

Getting things done: Injecting expertise and strategic capacity needed to build the strongest economy in the G7

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Executive Summary

To build a strong economy and deliver on the nation-building agenda, the Liberal federal government will require an immediate injection of expertise and strategic capacity from independent experts and the private sector. Building industries and ambitious projects of national significance quickly requires the development of a new approach to policymaking. This memo distills generic thinking evident in the public domain into critical tasks and economic priorities, presents the case for why new structures and processes are needed to both define and implement a new industrial strategy for Canada, and gives an example of the type of integrated structures that would set Canada up for success. A cabinet committee to provide central authority; a Prime Minister's task force to provide outside expertise; and independent intermediaries to lead strategizing and problem solving with the private sector, provinces and Indigenous communities.

Background

The new Government has two critical tasks in aiming to build the G7's strongest economy:

1. Negotiate a comprehensive economic and security framework with the United States;
2. Deliver on the ambitious program of **nation-building** backed by a **made-in-Canada industrial competitiveness strategy**.

The first of these will rightly be treated as a critical priority, but a coherent, well-executed industrial strategy to build our economic sovereignty and mobilize \$500 billion in investment is an urgent component of the agenda and must be advanced in parallel.

There are six critical economic priorities outlined by the Government:

- A made-in-Canada **auto** sector with backward linkages to Canadian battery materials and critical minerals;
- An industrial strategy for **housing** driving the adoption of Canadian mass timber, modular, and prefabricated technologies;
- Investing in **clean power** that forms the backbone of a strong manufacturing and natural resource industry;

- Catalyzing investment in **critical minerals** (copper, nickel, lithium, cobalt, manganese, and rare earths);
- Establishing new **national infrastructure corridors** to enable trade diversification;
- Investing in **defence** companies to leverage Canadian technology and materials.

Achieving these priorities by mobilizing \$500 billion in investment is urgent. We are in a national emergency and we need to make significant progress quickly. The government will only be able to mobilize significant amounts of capital if it focuses on creating demand-side certainty in critical areas. This is only possible with a plan that is forged in collaboration with the private sector in each vertical. To deepen the challenge, these priorities are intertwined. There is an unprecedented need for vision, integration, and pace to build industries and major projects.

This will strain the already limited strategic capacities of the Government. The vertical accountability which makes our public service strong can make it difficult to achieve coordinated and integrated action quickly. Further, the public service's conservative culture, inexperience in operating on accelerated defined schedules, and lack of up-to-date analytical and strategic capacity, will seriously jeopardize the Government's ability to develop and execute an integrated nation-building strategy required to secure Canada's future.

Building industries and ambitious projects of national significance quickly requires a new approach to policymaking. Without a new approach, it will be difficult to induce focus on a system that is flooded with programs and policies, but lacks the strategic capacity needed to build. Critical minerals provide the most vivid example: despite a "strategy" in place, billions of dollars budgeted, and intense global interest in Canada delivering, only a handful of mines have been meaningfully advanced in the last four years.

Past Governments have often tailored their machinery of government and the mechanisms to secure independent and private sector advice, with varying degrees of success. Here we present one option for consideration that captures the important principles of central authority, de-centralized problem solving, learning and adaptation, and independent expertise in driving change in the real world. For example, the government could establish three structures:

- A **Cabinet Committee** on "Nation Building, Environment, Energy and Resources" that becomes the de facto industrial strategy unit. This committee would include the Ministers of Finance, ISED, NRCan, ECCC, Transport, Infrastructure, Housing, and ESDC.
- A **Prime Minister's "Canada Strong Competitiveness Task Force"** to help create a strategy, and drive alignment across the Departments. This would not be a business-

as-usual advisory council. Rather, core members would be seconded from business, academia and/or other expert groups for 18 months as full-time government employees. They would work alongside a PCO unit to serve as the de facto secretariat for the new Cabinet Committee, together with senior officials from the line departments. Task Force members would be given line department access to enhance timely delivery and accountability. This will ensure that the Task Force is able to inject independent expertise into the policy-making process and be strongly integrated with policy and decision-making at the highest levels.

- Designated **independent intermediaries** (following best practices in high functioning industrial and digital economies) to support collaboration with the private sector in the priority areas: automotive, housing, clean power, critical minerals, and defence. They will lead the creation of sector strategies designed to deliver on the nation-building agenda and be the central problem-solving bodies in the strategy.

These structures would be informed by comprehensive reviews of national and international best practices for industrial strategy. Each structure plays a key role in the development and execution of an integrated industrial strategy: the cabinet committee creates **central authority**; the Task Force injects **independent expertise** (not beholden to firms or government); and the intermediaries enable **decentralized problem-solving**.

We can also draw on the federal structure of our country. The provinces and territories are well placed to help translate national ambition in concrete projects of significance. These projects should be distributed across the country so that all regions can see themselves as benefitting from the new wave of investment. Regional equality should not, however, come at the expense of creating a truly national strategy and concentrating resources in specific sectors to create global scale. Projects suggested by the provinces and territories need to be weaved together into a broader strategic national vision with the support of the advisory task force.

To maximize implementation success, the incentive and performance structure for the senior civil service needs to be modified. Performance agreements with senior management need to be based on material attainment of specific, measurable objectives articulated in the government's nation-building and competitiveness strategy. The current system often rewards process and procedure over the delivery of tangible outcomes which leads to declarations of procedural success and maintenance of the status quo. Urgent times call for urgent measures.

Finally, an historic systemic barrier to attaining strategic federal economic objectives has been too much federal control of planning and delivery. A highly visible federal lead on many files has resulted in ineffective relationships based on lobbying, and not enough independent, regional buy-in and solutions development from businesses or provinces. An independent intermediary model has been proven effective in countering this dynamic. To get better results sometimes the federal government has to do less, not more.

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APPENDIX – Independent Intermediaries & Potential Sectoral Focus Areas

Independent intermediaries are used successfully by foreign governments to drive tangible progress quicker than when there is only a direct government to private sector interaction facilitated by industry associations and the civil service.

An independent intermediary is a non-profit organization that has strong connections to industry and but is not beholden to it. They house strong technical and analytical capabilities, have superior up-to-date, sector-specific strategic insights, and superior leadership capacity. They are essential to ensuring the flows of objective information between government and firms (e.g. which can feed into strategies and roadmaps). They enable the private sector and other rightsholders and stakeholders to drive the strategy, while maintaining high-paced, open collaboration with governments at multiple levels. Independent intermediaries help drive sectoral progress, and do not replace important direct government to industry association or individual firm relationships.

For example, in Europe, industrial strategy is led by InnoEnergy, a technology and policy accelerator that is funded by the European Commission, but which is staffed by engineers, MBAs, policy analysts, and individuals from the private sector. It has deep domain expertise and connections to the firms, so it can hold the pen on strategy documents and program implementation (especially R&D and major project development). In the U.S., the national battery strategy was led by a consortium consisting of a publicly funded ecosystem accelerator, an investor hub, and a national lab.

Although independent intermediaries are an under-used approach in Canada, good precedent setting examples exist. Genome Canada has demonstrable success with driving the harnessing the transformative power of genomics to improve lives and drive economic growth. Genome Canada is funded by ISED, but has an independent board with industry executives, giving it strong links to firms and independence from government. Propulsion Quebec is credited with much of Quebec's success in advancing the Quebec zero-emission ground transportation industry.

A number of potential independent intermediaries have sprung up in the Canadian clean energy ecosystem including: Accelerate ZEV Alliance, the Building Decarbonization Alliance, Electrifying Canada, and the Transition Accelerator.

Today the government relies on industry associations to liaise with and represent firm interests. To make successful strategies, the government needs high quality information from firms, but it cannot rely on industry associations that are mandated to serve only the interests of member firms, and as a result are often driven to the lowest common

denominator of firm interests. It is critical that the intermediaries are independent from both political interference (lest they be twisted to subvert difficult but necessary long-term objectives for those that are easy, short-term and not aligned with long-term success) and firm capture (lest they mistake private for public interest).

Intermediaries need to bring together an ecosystem in a sector that may include firms, unions, indigenous communities, regional and municipal governments, finance, local development agencies, national laboratories, universities and colleges, and civil society organizations. They need to ensure that a wide variety of actors inform and buy-in to the strategies.

Although operating models differ in response to sectoral differences, intermediaries could create tables that operate as active working groups (not talking shops). The tables should continuously evaluate real-economy targets, progress toward targets, identify barriers, recommended corrective action, and advise on the physical and human capital infrastructure needed to unlock the best technology pathways. They must be empowered as problem-solvers that can learn and adapt.

The PM's Task Force could help identify an independent intermediary for each sector. In some cases this could mean working with an existing organization. In others, it could mean working with partners outside government to bring the ecosystem together under a new umbrella.

The first task for each intermediary would be to work with the Task Force and the relevant Departments to create a sector strategy¹ (*see footnote for examples*). A strategy answers a vital question along multiple dimensions: how will the core goals of the nation-building agenda be achieved, taking into account the firm structure in the industry, the state of the technology, the potential for catalytic projects, the balance of public versus private investment, the state of policy, etc.? The answers to these questions must be boldly and bluntly situated in the real state of play among firms and investors. This strategy can then be used to design dynamic policy mixes that deliver on the goals.

The second task will be to create a project pipeline in the sector in order to aid the mobilization of finance. Recent experiences demonstrate the critical factor holding back investment in Canada is the lack of policy certainty in the face of global competition. In the case of mining, for example, price uncertainty must be directly addressed by the government to catalyze investment. Policy interventions must be dynamically designed in conjunction with the project pipeline by the task force working closely with intermediaries.

¹ <https://transitionaccelerator.ca/reports/the-mass-timber-roadmap/>; <https://bir.acceleratezev.ca/>

APPENDIX – Governance principles for strategic policy-making in Canada

Principles	Functions	Critical Structures	Substance and Process
Central authority	Set priorities , make critical decisions, and drive outcomes-based implementation.	A cabinet committee to ensure central authority supported by a secretariat housed at PCO but staffed mostly by experts drawn from outside the government.	The cabinet committee ensures that policies and programs are aligned across all the Departments. It induces strategic coherence. It receives inputs from the independent experts in the secretariat. It delegates specific, actionable tasks to the line departments for implementation.
Independent real-world expertise	Inject high-quality information into priority-setting, decision-making, and learning. Needs to come from experts with deep technological, financial, policy, and geopolitical knowledge.	An advisory task force to advise the Prime Minister, support the cabinet committee, and liaise with sectors and Departments. Should be comprised mostly of independent experts brought in full-time to support analysis and strategy.	Independent experts on the task force liaise with the independent intermediaries in the sectors to forge strategies and work with the line departments to implement them in a timely and integrated way. They will also work with experienced public servants to prepare materials for the cabinet committee.
Decentralized problem-solving	Allow firms and experts in the priority sectors to forge the strategies and provide up-to-date information about the state of the play in the industry.	One designated independent intermediary (third party organization) in each sector to lead problem-solving and collaboration with firms. The intermediary will bring the firms, R&D labs, experts, investors, and civil society groups together. Provides expert inputs for the task force.	The intermediaries create strategies and a project pipeline in each priority area. They liaise with the independent experts in the secretariat to provide good quality information from industry. They act as a channel for private sector information into industrial strategy decision-making.
Regional implementation and delivery	Ensure all parts of the country benefit from a national strategy.	Harness federalism to solicit input on high priority opportunities from the provinces and territories, but ensure the task force works to integrate them into a plan that adds up to more than the sum of its parts.	While regional equality is always an important consideration in allocating federal resources, this should not come at the expense of concentrating sufficient resources to achieve globally competitive scale. Selecting opportunity areas where the supply chain will cross provincial and regional lines may help mitigate this.