Regional Development Policy Implementation in Canada: A Tale of Three Federal Agencies

Author:
Charles Conteh
Department of Political Science
Brock University, St Catharines, Ontario.

Prepared for the Canadian Political Science Association's Annual Conference, June, 2010, Montreal, Canada.

Working Draft

This paper is still in its draft stage. Please do not cite the content of this manuscript without the prior consent of the author.

Abstract

Regional economic development has proven to be a persistent feature of Canada's policy landscape since the 1960s. Adminstrative reforms introduced in the late 1980s resuted in the creation of three regional development agencies to manage and deliver regional dvelopment policies in regions classified under Canada's official regional development policy as socioeconomically disadvantaged in relation to the rest of the country. Since the adminstrative reform two decades ago, regional development policy has undergone some noticeable changes. The implications of these transitions are examine, and the evidence suggests that policy implementation or program delivery tasks in complex intergovernmental systems are best viewed as strategic, and not merely operational.

Introduction

From its humble beginnings in the creation of a number of uncoordinated boards and agencies in the early 1960s, regional development policy has become an enduring feature of public policy and governance in Canada. A distinction is made in Canada between regional economic development policy (the focus of the present discussion) and regional equity transfers. Regional development means the "capacity of a region to produce and sell goods and services, and thus the capacity of its inhabitants to earn income" (Polese 1999: 299). Section 36 of the Constitution Act of 1982 provides a clarification of the distinction between regional development and equity transfers in Canada (Government of Canada 1982). The elements of Section 36 dealing with regional development contain, among other things, provisions for furthering economic development aimed at reducing regional disparities in economic opportunities. Section 36 also provides a constitutional basis for regional development policy. Although regional development policy has been a key feature of the policy landscape since the early 1960s, its inclusion in the Constitution ensures that it has become a permanent fixture of policy governance – a legal and moral commitment of the government now rooted in principles of constitutional law.

A major administrative restructuring of regional economic development policy in Canada in 1987 led to the creation of three regional development agencies for western Canada, Atlantic Canada and northern Ontario (Government of Canada 1987). The creation of these new agencies was part of a trend toward larger regions for developmental programming in Canada. The 1987 restructuring was considered to provide certain advantages associated with decentralized administration. The expectations were that programs would be delivered more quickly and at lower costs, and that they can be modified to reflect local circumstances. The discussion examines the implications of the administrative reform of 1987 for the implementation of regional economic development policy. It also traces subsequent changes that have occurred since the late-1980s in geographically determined jurisdictions that have been classified as socioeconomically disadvantaged in Canada, and how these changes affect the mandates and strategies of regional development agencies.

Methodology

The discussion below examines the federal government's economic development policy involvement in the region of Northern Ontario and the provinces of New Brunswick and Manitoba from the mid-1980s to the present. Data were collected over a period of one year through content analysis of regional development policy and program documents, and through a series of semi-structured interviews with officials of organizations within and outside the

Canadian, Ontario, New Brunswick and Manitoba governments that are involved in economic development in those provinces. Interviews were conducted with senior and mid-level officials at three federal economic development agencies, the Federal Economic Development Initiative or Northern Ontario (FedNor), the Atlantic Canada Opportunities Agency (ACOA) and the Western Economic Diversification Agency (WD). The FedNor, the ACOA and the WD are the main federal organizations responsible for delivering economic development programs aimed at transforming the economies of the provinces of New Brunswick and Manitoba, respectively.

Interviews were also held with officials at the Ontario Ministry of Northern Development and Mines (MNDM), Business New Brunswick (BNB) and the Manitoba Ministry of Competitiveness, Training and Trade, the main ministries responsible for the provincial governments' economic diversification initiatives. Other interviews were with other provincial departments and corporations.

FedNor in Northern Ontario

Northern Ontario is a region with a vast land mass and small population. Although it covers approximately 800,000 square kilometres, representing almost 90 percent of the Ontario land mass, the region has a total population of only about 786,500 – about six percent of that of the province (Government on Ontario, 2009; McGillivray, 2006). Its economy is dominated by five large population centres: Sudbury, Thunder Bay, Sault Ste. Marie, North Bay and Timmins. The history and structure of industry in the region confirms a trend of persistent decline in the mainstays of the economy (mostly primary resource industries), with a gradual shift towards service industries but a general decline in industrial activity and a traditional weakness in secondary manufacturing and service industries (the presence of pulp and paper mills notwithstanding) (Bollman, Beshiri and Mitura, 2006). The share of employment in primary and manufacturing industries declined from 28 percent in 1981 to 16 percent in 2001 (Southcott, 2006). The picture of industrial stagnation and, even, decline is reflected in socioeconomic indicators like high unemployment rate, low average income, and net outmigration relative to the rest of the province (Government of Ontario, 2005).

Before 1987, the federal government's economic development initiatives for Northern Ontario were indirect, with funds for rural and northern development in the region channelled through the provincial government (Government of Ontario, 1973). With the 1987 restructuring (and the creation of FedNor), the federal government decided to deliver its own economic development programs directly (Industry Canada, 1987). The agency's mandate, broadly speaking, is to promote economic growth, diversification, and job creation in Northern Ontario (Government of Canada, 1995; Goldenberg, 2008).

FedNor has two main programs, the Northern Ontario Development Program (NODP) and the Community Futures Program (CFP). The NODP seeks to promote economic development and diversification by providing repayable and non-repayable contributions to not-for-profit organizations and small and medium-sized enterprises (SMEs). It is an all-embracing program, covering almost every sector. The other component of FedNor's programs is the Community Futures Program. This program supports 24 Community Futures Development Corporations (CFDCs) in Northern Ontario. The CFDCs are part of a larger national program supporting community economic development and small business growth in disadvantaged regions. Both the NODP and the CFP have thus been designed to address some of the structural, sectoral and community economic development challenges facing the region by improving small business access to capital and supporting community economic development endeavours, as well as providing business information and market intelligence for the private sector.

One of the distinct features of FedNor that initially shaped the agency's model of economic development policy implementation is that whereas other regional development agencies like ACOA and WD enjoy considerable departmental autonomy, FedNor is largely subsumed under the direct purview of Industry Canada (Government of Canada, 1995). This structural characteristic of FedNor means that although the agency is, in principle, mandated to work with the private sector, community partners and other organizations, it lacked policy discretion to sustain credible partnerships at the frontlines.1 Since FedNor's programs were based on policies developed within Industry Canada, the agency's ability to adapt to the imperatives of its external environment was constrained. This constraint does not mean, however, that FedNor officials were opposed to working with local partners. In fact, in the early to mid 1990s, FedNor officials made efforts to work with community groups in program delivery (Government of Canada, 1995). The problem was that the agency's model of governance was generally perceived to be hierarchical or "top-down".2

FedNor's efforts to create an environment of consultation and partnership involving communities, businesses and other levels of government were hindered by the fact that the agency was principally a program delivery organization, lacking authority to develop its own policies or deviate from those set within the framework of Industry Canada. Thus, although a principal feature of the new policy and organizational configuration of 1987 was a decentralization of administrative and policy functions away from Ottawa and towards the regions, this was not the case for FedNor in Northern Ontario. If the new approach after 1987 was to allow for more direct interaction between local federal agencies and the community in the design and implementation of programs, FedNor was given no authority to engage in it.

In the early 1990s sentiments of disaffection with FedNor's implementation model began to surface from isolated quarters in the region. The Ontario Ministry of Northern Development and Mines (MNDM) (whose name has changed several times over the past five decades) has been the provincial government's main conduit of economic development policy intervention in Northern Ontario. In fact, since the late 1960s successive governments in the province have been involved in promoting economic diversification in northern Ontario. Before 1987, most federal resources for economic development in Ontario's socioeconomically disadvantaged regions were channelled through MNDM. This meant that MNDM enjoyed a rather hegemonic and unrivalled status in economic development program development and delivery. Thus, MNDM viewed FedNor's mandate and operational model with some curiosity. And inasmuch as FedNor wanted its mission to be consistent with the core values and interests of the local environment, the agency took note of MNDM's jurisdictional sensitivities.3

A notable manifestation of the challenges of intergovernmental coordination can be seen in FedNor's relationship with the Northern Ontario Heritage Fund Corporation (NOHFC).[4] NOHFC is the program delivery agency of the Ontario Ministry of Northern Development and Mines (MNDM) (Government of Ontario, 2009). It performs functions similar to those of FedNor, like providing financial assistance and advisory services to business, primarily through industrial and regional development programs designed to fill gaps in capital markets. NOHFC also supports industries in manufacturing and related activities, tourism operations, and exporters. It finances projects and firms that are commercially viable but that, because of high risk, would not be financed by private financial institutions.

FedNor thus had to work around its structural constraint in order to incorporate more intergovernmental coordination with MNDM. For MNDM, however, intergovernmental coordination meant that FedNor had to incorporate considerable elements of the former's policy vision into the latter's development programs. This would mean that policy direction for FedNor cannot simply come from outside the region.[5] Clearly, within such a context, the adaptive abilities of FedNor became extremely important to the agency's success at navigating through intergovernmental tensions. The challenge presented to FedNor is to balance the imperatives of its relationship with Industry Canada while at the same time addressing jurisdictional sensitivities at the frontlines of its operations.

What makes the challenges of intergovernmental coordination even more significant for policy intervention, from FedNor's standpoint, is the fact that Canadian federalism makes the provinces the primary players in regional economic development (Simeon, 2006). Major areas where the provinces have flexibility in developing policy include the determination of which resources will be developed, how, to what extent and by whom; and the extent of local public input into policies and plans, and of participation in implementation. A long history of province-building in Canada has led to the development of strong, wilful provincial states bent on pursuing provincially defined economic strategies that sometimes seek to compete with or displace the federal government wherever and whenever possible (Simeon, 2006).

Other challenges to FedNor's model of program delivery emerged from municipalities. Around the late 1990s, ideational shifts in the conceptualization of economic development made community economic development prominent (Goldenberg, 2008). Paradoxically, local regions seemed ever more eager to manage their own economic destinies in the face of globalization. In Northern Ontario, major municipalities such as Sudbury, Thunder Bay, Sault Ste. Marie and Timmins began to take more assertive stances in demanding that the provincial government rethink its engagement with local entities. Municipalities no longer wished to be treated as simply "clients" of economic development programs. They viewed themselves as better equipped in terms of organization, knowledge and technology to serve as conduits of economic development in the region (Northwestern Ontario Municipal Association, 2000). Municipalities perceived themselves as closest to the problems of local economic development, and therefore believed they should be viable partners with insights considered germane to policy development, program design and project delivery. Consequently, municipalities increasingly expect to be part of any policy and governance structure aimed at addressing the ills of their regional economy.6

In essence, FedNor was confronted with yet another wave of demands for the agency to work more closely with other levels of government. Although municipalities in Canada are technically creatures of the provinces, FedNor's concern about its political legitimacy in the region meant that the risks of failing to respond to municipalities' demand for closer partnership could not simply be ignored. FedNor was faced with the challenge of reconciling Industry Canada's national frame of reference in policy development with the particularistic nature of municipalities' approach to local economic development. An example is FedNor's close engagement with the City of Greater Sudbury in a project to assess under-serviced industrial land in order to determine the viability of future development (Government of Canada, 2009). In the past, part of FedNor's approach was to consult with Industry Canada officials to prevent local projects conflicting with departmental policies. Rather than setting preconditions or dictating the terms of the project, the framework of implementation was designed to enable municipal authorities to make projections and plans about the industrial future of their city. It was not a completely "bottom-up" framework, either, because as a partner, FedNor could influence the direction of industrial assessment and planning in the city.

Furthermore, other developments were emerging outside the institutional boundaries of the public sector. In particular, Aboriginal communities represented through their treaty organizations within Northern Ontario have been increasingly demanding a role in the region's economic development planning framework as distinct jurisdictional entities (Nishnawbe Aski Nation, 2009). Significant numbers of Aboriginal people are relocating to the urban centres of Sudbury, Thunder Bay, Sault Ste. Marie, Timmins, Kenora, and Sioux Lookout as they seek further education and employment opportunities. Their participation is thus deemed crucial to any forward-thinking approach to the economy of the region (Abele, 2006). A recent report (Rosehart Report, 2007) sponsored by the Ontario government concludes that there is a strong recognition within the region that all future development initiatives by higher levels of government, municipalities, businesses, industries and other stakeholders must be carried out in concert with the First Nations. The expectations and demands of Aboriginal groups are deeply enough rooted in the fabric of Canadian politics for FedNor not to view them as just a set of variables to be manipulated. Building legitimacy for effective policy intervention in a region with First Nations communities requires a careful identification of their existing community governing structures, and then coordinating with the various bases of power.

The private sector also added to the complexity of FedNor's policy environment by maintaining that businesses have increasingly been thinking in terms of the "market of regions" in their investment calculations (NOACC 2009). Like municipalities, the private sector, through its umbrella chambers of commerce (NOCC and NOACC), viewed its participation in the governance infrastructure of the region as crucial to its ability to prosper. For instance, the Northwestern Ontario Associated Chambers of Commerce (NOACC) maintains that domestic and international market pressures required a framework of regional development that goes beyond disparate project funding. Establishing more permanent feedback loops between public agencies and the private sector, the argument goes, would be more conducive to intersectoral and longer-term economic planning for the region.

In the wake of these changes to its policy landscape, FedNor recognized the need to revisit its regional development policy framework. Part of the adaptation by the agency was a de facto restructuring of its intraorganizational processes that allowed for greater autonomy from Industry Canada in the early part of this decade. FedNor's increased operational autonomy by the turn of the millennium granted it some authority to formulate or adapt policies. It was a significant development, allowing for a more credible pursuit of community partnership and close consultation with other agencies.7 FedNor's adaptation to the exigencies of the local environment cannot, however, be seen as a complete break from the policy influence and, even, control of Industry Canada. Rather, the agency's recent emphasis on multi-actor negotiations and interorganizational implementation models can be seen as a complex mix of hierarchy and collaboration.

In 2009, for example, the Government of Canada committed $9.5 million through FedNor's Northern Ontario Development and Community Futures Programs to support economic development throughout Northern Ontario (Government of Canada 2009). Although the money was accompanied by broad policy directions for use in economic development, the rather vague terms of the directives allowed for considerable local flexibility. FedNor's framework of implementation included a distinct emphasis on working with Aboriginal and other community groups, as well as with the private sector, to "develop a responsive, business-ready infrastructure" for the region.8 Given the complex, intersectoral, and highly local nature of regional economic development, FedNor had to adjust its limited policy discretion to achieve wider environmental imperatives while, at the same time, remaining conscious of existing accountability structures within Industry Canada. These ongoing tensions meant that FedNor's culture became that of a learning organization.9 As a learning organization, FedNor could hope to exploit emerging feedback loops with the local constellation of organized actors in the region, thereby deepening its policy intervention.

The gains from operational flexibility and adaptation have been more than symbolic for FedNor. For instance, the agency seems better positioned to deal with yet another major development that started in the middle of this decade. In 2005, the Ontario government adopted a broader and more ambitious vision of regional economic diversification for Northern Ontario. Under MNDM's leadership, the Growth Plan (still being developed) for Northern Ontario was set in motion by the provincial *Places to Grow Act* (2005). The strategy calls for comprehensive planning across all the sectors in the region, with a long-term projection of about 25 years. An administrative framework supporting the Growth Plan has also been established, consisting of an interministerial forum known as the "G-North Ministers Table" (Government of Ontario, 2009). This special committee of 16 provincial Cabinet ministers, with mandates related directly to issues of economic development in Northern Ontario, coordinates the Ontario government's approach to policy, planning and direction-setting in the region.

The aforementioned policy assertiveness of the Ontario government in the region has been unfolding rapidly, gaining great momentum and much publicity. Widespread public consultation and promotion exercises were held around the region from 2007 to 2009. Whether FedNor views these developments as a threat is unclear. What is clear is that FedNor officials have participated in consultation and planning conferences.10 Such a public show of support for MNDM's leadership may seem at odds with a public agency's jurisdictional impulse and ambitions, but it is a strategic investment in building legitimacy within its external environments by forming a united front with other public agencies. FedNor cannot be seen to be opposed to these developments.11 Moreover, although it is a small agency compared to MNDM, FedNor's participation in the new governance framework increases its chances of carving a policy space within the rapidly changing bases of power in the region. It enables FedNor to maintain some institutional capital to influence the terms of regional development policy and program coordination in the new environment.

The new framework also seems consistent with FedNor's program interest. It allows public agencies across the levels of government to overcome program fragmentation and duplication resulting from intergovernmental rivalry. Criticisms about duplication, fragmentation and waste in the past have often hurt the image of all public agencies (Report of the Auditor General, 1995). FedNor, for instance, now promotes its programs as part of a broader strategic investment in the region, complementing efforts of the Growth Plan and other initatives to help communities make the transition to a diversified economy.

The political context of economic development in Northern Ontario has obviously changed considerably over the past two decades. FedNor has come a long way in its attempts to adapt its model of policy implementation to the changes in its external environment. It now emphasizes economic development through partnerships among levels of government, and with First Nations, non-governmental organizations and the private sector. The ongoing effort under the Northern Ontario Growth Plan to move towards a more collaborative governance framework can be seen as the culmination of a long undercurrent of change in the region, and these changes are still unfolding. FedNor's willingness and ability to adapt to these emergent transformations will, it seems, continue to be tested. If past trends are any indication, FedNor may have reasons to believe that it can survive the complexities of change and remain an effective player in the economic future of Northern Ontario.

ACOA in New Brunswick

ACOA is the successor agency to a long tradition of regional development policy geared towards improving socioeconomic conditions in Atlantic Canada, including the province of New Brunswick. The agency's mandate since its birth in 1987 has been to support and promote opportunities for the economic development of Atlantic Canada, with particular emphasis on small and medium-sized enterprises, through policy, program and project development and implementation and through advocacy of the interests of Atlantic Canada in national economic policy, program and project development and implementation (Government of Canada 1987).

ACOA's main program activity areas are Enterprise Development, Community Development, and Policy, Advocacy and Coordination.

Between 1987 and 2000, however, the agency's activities were mostly focused on Enterprise and Community Development.[12] The object of its Enterprise Development program was to foster competitive and sustainable Atlantic enterprises, emphasizing small and medium-size business. The instruments of its Enterprise Development program were mostly project-like loans and subsidies aimed at business development. The Community Development program has aimed to foster dynamic and sustainable communities in New Brunswick. Much of the agency's activities under it were intended to support community-based regional economic development (planning) organizations and funding for community business development corporations.

During this time, the ACOA's policy development, advocacy and coordination mandates were virtually latent. The agency's policy development mandate would have required it to provide sustained intelligence about market trends and opportunities in New Brunswick and the rest of the Atlantic region. It would have also engaged in global investment and trade forecasting to help project New Brunswick's industrial strategy on the world stage. ACOA's advocacy mandate required that it serve as the conduit through which regional concerns and the interests of Atlantic Canada will be channelled into Canada's national macroeconomic and industrial policies. The agency's coordination mandate called on it to act as a "lynchpin" that synchronizes the programs of federal departments in New Brunswick and the rest of Atlantic Canada. This also meant that the provincial government would rationalize its economic development with the policy vision of ACOA (which didn't exist then). Given all its mandates, it was soon evident that the ACOA was too small an organization to command the institutional legitimacy or organizational capacity for effective policy advocacy and coordination.[13] Being newly created, the agency lacked the organizational or human resource capacity to engage in sustained regional development policy analysis. Moreover, it was still breaking out of the institutional culture of its predecessor – the Department of Regional Economic Expansion (DREE).

Thus, despite the 1987 restructuring, the new agency carried on business as usual. The fact was that the ACOA was initially designed to be a small agency, with a staff of about a hundred (McGee 1992). Even more challenging was that as it struggled to find a policy niche in New Brunswick, the provincial government continued to maintain its own economic development program, separate from the ACOA, but based on similar delivery models . From a service delivery standpoint, two parallel sets of economic development programs were run by two levels of government in the same province. Each basically determined the needs of individual firms based on submitted grant applications, and responded to those needs by giving out subsidies or loans. Although the province had a broader cross-sectoral strategy that sought to create a favourable climate for industrial development, like the ACOA its general approach was considered responsive, short-term, and project-driven.[14]

Even though a central element of policy implementation primarily involves addressing the challenges of program coordination among public agencies, the relationship between the ACOA and the New Brunswick government during this time did not bear strong evidence of systematic program coordination. Rather, the relationship during the 1990s could be described as broadly influenced by the institutional and policy legacies of four decades of regional economic development. The clash of organizational cultures and the strains of intergovernmental political rivalries between federal and provincial governments during this time were a challenge to the ACOA's successful policy penetration into the province.

A mere organizational restructuring in 1987, therefore, proved insufficient to overcome the problem of navigating institutional boundaries across levels of government. Rather than synchronizing the programs of the two levels of the government, the provincial government simply communicated its "responses" to federal development activities as they affected the economic interests of New Brunswick. Other than taking advantage of the ACOA's funds, the extent to which the economic development policy priorities of the province were influenced by the ACOA during the 1990s remains unclear (Savoie 1992). What was clear was that the ACOA and the provincial government had a number of similar programs running concurrently, and that the provincial government would take any advantage of federal resources available through the ACOA. Whether assessed in terms of administrative capacity or institutional legitimacy, the ACOA's presence in New Brunswick in the 1990s was struggling to find a niche.

Given that the issues of institutional legitimacy and administrative capacity are inseparable in the process of policy implementation, the difficulties that the ACOA experienced in forging a more collaborative working relationship with New Brunswick were significant.

Coordination of policy delivery in multi-level jurisdictions is not only technical, but also political. The links between the mandates, resources and culture of ACOA and its wider institutional and political context are inextricably intertwined.

In 2002, the New Brunswick government released its “Prosperity Plan” for the province (Government of New Brunswick 2002). The Plan set out a 10-year comprehensive strategic path to economic and social prosperity in the province. The key elements of the strategy focus on innovation, productivity, and export orientation – perceived determinants of success in a knowledge-based economy. Moreover, by adopting a longer-term plan, the provincial government hoped to strengthen its control of the direction and pace of economic development in the province.

Another development occurring within New Brunswick during this time was a greater desire on the part of the private sector to be part of a more inclusive and strategic governance framework that focuses on longer-term planning. The initial shift in mindsets within the private sector is evidenced in the Fredericton Chambers of Commerce’s (FCC) published brief in 1994 expressing their belief that participatory citizen input, combined with a dedicated innovative approach by a government willing and able to make brave decisions, can distinguish New Brunswick (FCC 1994). Thus, the discourse of innovation as the thrust of regional development began to shift focus away from individual firm subsidies and towards longer-term, cross-sectoral accumulation of strategic resources in terms of knowledge (R&D) and expertise (skills training).

A related development in New Brunswick during this time was the expression of discontent in the rural and northern regions about the constraints of community or grassroots participation in the market governance processes in the province. Local communities became increasingly articulate about their desire to take responsibility for their own economic development. Part of the provincial government's response was to create community economic development agencies (CEDAs) in order stimulate greater local participation in economic development (Government of New Brunswick 2002). The provincial government also initiated a process that eventually led to some reform of local governance in New Brunswick. For instance, the region of the Acadian Peninsula adopted a joint-action approach, bringing together various stakeholders, with the aim of achieving more effective strategic planning and local participation in the governance of economic development (Desjardins, Hobson & Savoie 2009).

By the middle of this decade, the momentum towards provincial leadership in regional economic development was becoming consolidated. In 2006, a new Development Plan for New Brunswick, titled "Achieving Self-Sufficiency," was unveiled under a new government (Government of New Brunswick 2009). The substance of the 2006 Plan was similar in many respects to the 2002 Plan, except that the 2006 Plan has a longer time frame and pays greater attention to the inclusion of local and rural regions in the institutional infrastructure of innovation governance. In particular, the Plan includes a desire on the part of the provincial government to work more closely with the rural and northern interests, local governments, the private sector, and research institutions in order to jointly enhance the economy's competitiveness through productivity improvements and greater diversification.

By the turn of the millennium, in the face of the aforementioned developments in New Brunswick, the focus of the ACOA turned toward overcoming administrative boundaries and facilitating better networks with the provincial and municipal governments, as well as with non-state actors such as the private sector and community actors.[15] In particular, the ACOA was beginning to adjust its program and service delivery model to the changing discourse of regional development and the transitions of local phenomena in New Brunswick. The agency's articulation of its delivery model shifted towards the encouragement of disadvantaged regions to maximize their potential for economic diversification and development, rather than the reduction per se in regional disparities. While such a shift in strategy is not necessarily a bad thing, it runs the risk of compromising the organization's distinct identity and mandate, as it prioritizes maintaining a harmonious relationship with an increasingly powerful provincial government.

ACOA's growing emphasis on subnational jurisdictions for economic development policy intervention and innovation was arguably a concession to the politics of intergovernmental relations in Canada. But this policy concession has significant administrative implications, since it requires different kinds of governing institutions and capacities that lend themselves to principles of horizontal management. It also requires the capacity to facilitate joint action at the subnational level. From a public management standpoint, the ACOA focused on multilevel governance arrangements that could maximize the use of local assets, foster the interaction of local stakeholders and nurture synergies across various sectors of the economy. While this approach may serve to reinforce its legitimacy, the cost is losing policy control to local actors. Given the long history of the federal government's effort to receive political credit for its regional development program spending, such a potential loss of control is politically costly to the ACOA's principals in the nation's capital.

For the ACOA, however, the issues of institutional legitimacy and administrative capacity became inseparable. The successful implementation of the agency's policy is no longer a merely technical task of program design and delivery (as was the case in the 1990s), but also political negotiation, since it must synchronize its activities with emerging actors and ideas within its external environment. Successful policy implementation in New Brunswick became about how well the ACOA could frame its policy intervention as consistent with and supportive of local joint action under provincial leadership. For instance, the agency's targeted "Special Growth Sectors" in the early 2000s were closely reflective of the provincial government's identified strategic focus on the energy and petroleum sectors (Government of Canada 2009).

The ACOA thus increasingly positioned itself as a strategic partner (in rather supportive roles, however) with provinces and, even, municipalities. Both the ACOA and the New Brunswick government seem increasingly to be speaking the same language as they emphasize building the capacity for joint action across levels of government directed at identifying and nurturing innovation strategies. But from a reading of the province's economic development plan, and the impression of provincial officials in New Brunswick, it sounds more like the ACOA is echoing the policy language of the government of New Brunswick rather than speaking in a truly jointly developed language. There is a clearer recognition among the partners, nevertheless, that managing the province's innovation policy ambitions requires a process of policy delivery involving multiple agencies analysing and learning from each other across levels of government and across private sector and local stakeholders. Building synergies among a constellation of public agencies and private organizations has become the order of governance in

New Brunswick, and the ACOA, it seems, must learn to swim in the new current in order to stay afloat.

By the middle of the decade, the ACOA was even adjusting parallel delivery models to the exigencies of the new economy as framed by the New Brunswick government. For instance, the ACOA's sectoral focus on firm subsidies or loans was considered outdated and ill-suited for a knowledge economy.[16] In a knowledge economy, the provincial government had emphasized, public agencies across levels of government were required to work more closely together to produce the institutional framework for nurturing network clusters, fostering backward and forward linkages among firms, and exploiting knowledge spill-overs from one sector to another.

Another dimension of the ACOA's adaptation to local phenomena in New Brunswick was a re-visitation of its organizational size, resources and mandate. By the early part of 2000, the agency revamped its hitherto latent mandate on policy analysis, advocacy and coordination. Even the goals and performance indicators of the ACOA reflect the agency's adaptation to the new provincial discourse of regional development. For instance, in its recent report on successful program activities the agency placed great emphasis on growth in new industries in aerospace and information technology (key targets in the province's development plan). Even the growth of value-added products in traditional industries (wood, food, paper) was couched in the language of innovation as articulated by the New Brunswick government.

Moreover, the ACOA metamorphosed into a larger organization (well beyond the intent of its designers in 1987) with greater institutional clout and human resource capacity (Savoie

1992). With its larger size and greater capacity for intelligence gathering, it began playing every conceivable role in innovation policy. Although the agency continued elements of the old paradigm in the form of its direct business incentive programs, the main narrative and program focus became longer-term partnerships with provincial departments, research and academic institutions, and trans-sectoral associations of private sector interests. Even the agency's Enterprise Development and Community Development programs became framed to reflect the new discourse as they emphasize innovation, productivity and skills development rather than grants, loans and subsidies. It is not that these firm subsidies no longer exist. What is new is the shift to an emphasis on cross-sectoral and longer-term investment strategies.

The ACOA also sought to position itself as a credible conduit through which federal policies and programs will reflect opportunities and challenges of the Atlantic economy (Government of Canada 2009). The agency became more strategic and proactive about its advocacy role to ensure that New Brunswick's (and Atlantic Canada's) interests are recognized in the development of other federal departments' policies and programs. The extent of the agency's influence on the national policy framework, however, remains unclear. Nevertheless, the ACOA's goal became to establish itself as a credible lynchpin for coordinating other federal and provincial government institutions and the private sector to develop joint strategies and ensure a coherent approach.

A key element in the adaptation of the ACOA, therefore, has been the agency's efforts to exploit the changing policy discourse accompanying the shifting bases of power, and to nurture partnership with relevant agencies and ministries in the provincial government. The agency has also sought to form sustained alliances with the local business community and public policy organizations and to institutionalize policy and program communications with other federal government departments, academia and community economic development organizations.

WD's Intergovernmental Contracts with Manitoba

The 1987 restructuring that gave birth to the Western Economic Diversification Agency (WD) was considered a response partly to the administrative and political discontent expressed by the western provinces with respect to the centralized administration of regional development (Webster 2002). The rationale was that decentralization of regional development to agencies whose mandates directly focus on particular regions (and provinces) could enhance the capacity for closer federal-provincial cooperation that results in greater responsiveness to local economic development initiatives.

The primary tool of regional economic development in Manitoba has been the bipartite framework agreement. What used to be the General Development Agreements, Economic and Regional Development Agreements, and Cooperative Agreements before 1987 became the Canada-Manitoba Economic Partnership Agreement (Government of Canada 2003). The MEPA in Manitoba became an institutionalized series of five-year Economic Partnership Agreements by which the Canadian government enters into a form of contractual commitments with the western provinces. The past three MEPAs have been signed by the federal Minister of the Environment (representing the Government of Canada) and the Manitoba Minister of Competitiveness, Training and Trade, representing the provincial government. A management Committee (made up of two members or Co-Chairs, one appointed by the federal and another by the provincial minister) is responsible for the general administration and management of the Agreement.

Using contractual documents to set expectations for and commitment to intergovernmental collaboration provides a mechanism for managing a complex policy field involving several jurisdictions (OECD 2007). Regional economic development involves joint action across institutional boundaries in multilayered systems, and such contexts are potentially rife with issues of contestation over policy goals and jurisdictional domains. The MEPA contracts provide a unified, co-financed, and multi-year funding mechanism for collective intervention and shared responsibility. The expectation is that a single fund would help clarify spending and financial incentives. Multi-year budgeting, it is hoped, will reduce uncertainty in the planning process and ensure continuity.

The contractual arrangements between the federal and Manitoba governments acknowledge the complexity of interdependence between national and sub-national jurisdictions in a policy area as highly contingent and nebulous as economic development. Both the WD and the provincial government view the contracts as geared towards clarifying responsibilities among actors.[17] Therefore, the notion of a contract in this context should be viewed loosely as a governance mechanism for managing interdependencies across institutional boundaries in multi-level governance systems. It allows for customized arrangements that reflect regional and temporal realities.

Compared to the ACOA's experience in New Brunswick, the WD seemed to have enjoyed greater intergovernmental joint action in the 1990s. The WD's contractual model provided a mechanism for forging a more collaborative working relationship with the government of Manitoba. The contracts identify in advance the mandates and resources of the WD and its relationship with its wider institutional and political environment. The MEPAs provided terms of commitment with some measure of flexibility that allowed for a coordination of policy delivery in ways that are not only technical, but also political.

By the turn of the millennium, the Manitoba government began defining the province's policy vision in more ambitious terms with longer-range planning. In 2003, the Manitoba government released the province's "Action Strategy for Economic Growth," which became the official document that lays out the province's vision for future economic development (Government of Manitoba 2003). The Action Strategy contains a 'Six-Point Action Plan' that involves:

> *1. developing a skilled workforce that meets the needs of an ever-changing economy; 2. investing in research that builds on Manitoba's economic strengths; 3. investing in technology commercialization activities that develop and attract opportunities; 4. connecting communities to ensure that all Manitobans have the opportunity to participate in innovation activities; 5. strengthening the environment for business innovation opportunities; and 6. fostering a service philosophy and spirit in government that is citizen-driven, innovative and results oriented.*

Innovation policy in Manitoba, as in New Brunswick, does not only apply to high-tech knowledge. It also relates to rural and semi-urban regions in the mostly northern areas of the province. The Manitoba government especially prioritized working in partnership with rural communities to add value to the natural, cultural and physical resources. For instance, economic development initiatives for northern Manitoba have been identified in six areas, namely: alternative energy; tourism; agriculture; natural resources; industry services and manufacturing; and Aboriginal and northern initiatives. Moreover, through its Northern Development Strategy, the province has identified the need for social investments in housing, health, transportation and education to support the economic development initiatives (Government of Manitoba 2009).

As the Manitoba government extended its innovation strategy to include a more comprehensive vision for its rural and northern economies, the province was confronted with demands by northern and rural residents to eliminate the constraints on their participation in the market governance processes in the province. Given the provincial government's new narrative of a comprehensive innovation policy for all sectors and regions of the provincial economy, the participation of local government and non-state actors is considered an intrinsic element of the province's governance arrangements.

One of the examples of a positive response to the demand for new governance arrangements was the Aboriginal Summit in 2000 that highlighted the many ways in which Manitoba's growing Aboriginal population represents an important part of the province's economic future. Unlike other summits that often barely last beyond a week-long media frenzy, the Aboriginal Summit of 2000 led to an integrated strategy for Aboriginal economic development based on institutionalized partnerships between the provincial government, Aboriginal communities and businesses. Some of the key initiatives that have emerged from this partnership include the Manitoba International Gateway Council Initiative, which seeks opportunities to use Manitoba's unique northern rail route and deep sea port, in the Port of Churchill, to develop trade links with northern Europe and Asia.

The Manitoba private sector was also embracing the innovation discourse, as is evident in their desire to be more involved in the strategic governance framework articulated by the province. The successful performance of the province's economy over a period of two decades has strengthened the confidence of the private sector.[18] The Manitoba private sector sought to be part of joint governance arrangements for longer-term economic diversification strategy based on nurturing knowledge-based industries as an area of expansion. The Manitoba government was in turn eager to reciprocate the private sector's desire for closer participation in market governance.

Another dimension of the ideational shift towards innovation policy in Manitoba is the strategic importance of the city of Winnipeg as the critical locus of market governance in the province. The unique demographic concentration of Manitoba's population within three hours' drive of Winnipeg adds to the strategic significance of municipal level jurisdiction in the new governance environment. The notion of innovation clusters, for instance, emphasizes 'local' aspects of social capital and knowledge networks (Government of Manitoba 2009). Fostering these networks in turn requires equipping cities with a certain coordinative authority and the legitimacy to provide more active and strategic leadership. The coordination of knowledge clusters is best handled at the local level. The Manitoba government in turn began to view the city of Winnipeg and other municipalities not as residual institutions for performing rudimentary tasks, such as road maintenance and garbage collection, but rather as indispensable partners in the search for local innovation and adaptation.

As the federal government's main conduit of economic development intervention in the province, the WD's relevance and survival seemed to rest on its ability to adapt to the exigencies of ideational changes in Manitoba. In the Manitoban context that emerged after 2000, the imperative for the WD's adaptation was the evident leadership of the provinces in defining the policy vision and governance framework of regional development.

It should be noted that even after 2000, the WD and the Manitoba Ministry of Competitiveness and Trade continue to be primary players in the MEPA, and managed to form the inner circle within an increasingly complex policy subsystem of innovation policy in the province. Their leadership, however, was becoming more symbolic than real. Inasmuch as effective multi-actor policy implementation often requires agreed common goals, joint decision-making over more than the short term, cross-sectoral work, and shared responsibility and accountability structures, the more manageable bilateral context of federal-provincial economic partnerships before 2000 took on a more complicated texture involving multiple actors. Managing the MEPAs would involve more coordination that is costly.

Since 2000, the MEPA has become a more relational contract than it was before 2000. An interesting adaptation of the WD to the aforementioned trends in Manitoba is the agency's emphasis on fostering learning networks among multiple policy stakeholders. For instance, in the 2003 MEPA, the contractual document emphasizes mutual learning through joint monitoring and evaluation mechanisms (OECD 2007). The Agreements also began to emphasize the need to create 'room for improvement,' and viewed both successful and unsuccessful experiences as triggering 'motivation for further improvement.' Viewing the federal-provincial partnership agreements as instruments for governing learning networks thus reflects the increased complexity of this new environment.

Furthermore, the WD's interpretation of its contractual relationship with Manitoba began to be framed as supportive of local joint action under provincial leadership. Like the ACOA in New Brunswick, the WD sees itself as a strategic partner (in rather supportive roles) with the Manitoba government and, even, the municipalities in the province. Inter-organizational collaboration in Manitoba had to make greater room for local actors in joint action with the various levels of government.

Moreover, the policy time frames of the MEPA after 2000 tend to reflect medium-to-longer-term goals rather than short-term direct assistance to businesses in the private sector. There seems to be a greater focus on softer goals, such as support for institutional capacity building (like research capacity, for instance) geared towards long-term economic productivity and competitiveness.[19] One of the problems with focusing on soft goals is that accountability becomes blurry, and the very notion of the contract tends to look dubious. The MEPA is no longer viewed as a proposal-based program whereby the public can apply and access funds for business projects, but rather as supportive of programs involving what are referred to as strategic investment decisions alongside the private sector, the non-profit sector, public sector organizations, universities and research hospitals.

Also, the MEPA agreements since 2000 increasingly reflect a policy thrust of the Manitoba government's innovation strategy. The 2003 Agreement, for instance, focuses on five strategic areas of regional economic development that are closely reflective of the provincial government's Action Strategy, namely: support for knowledge-based research and development; increase in value-added production; support for trade and investment promotion; enhancement of productivity and competitiveness; and promotion of economic development through tourism opportunities (Government of Manitoba 2003).

Similarly, the 2009 Agreement strongly resonates with the Manitoba Action Strategy for the province's economy in its emphasis on nurturing critical masses of knowledge networks that could serve as dynamic engines of innovation (Government of Manitoba 2009). In this sense, the agreements provide a legal framework for intergovernmental coordination of regional development governance, but one in which the provincial government takes on a more active leadership. The WD even views Manitoba Action Strategy as a temporal guide or loose "plan" that constitutes a mechanism for joint action involving a number of organized interests within the economy. The Action Strategy provides a framework for guiding the "contract" between the province and the federal government. Since 2003, the MEPAs between the two orders of government amount to a set of rules for managing complexity and conducting network business in the province.

Given the federal government's historic power struggle with the provinces for visibility and for credit for its regional development programs, preserving federal agencies' organizational integrity and policy mandates is an intrinsic part of the nature of federal politics in Canada. The direction being taken by the WD since 2000, however, seems to amount to some dissipation of its agency identity and policy control. It appears to be conducting collaborative management with the province of Manitoba from a position of relative weakness compared to a little over a decade ago.

Indeed, the ideational and structural shifts over the past decade have arguably given the Manitoba government a certain advantage over the WD with respect to the former's greater knowledge of local economic and political realities, and its greater legitimacy (by virtue of proximity) to coordinate the multiple emergent bases of power within a complex knowledge economy. Moreover, the apparent dissipation of the WD's policy identity and program mandate may be indicative of the general tendency of decentralized agencies. The decentralized structures created in the 1987 reorganization of regional development agencies may be finally taking effect, even if it means an unintended loss of policy control on the part of the federal government.

On the other hand, even though the mechanisms of joint environmental scanning and forecasting among policy partners in Manitoba since 2000 may appear to dissipate some of the WD's control over its perceived constitutional mandate and legislated policy domain, nevertheless the legitimacy of the agency's policy intervention in Manitoba appears to be enhanced by its willingness to invest in building some degree of trust with local partners. Also, because the WD serves as the federal government's main conduit of economic intervention in the province, it remains a significant player whose program preferences are given serious consideration by local partners. Moreover, because it carries the institutional authority of a federal agency, the WD continues to draw on symbolic or 'soft' power to influence the direction of program development and implementation in the province. In this regard, the WD remains a part of the inner circle within an apparently complex policy subsystem. And finally, the current complexity of horizontal collaborative market governance consisting of multiple partners in Manitoba serves the WD's organizational interest in the sense that in addition to drawing from the strengths of many perspectives, there are many heads to share the blame when policy expectations exceed outcomes, as they sometimes do.

Conclusion

The discussion has examined the implications of administrative changes introduced in 1987 for regional development policy implementation in Canada. The paper also analysed transitions that have taken place in regions classified as socioeconomically disadvantaged, and how these political and economic phenomena have impacted the mandates and strategies of Canada's regional development agencies. The evidence suggests that regional economic development governance in Northern Ontario, New Brunswick and Manitoba can be referred to as collaborative governance involving various levels of jurisdiction, with multiple lenses of interpretation (including non-governmental stakeholders).

The three cases illustrate the fact that the regional development policy implementation is best viewed as strategic rather than merely operational. In particular, the Northern Ontario, New Brunswick and Manitoba experience with regional economic development since the turn of the millennium could be better described as the adaptation of federal agencies seeking to navigate program delivery through the murky waters of inter-organizational politics. In this regard, policy implementation is not simply a problem of bureaucracy or program operation, but one of governance, with multiple dimensions that are political, institutional and ideational. Understanding regional development in Canada, therefore, requires appreciating and attending to various levels of jurisdiction in joint policy action, recognizing the multiple lenses of interpretation among agents, including the perceptions and values of non-governmental stakeholders, and tracing the various stages of evolving networks, noting the dynamic processes of power and politics involved in collaborative policy implementation.

Endnotes

1 Interview between the author and a senior official at FedNor, Thunder Bay, March 2009.

2 Interview between the author and a Council member of the Northwestern Ontario Municipal Association (NOMA), Thunder Bay, March 2009.

3 Interview between the author and a FedNor official in Sudbury, Ontario, April, 2009.

4 Interview between the author of this manuscript and a middle-level official at the Northern Development Division of the Ministry of Northern Development and Mines (MNDM) in Thunder Bay, February, 2009.

5 Interview between the author of this manuscript and an official at MNDM, Thunder Bay, March, 2009.

6 Interview between this author and a Councillor-at-Large in the Thunder Bay Municipality, April, 2009.

7 http://www.ic.gc.ca/eic/site/fednor-fednor.nsf/eng/Home

8 Interview between the author and a representative of NAN, December 2009.

9 Interview between the author and a FedNor official, Sudbury, Ontario, October, 2009.

10 Northern Growth Strategy Conferences organized from 2007 to 2009, with the participation of FedNor officials, municipalities, the private sector and other stakeholders in the region.

11 Ibid.

12. The present author's interview with a senior official at ACOA, Moncton, New Brunswick, December, 2009.

13 The present author's interview with a policy development official at ACOA, Fredericton, New Brunswick, December, 2009.

14 The present author's interview with a mid-level official at a provincial department, Business New Brunswick, Fredericton, New Brunswick, December, 2009.

15 The present author's interview with senior level officials at the Western Economic Diversification Agency and the Manitoba Ministry of Competitiveness and Trade, Winnipeg, Manitoba, January, 2010.

16 The present author's interview with a mid-level official at Canada Business, Winnipeg, Manitoba, January, 2010.

17 The present author's interview with a senior level official at the ACOA, Moncton, New Brunswick, December, 2010.

18 The present author's interview with a policy development official at the ACOA, Fredericton, New Brunswick, December, 2009.

19 The present author's interview with a senior level official at the Manitoba Ministry of Competitiveness and Trade, Winnipeg, Manitoba, January, 2010.

Bibliography

In progress…