “good at what they do” in terms of implementing their business models. The underlying acknowledgement is that none of the entities covers all aspects of economic development, given their limited resources. One Trust commissioned a “customer satisfaction” survey, which reported positively on the Trust’s achievements in serving its region.

Community buy-in is very high in the two Trusts where local and regional politicians have come together as active Regional Advisory Committees. These RACs have identified local needs for their relevance to regional needs. In these two Trusts, the regional viewpoint is reflected in their extensive funding of regional projects. In all interviews, it was emphasized to us that local needs and funding priorities are best understood by local communities, articulated by their elected representatives, municipal staff, and other local user groups.

Performance
Management

The entities have adequate performance management frameworks to measure the outputs and specific direct outcomes of the individual projects they support, by providing indicators appropriate to the project of, e.g., number of jobs created, or the amount of grants that funded grant writers obtained. However, aside from the issues of attribution and the broad definition of economic development, most projects also require the reasonable passage of time before an assessment can be made. The Trusts have not been active for a sufficient period of time to measure this longer-term contribution to economic development.

The Trusts collect reporting information from project proponents in a timely manner, but are reliant on the proponents – there is generally little influence that a Trust could use if a proponent did not provide reports, but compliance appears to be reasonable.

Recommendation

(5) The ministry should encourage the entities to complete the establishment of performance management frameworks that measure, in the longer-term, the outputs and specific direct outcomes of the individual projects they support.

Independent Five Year Review

The three Trusts are at different stages of the required five year assessment of “the Act and its functioning”. To date, one has completed the review, which has been forwarded to the Ministry and is under discussion. The other two Trusts are working with the Ministry to conduct the review in the manner expected.

4.0 Governance

The entities’ governance is sound; appropriate practices are consistently followed.

Each Trust Board is made up of eight local government representatives and five Provincial appointees. In the case of NKDF, its Board is appointed by the Minister responsible for it. All the entities have cited the benefits of having a diverse Board membership with a wide range of experience from different backgrounds.

Roles and Responsibilities

All four entities have clearly defined roles and responsibilities for management and the Board. The Board sets the strategic direction and priorities; management is responsible for executing the strategies and for operations. Management processes all funding applications and provides guidance to the Boards through recommendation for each application. The Boards are the final arbiters of all applications, except for one entity which has delegated to the CEO approval authority for some small projects and another where the CEO has authority to decline. For the last, since the Board sees a report of all applications received, it could exercise any necessary corrective action.

Regional Advisory Committees

The Trusts each have RACs that appoint the majority of Board members. Each RAC can, and in one case is required to, play an advisory role to the Board for each funding application.

With the exception of one Trust, we found the RACs are active and effective partners in the Trust decision-making process through regular meetings, discussing project applications in relation to community needs, and providing recommendations to the Board.

We noted in one RAC meeting that we were invited to observe, that members also came together to productively address issues of concern other than the specific agenda items, with prompt Trust follow-up to one specific issue. This benefit of active RACs was also noted by RAC members in the other Trust where there is active participation.

5.0 Processes and Procedures – Due Diligence Reporting, Monitoring

Due Diligence

All the entities follow sound application procedures and guidelines that are documented and readily available to the public through their respective websites. Management and staff exercise strong due diligence in evaluating applications, including risk management processes appropriate and adequate for the scale of operations.

Management provides background information, assessment, and recommendations that enable the Board to make informed decisions on the applications.

In two of the Trusts, the RACs are heavily involved in the application review and approval process at RAC meetings. In the third Trust, RAC members are invited to comment on each application, although few do. All Board members and active RAC members expressed strong confidence in the quality of staff due diligence.

Monitoring and Reporting

Management of each entity monitors the progress of all projects. It provides the Board and RACs with regular reports and updates on the status of each project and aggregations across portfolios.

The entities use various software programs, appropriate to their particular needs for processing applications, monitoring projects, and reporting results.

One Trust has been able to maximize the utility of its software program by customizing it with additional functionalities. This has increased Trust productivity by improving automated data analysis, enabling real-time reporting, and providing the basis for effective delivery of a Federal funding program. Review of the accuracy of reported results was outside the scope of this review.

6.0 Relationships

Management-Board

All four entities exhibit strong working relationships between management and the Boards. The strength of the working relationship and openness of communication has enabled management to be effective in implementing the Boards' strategic direction. As a result, all the Boards are very satisfied with the total work of their management groups.

Entity Community

All the entities are known in their user communities and are generally well regarded in terms of the work they do pursuant to their respective business models. The strength of an entity's relationships with community stakeholders is determined to a large extent by its business model. The three entities with broader mandates to pursue a wide variety and type of projects actively engage and have strong relationships with various community stakeholders, such as Economic Development Officers and Chambers of Commerce. On the other hand, the one entity that did not have as strong a relationship has limited interaction with the community stakeholders because its venture capital oriented business model results in its generally pursuing a certain type of project.

Entity Ministry

The majority of the interaction of all the entities with the provincial government is coursed through the RBCS in Victoria and its field staff of Regional Managers. The strength and level of engagement between the Trusts and the provincial government is limited, because the provincial government must maintain an arm's length relationship with the Trusts as independent entities.

We noted that a couple of Regional Managers were singled out by the entities and by peers for the active role that they have taken in liaising with the Trusts as prime contacts. While maintaining the Trusts' independence from government, they work successfully to ensure that appropriate resources from other ministries are brought to the table when appropriate.

An active approach to the relationship should ensure that the entities obtain relevant information in a timely manner and provide increased benefits to communities and entities, through greater cooperation leading to an enhanced ability for communities to leverage funding from the entities and other sources. It can also provide "one stop shopping" for the entities when approaching government and enhance the cross government knowledge base in the RMs' offices.

Recommendation

- (6) Respecting the entities' independence, the Ministry should endeavor to develop formal arms'-length working relationship agreements, appropriate for each locality, with defined information sharing and liaison expectations for both Regional Managers (RMs), as a key government liaison, and the entities.**

Appendix A – Projects Funded, By Applicant Community Size

Note: Data will not correspond to data reported publicly by the Trusts, due to timing differences. These data are intended to illustrate the magnitude of different activities, not precise amounts or percentages.

\$ in millions, rounded	Projects #	Sum of Total Trust Request \$	Sum of Total Project Budget \$	Average Trust Project Funding \$	Leverage: Total \$-Trust \$ / Trust \$	% of Total Trust Funding
ICET						
Communities >5,000	33	21	150	0.65	6.1	49
Communities >1,000<5,000	21	12	50	0.55	3.1	27
Communities <1,000	25	4	20	0.20	3.2	10
Regional Projects	7	6	25	0.85	2.9	14
Total:	86	43	245	0.50	4.6	100
ICET ex "Regional Projects"						
Communities >5,000	33	21	150	0.65	6.1	56
Communities >1,000<5,000	21	12	50	0.60	3.1	32
Communities <1,000	25	4	20	0.20	3.2	12
Total:	79	37	220	0.50	4.8	100
NDIT						
Communities >5,000	235	43	235	0.20	4.4	44
Communities >1,000<5,000	343	47	285	0.15	5.1	47
Communities <1,000	135	8	50	0.05	4.7	9
Total:	713	98	570	0.15	4.8	100
SIDIT						
Communities >5,000	67	19	70	0.30	2.8	81
Communities >1,000<5,000	17	3	20	0.20	6.1	13
Communities <1,000	8	1	10	0.20	6.7	6
Total:	92	23	100	0.25	3.5	100

Appendix B

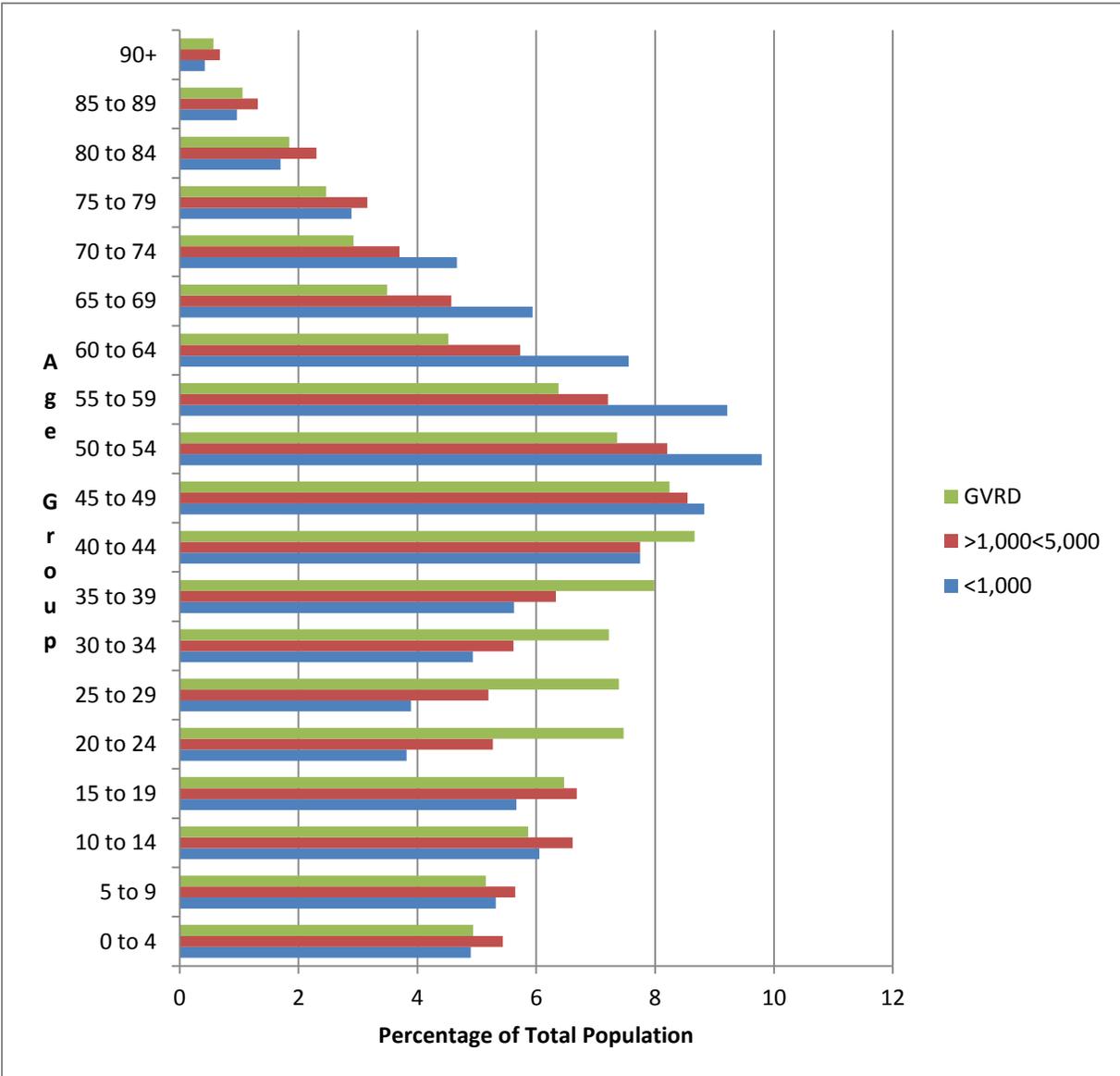


Chart 1: 2006 Population by Age Group - GVRD and Communities <5,000 Population.

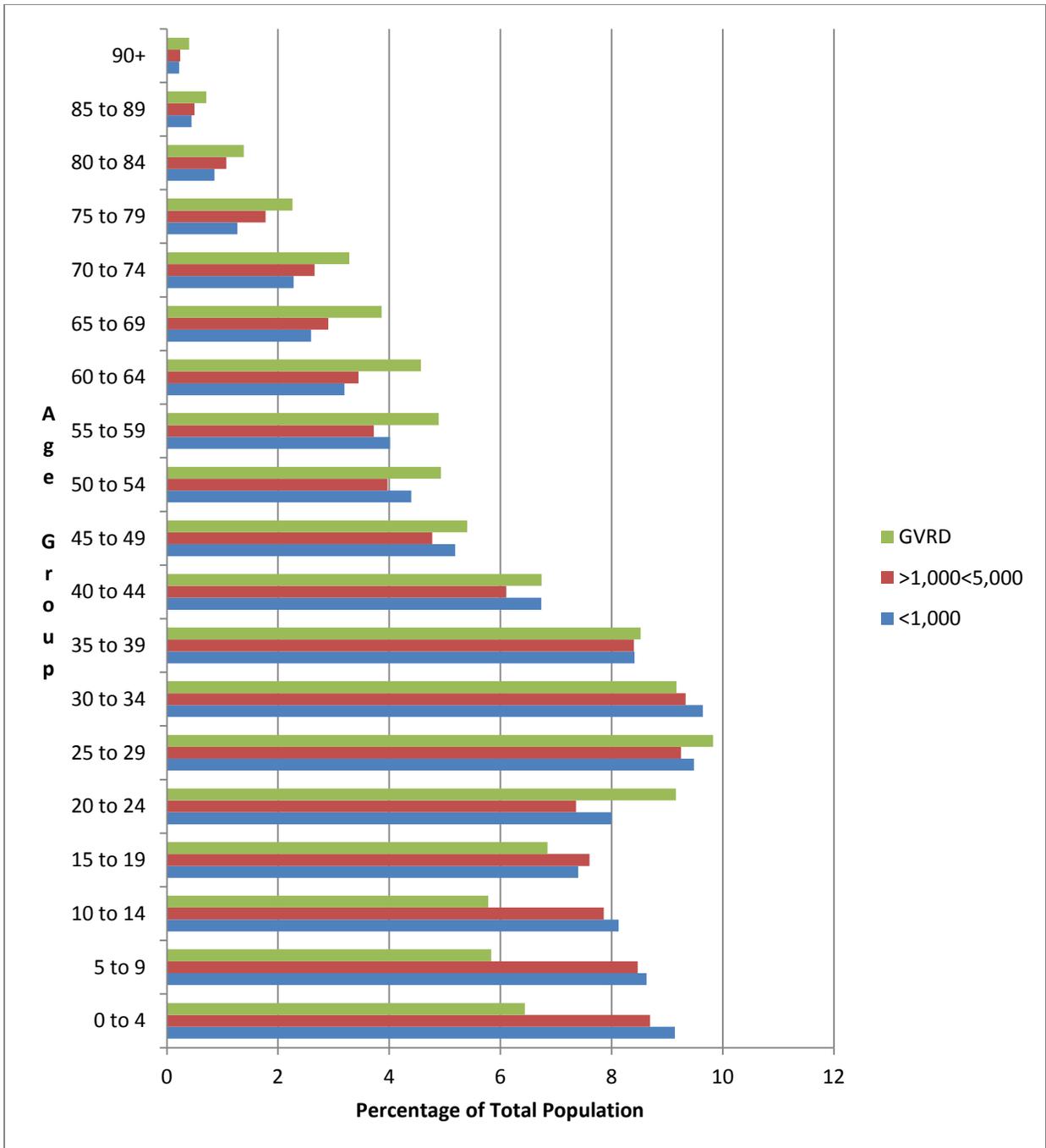


Chart 2: 1986 Population by Age Group - GVRD and Communities <5,000 Population.

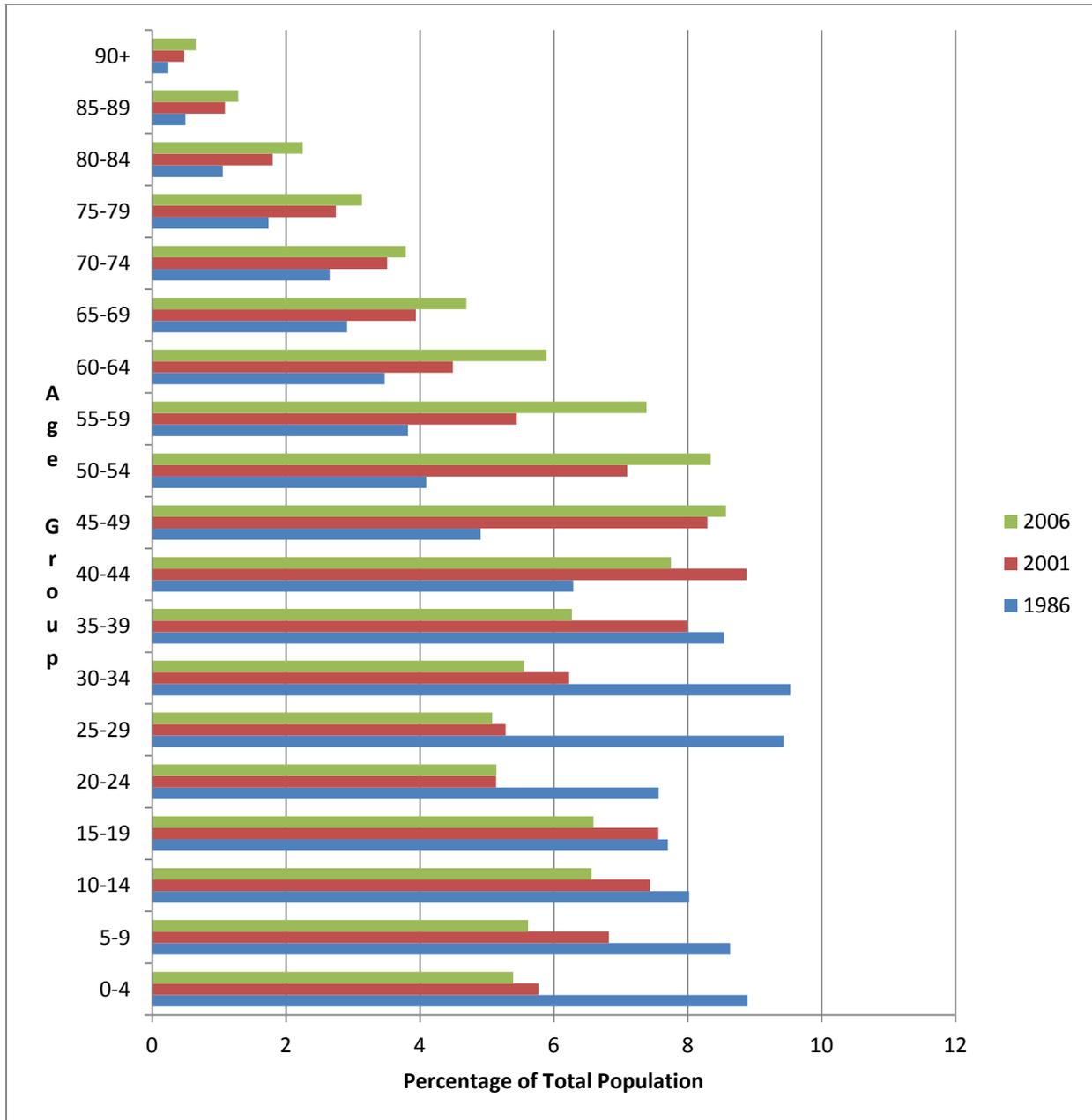


Chart 3: 1986 – 2006 Change in Demographics of communities with Population <5,000.

Appendix C – Sound Practices

During the review, we noted a number of sound practices within the different entities that enhance their respective effectiveness. The following is a summary of noteworthy sound practices that emerged during our review.

A. Governance Practices

1. Clearly Defined Roles and Responsibilities:

- The Board sets the strategic priorities and the management implements them. With clear and defined roles and responsibilities for each of the Board and management, there should be no overlap in the work they do, which improves accountability.
- Orientations for Board and RAC members assist towards this end, by helping them understand their respective roles and responsibilities.

2. Diverse Board Membership:

- Having Board members with broad experience and diverse backgrounds ensures that Board decisions are more balanced, because projects and program can be evaluated from a wider range of perspectives.

3. Active RAC Involvement:

- Active RAC involvement should increase “buy in” from the communities and their political leaders, lending greater legitimacy to the Trust business model.
- RACs add value to the Trust decision-making process by providing the various communities’ insights and perspectives on the projects and programs under consideration.
- Regular RAC meetings are also forums for local government officials to network and exchange information, which assists the Trust to have a better understanding of regional and local needs.

B. Strategic Practices

1. Strategies Conforming to the Board’s Interpretation of the Entity’s Mandate:

- The entities’ mandates (“purpose” in the Acts) are ambiguous. Notwithstanding this ambiguity, there should be a clear and concise interpretation by the Board. This helps in assuring that the mandate is understood by all stakeholders and suitable strategies can be developed to meet the mandate.

2. Flexible Business Model:

- A flexible business model, reflecting entity financial limitations, is more effective in addressing the wide variety of needs of a large geographic and diverse economic area. A more flexible model can address the equitability of funding, as it is more likely to distribute funding to a greater number of communities. Creation of special accounts can be effective in focusing on and meeting the unique needs of certain areas.
- Flexibility should not be invoked on an *ad hoc* basis due to lack of strategic and policy clarity.

3. Sustainability:

- The need for economic development funding is an ongoing reality. It is important that, in the absence of assured future funding of the Trust, it must be sustainable in order to provide ongoing economic development assistance.

4. Quantified Performance Targets:

- Quantification of measurable short- and medium-term targets, using the SMART (Specific, Measurable, Attainable, Relevant, Timely) approach, enables a determination of whether the entities are meeting their mandates and objectives.
- A definition of success using quantified targets can enable stakeholders to judge whether entity performance is acceptable.

5. Active Relationship Between Relevant Ministries and the Entities:

- Rural BC Secretariat can play an important role as the primary, arms'-length relationship, contact point between government and the entities, as well as with communities, to enhance their effectiveness by providing them with relevant information about various government programs and initiatives, together with appropriate ministry contacts.

The benefits are:

- avoiding duplication of effort; and
- aligning, whenever appropriate, the entity's leveraging capability with government initiatives.

6. Strong Partnerships with Other Organizations:

- Partnerships with funding agencies are essential to all the entities because this strategic approach allows them to be more effective in leveraging their limited resources with other funding sources.

C. Operational Practices

1. Policies, Procedures, and Systems:

- Having formal documentation, communication, and implementation of sound policies and practices for processing applications, monitoring, and reporting on projects promotes transparency, manages client expectations, and supports the entities in fulfilling their mandates.

2. Coaching and Mentoring Applicants:

- Management and staff can provide excellent customer service by mentoring proponents throughout the application process. This brings management's knowledge of the process to the application, enables better identification of additional funding sources, and provides the opportunity to better understand the proponent's capabilities for managing the project.
- Care needs to be taken that the entity's applicant mentoring role is undertaken with strict neutrality and on a fact-only basis, in order to avoid any possible perception of a conflict of interest, or of favouritism.

3. Active Entity Management and Staff Relationships with Communities:

- Actively visiting communities, serves as the eyes and ears of the entities' management and staff, learning more about communities' needs. This also supports and enhances the Boards' and RACs' decision-making processes through providing the appropriate level of evaluation for applications and reports on projects.

4. Performance Management:

- Reporting of actual results against quantified strategic targets enables the entity to determine whether its strategy and operations are successful.

5. Low cost producer:

- Maintain operating expenses at a low level relative to funding volume.

D. Human Resource Practices

1. Succession Planning:

- A limited depth in staffing requires a plan to address the prolonged absence of any key player, in order that entity funding processes are not unduly interrupted.

2. Diverse Skill Sets:

- The small size of management and staff at the entities requires a broad and deep skill set at all levels, able to conduct the operations of the entity business model.
- The need for sound interpretation of the entities' purpose, ambiguous in the Acts, demands a diverse skill set of Board and RAC members, with the ability to develop suitable economic development support strategies for the region and provide informed opinion on the varied nature of funding applications.

E. Information Management/Information Technology Practices

1. Adequate Reporting to Management and the Board/RACs:

- A robust software system is needed to report individual project and aggregate portfolio performance over time. This is invaluable in increasing the efficiency of the entities and enabling strong reporting, given their limited resources.

Detailed Action Plan – Economic Development Initiatives Review

Rec. #	Report Recommendations	Management Comments to be Included in Report (Action Planned or Taken)	Assigned To	Target Date
1.	Government should consider the efficiency and cost effectiveness of using sustained regionally-delivered broad purpose funding for local economic development, akin to the Canada/BC/UBCM Agreement on the Transfer of Federal Gas Tax Revenues, in lieu of current province-wide programs that may be narrowly targeted and untimely for local needs.	<p>The ministry concurs with this recommendation.</p> <p>The ministry also believes that this recommendation is consistent with the Premier's <i>Families First Agenda</i> objectives of sharing and reinvesting wealth in rural communities and putting more power in the hands of communities to decide on the allocation of infrastructure grants. However, several of the existing programs related to economic development (Western Economic Partnership Agreement; Labour Market Partnership funding; etc.) are joint federal/provincial funding programs with established formal funding administrative processes and procedures.</p> <p>ACTION PLANNED:</p> <p>The ministry will consider this recommendation in the revision and creation of regional and rural economic development funding programs. Further, the ministry will work with Ministry of Finance and other ministries to support enhanced coordination and more effective delivery of programs across government. Full implementation of this recommendation would require Government to allocate additional provincial financial resources for economic development programs. Therefore it is likely that the ministry will need to draft a Treasury Board Submission to seek additional financial resources to fully address this recommendation.</p>	MJTI Executive	Before March 31, 2013

Rec. #	Report Recommendations	Management Comments to be Included in Report (Action Planned or Taken)	Assigned To	Target Date
2.	As part of Recommendation 1, government should consider incenting a single application, management, and reporting process for programs having multiple funding sources, building on previous Trust experience.	<p>While the ministry generally concurs with this recommendation, it clearly extends beyond the mandate and authority of the ministry.</p> <p>As noted above, many existing community and economic development programs have established formal funding administrative processes and procedures that are dictated by the funding providers. However both the Province and the Northern Development Initiative Development Trust have been successful in negotiating the delivery of specific block program funds on behalf of the Federal government. The ministry agrees that single application processes and program delivery mechanisms are the most effective and efficient methods of program delivery.</p> <p>ACTION PLANNED:</p> <p>The Ministry of JTI will continue to consult with and encourage other provincial and federal ministries and agencies such as the Trusts; to offer “single application processes” and/or to develop “pooled funding – single program management process” initiatives.</p>	MJTI ADM of Economic Development Division	Ongoing
3.	The ministry should develop in consultation with the entities and other stakeholders, as appropriate, a medium-term economic development planning framework for communities and regions, such as Rural BC Secretariat’s Community First Agreements in full or abbreviated format.	<p>The ministry generally concurs with this recommendation.</p> <p>The ministry agrees with the report’s finding that <i>“Planning is essential if the Trusts are to fund overall economic development, rather than reactively fund individual projects as at present.”</i> The ministry agrees that it would be beneficial for all parties if consensus could be reached on regional economic development investment priorities and if all funders targeted their respective funding to these priorities. However, there are over 180 communities in BC. The ministry does not believe that the Community First Agreements process is the best methodology to develop consensus on <u>regional</u> economic development investment priorities. As part of its new mandate the ministry will be exploring options for the identification of regional economic development investment priorities and the potential development of regional economic development plans.</p>		

Rec. #	Report Recommendations	Management Comments to be Included in Report (Action Planned or Taken)	Assigned To	Target Date
		<p>ACTION PLANNED:</p> <p>The ministry will work with relevant agencies and partners – including the regional Trusts – to identify the most appropriate process for identifying regional economic development investment priorities.</p> <p>The ministry will also be considering the creation of regional economic development plans in the province.</p>	MJTI ADM of Economic Development Division	Before March 31, 2013
4.	The ministry should find a means to support financially or staff-constrained communities in undertaking the planning work of Recommendation #3.	<p>While the ministry agrees the need exists, it clearly extends beyond the mandate and authority of the ministry.</p> <p>ACTION PLANNED:</p> <p>The ministry will work with relevant agencies and partners – including the regional Trusts and Ministry of Community, Sport and Cultural Development (planning grants) to determine how to incorporate this recommendation as part of the strategies to address recommendation #3 discussed in the above section.</p>	MJTI ADM of Economic Development Division	Before March 31, 2013
5.	The ministry should encourage the entities to complete the establishment of performance management frameworks that measure, in the longer-term, the outputs and specific direct outcomes of the individual projects they support.	<p>The ministry concurs with this recommendation.</p> <p>The ministry has been proactively encouraging each of the trusts to establish performance management frameworks that measure outputs and outcomes and to undertake a third party performance evaluation. Both ICET and SIDIT have committed to completing this evaluation by the end of 2011. NDIT has completed a limited internal review of its performance.</p> <p>ACTION PLANNED:</p> <p>The ministry will continue to encourage all of the Trusts to complete the establishment of performance measurement frameworks and to voluntarily complete regular independent third party performance and investment effectiveness evaluations.</p> <p>As outlined in the Premier's <i>Families First Agenda</i>; the ministry will also be undertaking a review of the Trusts during the fall of 2011. The ministry will consider this recommendation as part of this review.</p>	MJTI Economic Development Division – Strategic Initiatives Office.	Before March 31, 2013

Rec. #	Report Recommendations	Management Comments to be Included in Report (Action Planned or Taken)	Assigned To	Target Date
6.	Respecting the entities' independence, the ministry should endeavour to develop formal arms'-length working relationship agreements, appropriate for each locality, with defined information sharing and liaison expectations for both Regional Managers (RMs), as a key government liaison, and the entities.	<p>The ministry generally concurs with this recommendation.</p> <p>Various MJTI staff members already work collaboratively with each trust, as projects/initiatives arise. While there be some advantages to creating greater clarity of the liaison and information sharing benefits and expectations between the ministry and the Trusts; the ministry must remain mindful of the independence of the Trusts.</p> <p>ACTION PLANNED:</p> <p>The ministry will continue to hold annual forums with Trust boards and CEOs to discuss government's priorities and regional economic development opportunities.</p> <p>The ministry will also initiate discussions with the Trusts to determine if more formal liaison and information sharing agreements with the ministry are desired – and if so, will complete such agreements.</p>	MJTI Economic Development Division– Strategic Initiatives Office.	Before October 31, 2012.