



## **RURAL BRITISH COLUMBIA PROJECT DISCUSSION PAPER SERIES**

### **WHAT DOES RURAL B.C. NEED TO SUCCEED?**

Occasionally in BC, and usually during elections, public discussion and media attention turn to the state of rural BC and the need for more resources to assist rural BC communities. While the simple acknowledgement that rural BC needs more assistance is generally well received by everyone interested in such matters, what is lacking – but critically needed – is a more robust discussion of the systemic characteristics of rural BC’s economic challenges. A clear understanding of these systemic dimensions is required if new government policies and initiatives are to stand a real chance of improving the economic performance and social well-being of rural BC communities.

#### **Defining “Rural BC”**

As we identify rural BC challenges and requirements it is important that we first define the term “rural BC”. Most rural development experts stress that rural BC is not a single homogenous region encompassing everything outside metro Vancouver and the Capital Regional District. In fact, there are very significant differences in the economic performances of BC’s various rural sub-regions. As a result, any rural economic development initiatives must recognize the diversity of BC’s various rural regions and their different needs.

Secondly, we need to understand that most rural residents of the province do not regard the larger regional cities of the province – Nanaimo, Kelowna, Kamloops and Prince George – as “rural” communities. These cities have all grown considerably over the past 25 years and now have populations exceeding 90,000 if their surrounding areas are included. These larger regional cities play a very important role in the economic and infrastructural fabric of BC. As a result, they have received very large amounts of public money over the past two decades: for expanded regional health facilities and investments, for expanded post-secondary facilities and investments; and for other government facilities. Indeed it could be argued that these very significant government outlays have helped to stimulate the development and expansion of these communities. However, much of the rural population would be concerned about these larger regional centers being deemed eligible for any new “rural” economic development programs. Their disgruntlement would stem from a concern that due to their population and political weight, these regional centers would quickly receive the majority of any new funding, in spite of their significantly better economic situation. Therefore many advocates for rural development would argue that initiatives targeted on assisting “rural BC” need to focus on communities exclusive not only of metropolitan Vancouver and metropolitan Victoria but these larger regional centers.

## So What Exactly are the Systemic Challenges Facing “Rural BC”?

*“During the 1980s and 1990s, BC’s economic development has been oriented to the Lower Mainland, Vancouver Island and the Okanagan. Between 1981 and 1991, 360,000 net new jobs were created in BC. All but 1,000 were in these three areas. A preliminary look at 2001 census information (except for certain areas) confirms that this pattern continued during the 1990s.”*

-- from *Restoring BC’s Economic Heartland* – Project 250 Expert Panel Report, **BC Progress Board**, Dec. 2002

Many of the recent studies and analyses of the “state” of rural BC have identified the same recurring systemic concerns, namely:

- Much slower rates of population growth in rural areas than in urban centers or “urban fringe” communities.
- In rural areas, much slower rates of population growth in the young adult and young family cohorts (i.e., under 30 years old).
- Much slower rates of employment creation and labour force growth in rural areas.
- A significant decline in natural resource sector employment in BC over the past 40 years, resulting from the need for natural resource-based industries to become more capital- and technology-intensive in order to compete in a global market.
- Overwhelming concentration of the employment in the new emerging sectors (i.e. technology, digital media, bio-technology) in larger urban centers.
- Slower rates of small business and entrepreneurial development in rural areas.
- Investment of almost all venture capital in BC flowing into metropolitan Vancouver, Victoria and the central Okanagan businesses.
- Loss of government services and jobs in rural areas as a result of downsizing and centralization.

## Can Negative Economic Trends in Rural Regions Actually be Reversed?

*“But the overall trend is one of inter-regional divergence, lagging ‘peripheral’ areas, and intra-provincial asymmetries favouring the metropolitan regions, with attendant loss of development and employment opportunities (and evidently increasing social and political alienation) in much of British Columbia. If allowed to continue, this spatially ‘lopsided’ development trajectory in the province will be socially divisive and increasingly problematic from the perspective of community cohesion, unity and sense of shared purpose in BC as a whole. In the worst case scenario, future policy will be heavily oriented (or ‘skewed’) toward worsening problems of growth management and ‘livability’ in the metropolitan regions (and other examples cited), while endlessly engaged in episodes of ‘crisis management’ among many of the narrowly resource-dependent communities of the interior and periphery.”*

-- from *BC at the Crossroads*: Report prepared for the Project 250: Regional Economies Expert Panel. Thomas Hutton, July 2002, page 17

Given the list of challenges facing rural BC communities it is perhaps not surprising that some observers question whether rural decline can in fact be reversed. Indeed the challenges faced by BC's rural communities are being faced by rural communities throughout Canada and for that matter across the western industrialized world. But as Professor Hutton has eloquently pointed out, a continued disparity in the economic vitality among regions of BC will only foster a greater sense of alienation in rural residents.

In 2008 and 2009, several organizations in interior BC collaborated on a major research initiative entitled the *Reversing the Tide* project to identify national and international "best practices" in rural economic revitalization. The *Reversing the Tide* project research confirmed that all declining rural regions in North America and Western Europe shared common characteristics including: a sense of isolation and abandonment politically; a historical dependence on one major industry (usually involving natural resources); population loss; loss of youth; much lower rates of entrepreneurial development and small business creation; and a lack of services and resources to stimulate economic development. As the reader will note, this list of rural challenges mirrors the problems facing many BC rural regions and communities. Nevertheless, several jurisdictions in North America and Western Europe have clearly demonstrated that with appropriate rural development programs and support rural economic decline can in fact be reversed.

### **So What is Required to Help Rural BC Communities Succeed?**

The research and case studies completed as part of the *Reversing the Tide* initiative identified twelve Best Practices in Rural Economic Revitalization that are present in those jurisdictions which have a proven track record of reversing rural economic decline. These twelve Best Practices provide an indication of the breadth of action required to address the systemic issues contributing to diminished prospects in many parts of rural BC:

#### **Identified Best Practices in Rural Economic Revitalization**

- (i) An acknowledgement by the communities themselves, and **all** levels of government, that a rural economic problem actually exists – and that it will require strategic government intervention to address the systemic factors contributing to rural economic decline.
- (ii) Regional collaboration, because it is essential to achieving sustainable rural economic recovery in the context of global economic realities and the need for critical mass.
- (iii) A recognition by senior governments that a "one size fits all" approach to rural economic development will not work; approaches must be tailored to be regionally appropriate.
- (iv) A commitment by senior governments to provide significant and long-term financial assistance to rural regions so they have the funding required to create and support necessary rural economic development catalysts. This commitment should include attention to developing mechanisms that allow rural regions to capture and reinvest some portion of regional economic activity so that ultimately the regions can be "self-funding" in rural economic development activities.
- (v) An acknowledgment by senior governments and rural communities that the population and leaders of rural regions must be directly involved in decision-making in rural economic revitalization.
- (vi) The creation of dedicated rural development organizational entities (operating at a regional level) based within rural regions. These entities are critical to successful rural economic revitalization.
- (vii) The development of mechanisms giving rural communities greater levels of local control over public lands and resources essential to their economic development.

- (viii) The active involvement of post-secondary institutions in rural economic development revitalization initiatives. (Such involvement is critical to improving innovation and linking human resource development and economic development strategies.)
- (ix) The provision of appropriate rural venture capital and business development supports. (These supports are critical to revitalizing business growth and expansion in economically depressed rural areas. More than twenty years of experience with various U.S Development Venture Capital programs (e.g., New Markets Tax Credits Program) have clearly demonstrated that when rural areas are given access to venture and higher-risk capital and appropriate business management support services, significant new business creation and expansion can be achieved -- even in the most economically challenged rural regions.)
- (x) Provision of specialized assistance that is only available from outside the region. (The existence of specialized rural development facilitation organizations such as the Rural Policy Research Institute (RUPRI), Rural Development Initiatives Inc. in Oregon, and so on is critical to achieving successful rural revitalization.)
- (xi) Recognition that developing stronger economic development and business linkages with First Nations will be critical to the long-term success of many rural areas.
- (xii) Adoption of a holistic approach to rural revitalization that includes the integration of social, environmental and economic objectives and strategies.

### **A Meaningful Rural Economic Development Approach for BC – Some Suggestions**

What general directions should rural economic development initiatives and programs take in BC? Here are several suggestions based on the *Reversing the Tide* research on rural economic revitalization best practices.

**1. Create a Rural Strategy for BC.** This measure would help provide a signal many rural BC residents are looking for, a signal that the Provincial Government acknowledges that there is a rural “problem” and that it is a Government priority to address it.

**2. Create a Rural Regional Development Program** that would provide additional financial and capacity building resources for rural BC communities. To be most effective, this program should be built with significant input from rural residents and must be flexible enough to respond to the different needs of BC’s various rural regions and communities.

**3. Create a “Rural Dividend”** that returns a portion of the revenue created by rural-based resource industry activity to the regions that supply the natural assets. Re-investment should be decided by regional communities to maintain social, economic and environmental well-being. This recommendation has been made by several government advisory panels including the BC Progress Board (Restoring BC’s Economic Heartland, Dec. 2002) and the Task Force on Community Opportunities (Union of BC Municipalities, 2006).

**4. Create and fund regional economic development organizations in BC** based on successful models in Quebec, the United States and Europe. The *Reversing the Tide* initiative documented the transformational effect that well run and appropriately resourced organizations such as the Highlands & Islands Enterprise, Coastal Enterprises Inc., and Kentucky Highlands Investment Corporation can have in reversing significant economic decline in rural regions.

**5. Create and fund at least one NGO rural economic development catalyst and/or advocacy organization for BC.** Experience in both the U.S. and Europe has demonstrated that non-governmental rural development catalyst organizations (such as the Rural Policy and Research Institute and Rural Development Initiatives) can play a critical role in providing specialized consulting expertise and coaching to rural communities. The key to success for these organizations is that they be mission-driven and focused on providing resources to rural communities.

**6. Create a BC equivalent to the highly successful U.S. Community Development Venture Capital program** that allows rural BC businesses to access equity investment and specialized business expansion expertise.

*“The provincial government has made significant province-wide fiscal and regulatory reforms intended to encourage a more competitive overall business environment. However, the distinct challenges facing many communities will call for targeted attention to address the different local needs of regional resources based industries and unique economic and social structures. Effectively addressing lagging regional economic and social performance will require a multi-tiered approach, which must be prefaced by a strongly articulated government commitment to regional economic renewal.”*

-- from *Restoring BC's Economic Heartland*, **BC Progress Board**, December 2002.

*“To advance regional economic development, a mechanism may be needed to share with regions the direct benefits of increased economic production. Accordingly, the Task Force supports an approach to regional economic development that relies upon regional alliances or partnerships to develop, implement and monitor regional economic strategies.”*

-- from *Building Stronger Communities: Better Services, Economic Growth, Solutions that Work: Report of the Task Force on Community Opportunities*, October 2006

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