Summary - Assessment of the Regional Economic Growth through Innovation Program in Northern Ontario

April 2024

Federal Economic Development Agency for Northern Ontario
Agence fédérale de développement économique pour le Nord de l'Ontario
Canada

This publication is available online at: https://fednor.canada.ca/en/transparency/summary-assessment-regional-economic-growth-through-innovation-program-northern-ontario

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Cat. No. Iu91-4/1-29-2024E-PDF
ISBN 978-0-660-72616-8

Aussi offert sous le titre Sommaire - Évaluation du programme national de Croissance économique régionale par l'innovation dans le Nord de l'Ontario.

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Evaluation Overview

The assessment examined the relevance, performance and efficiency of the Regional Economic Growth through Innovation (REGI) program in Northern Ontario from April 1, 2018 to March 31, 2023. This assessment is complementary to the national evaluation of the REGI program, completed in October 2023.

Evaluation Questions:

Relevance

1. To what extent has REGI met the needs of Canadian businesses and communities?
    a. To what extent is REGI still relevant and adapting to emerging economic needs of businesses and communities?
    b. How is REGI unique and/or complementary to other innovation support programming available to Canadian businesses and communities?

Effectiveness

2. To what extent has REGI benefitted Canadian businesses and communities?
    a. Achievement of intended outcomes
    b. Other outcomes such as:
        i. Indigenous economic reconciliation
        ii. Sustainable jobs
        iii. Impacts of direct investments vs ecosystem investments

Efficiency

3. To what extent was FedNor's REGI design and implementation efficient?
4. To what extent is the REGI delivery model efficient?
    a. What are the factors that influence REGI's efficiency?

Data Collection Methods:

- Document and data review
- Interviews with internal and external stakeholders
- Innovation Landscape Review
- Surveys of clients, ultimate recipients and unfunded applicants
- Statistics Canada econometric study
- Case studies

Relevence

Barriers:

- The main barriers faced by small and medium-sized enterprises in Northern Ontario are recruiting and retaining skilled labour, accessing financing, and the cost of doing business (including costs of labour, capital, energy or raw materials).

Meeting priorities:

- REGI is aligned with FedNor's priorities as outlined in its Departmental Plan and the Prosperity and Growth Strategy for Northern Ontario. Specifically, the priorities of supporting innovation and growing companies align very well with both REGI streams.
- FedNor has also reflected national and regional priorities of equity, diversity and inclusion, Indigenous economic reconciliation, as well as clean technology, where possible.

Meeting needs:

- Direct clients and unfunded applicants relied on FedNor funding to carry out their activities as planned.
- FedNor's REGI program is seen to be well aligned with the business needs in the region, particularly increasing innovation capacity and business scale-up.
- The adaptability of the program was highlighted as being important to ensure that regional priorities can be addressed effectively.
- The evidence confirms that there is a continuing need for the program.

Complementarity:

- REGI is complementary to other funding programs available in Northern Ontario and is seen to be addressing a gap in the funding ecosystem.

Effectiveness

Achievement of outcomes:

- FedNor funded 65 Business Scale-up and Productivity (BSP) projects and 52 Regional Innovation Ecosystem (RIE) projects, creating or maintaining over 4,300 jobs. Indirect clients surveyed reported creating 112 new jobs (approximately 1.5 jobs each, on average).

- Most direct BSP clients surveyed indicated outcomes such as growth and scale-up, strengthened innovation or commercialization capacity, and improved productivity through adoption of advanced manufacturing technologies/equipment or digitalization.
- Almost all direct BSP clients surveyed stated that REGI funding is very important or essential to achieving these impacts.
- The program also supported and further developed the innovation ecosystem in Northern Ontario through RIE-funded projects, BSP redistribution projects, and partnerships and collaborations developed and maintained by RIE-funded organizations.
- Almost all RIE organizations surveyed said that REGI funding is very important or essential to achieving these impacts.

Sustainability of outcomes:

- Many businesses are expecting to continue to grow, according to direct BSP clients and ultimate beneficiary respondents. For example, by funding businesses for equipment and infrastructure, they can continue to leverage it well into the future.
- REGI outcomes are expected to continue beyond the project end date with many businesses surveyed noting that they expect growth over the longer term.

Economic impacts:

- REGI-supported businesses (including direct and indirect clients) are achieving some economic impacts such as increased revenues and increased competitiveness.
- BSP clients and indirect clients have higher revenue and employment growth rates than non-clients.
- There is some evidence that Indigenous economic reconciliation is taking place.

Gender-based analysis plus:

- Many FedNor projects reached underrepresented groups, but it is not possible to report on actual figures since these numbers are not tracked.
- During the review period, 6 projects (1 BSP and 5 RIE) had activities that specifically targeted underrepresented groups.

Clean technology:

- Over the five years covered by the assessment, FedNor invested in 7 clean technology projects, valued at $3.4M.

Efficiency

The delivery model:

- Regional tailoring allows FedNor to deliver the REGI in a way that meets the needs of Northern Ontario communities and small and medium-sized enterprises.
- FedNor's regional tailoring includes: having a continuous intake model; allowing a wide variety of organizations to be eligible to apply for funding; having a lower target investment maximum; focusing on regional innovation centres; and, having sub-programs streams such as the Targeted Manufacturing Initiatives for Northern Ontario.
- FedNor's REGI design is efficient through its flexibility to make targeted investment based on local needs, the local knowledge of its program personnel on the ground, and its continuous intake model which helps ensure more responsiveness to client needs.

Design and delivery:

- Both BSP and RIE clients are mostly satisfied with the design and delivery elements of REGI programming and FedNor is viewed as providing very efficient service to BSP and RIE clients.
- There are opportunities for improvement identified in a few areas of program delivery that may bring increased efficiency to both clients and the program, such as streamlining application processes, increasing the timeliness of approvals, and reducing duplication in the reporting requirements.
- There is also an opportunity to further strengthen referral services.
- Efficiency improvements in program design could include tailoring application and approval processes to applicant type and risk and, leveraging intermediaries to deliver more programming.

Resource sufficiency:

- Based on internal interviewee data only, the program does not have sufficient financial resources or human resources.
- This lack of resources slows down processes and limits the impact of REGI in the region.

Positive outcomes - Quick facts

FedNor's delivery of REGI is…

Highly successful in its investments, leveraging, job creation and contributions to ecosystem development

- Exceeding 5-year investment targets in BSP programming by 260%. FedNor met 87% of its targets for investments in RIE , with the target miss attributed by some respondents due to the COVID-19 pandemic.
- Delivering nearly $87 million in approved funding in support of 117 projects across the region.
- Achieving high leveraging ratios of $5.06 to $1.00 for BSP and $1.25 to $1.00 for RIE .
- Far surpassing the target for jobs created or maintained. The target was 250 jobs per year across both streams. Whereas over 4,000 jobs were created or maintained across both streams, representing over 800 jobs per year.

Addressing the topmost barriers to growth for innovation-oriented companies and organizations in the region

- The assessment has found that REGI helps to offset major barriers for businesses including access to labour, access to financing and the high cost of conducting business.
- The program is well aligned with the business needs in the region, particularly increasing innovation capacity and business scale-up.
- BSP and RIE project clients, as well as unfunded applicants, all rely on FedNor funding to carry out their project activities as planned.

Operating in a niche space

- The program is addressing a gap in the funding ecosystem and is complementary to other funding programs.
- Clients attributed the complementarity to coherent efforts to minimize duplication across all players, including developing relationships and understanding of programs, the establishment of clear criteria, and explicitly asking about other sources of funding on applications.

Tailored to meet regional needs and priorities

- FedNor has adapted the program to meet regional needs and priorities. Regional tailoring allows FedNor to deliver the REGI in a way that meets the needs of Northern Ontario communities and small and medium-sized enterprises.
- FedNor's REGI design is efficient through its flexibility to make targeted investment based on local needs, the local knowledge of its program personnel on the ground, and its continuous intake model which helps ensure more responsiveness to client needs.

Driving growth and scale-up, with client businesses outperforming non-client firms of similar characteristics

- For direct BSP clients and indirect client businesses, REGI program participation is associated with better outcomes across all economic performance metrics studied by Statistics Canada including revenue growth, employment growth and labour productivity growth.

A key component to expanding and developing the innovation ecosystem in Northern Ontario.

- Meeting its targets of developing strong, dynamic and inclusive clusters in the region, in the areas of mining , forestry, health sciences and agriculture.
- RIE clients have grown their networks with new partners and expanded their programs and services.

Aligned to priorities of equity, diversity and inclusion, Indigenous economic reconciliation, as well as clean technology.

- Many REGI projects reached underrepresented groups, but there are data limitations in FedNor's ability to disaggregate the data it collects by types of underrepresented business owners. Indigenous economic reconciliation is taking place, but to a lesser extent.
- FedNor invested in 7 clean technology projects, valued at $3.4M.

Achieving high levels of satisfaction.

- Satisfaction with program delivery is high among BSP and RIE clients, and good among unfunded applicants. Clients are satisfied with most features of the program but have identified opportunities for improvement in some areas.

Recommendations – National Evaluation

No specific recommendations resulted from the regional assessment of REGI in Northern Ontario. The findings were consistent with the recommendations from the National Evaluation of REGI , which were:

Recommendation 1: Improve inclusivity through the adoption of best practices, proactive approaches and ongoing GBA Plus analysis.

It is recommended that all RDA s continue to increase capabilities to address inclusivity and should:

- adopt best practices in improving inclusivity, including the sharing of tools, strategies and training materials across agencies in order to amplify this work;
- increase the uniformity by which RDA s track and report on Equity, Diversity, and Inclusion (EDI) under REGI ;
- implement ongoing analysis of program performance using a GBA Plus lens.

Rationale: The evaluation found that there are varying levels of targeted EDI initiatives across RDA s and varying levels of collection of EDI information at different stages of REGI projects. Therefore, there is an inconsistent ability across RDA s to understand program impacts or barriers experienced by underrepresented groups.

Recommendation 2: Continue to improve quality and consistency of performance information.

It is recommended that all RDA s work to review the performance measurement strategy, particularly to:

- increase the consistency and comparability of national performance information through clarification of indicators and related definitions;
- revisit performance indicators to ensure they continue to be relevant and appropriate, and the best methodology is used for the measurement of progress against outcomes.

Rationale: The evaluation found that there are issues with the uniformity of performance indicator definitions and data collection methods, and that outcomes indicators for RIE are not sufficiently developed. Outcomes and performance indicators need to be revisited overall and defined for RIE , notably to reflect the expected impacts on regional ecosystems.

Recommendation 3: Improve efficiency of application, approval and referral processes and ensure program design aligns with needs.

It is recommended that each RDA review design and delivery features to ensure best fit for their respective regions and portfolios of clients and projects. Importantly:

- review options for increasing the efficiency of application and approval processes;
- review place-based design features to maximize responsiveness to client needs;

- review the processes surrounding how referral services are being provided in order to facilitate seamless service to Canadian SMEs.

Rationale: In the spirit of continuous improvement, and since approximately 40% of both BSP and RIE clients had less than optimal experiences with certain aspects of REGI delivery, all RDA s should take steps to maximize the efficiency of their program design and delivery processes (e.g., application and approvals processes, advance payment versus reimbursement, length of agreements) within the context of each agency.