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FedNor: It's just got to be free

Toward More Strategic and Collaborative Governance of Regional Economic Development in Northern Ontario

Lessons from other regions of Canada

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  - Economic, technological and social trends which affect Northern Ontario;
- The formulation and advocacy of policies that benefit all Northern Ontario communities that include Aboriginal, Francophone, remote/rural communities, and urban centres; and,
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About the Author

Charles Conteh

Charles Conteh is an Associate Professor in the Department of Political Science at Brock University. From 2007 to 2009, he served as Assistant Professor in the Department of Political Science at Lakehead University. Over the past eight years, he has focused his research on public policy responses to the economic challenges of various regions, including Northern Ontario. His broader research interests are in the areas of Canadian and comparative public policy, public management, political economy and governance.

Executive Summary

Governance of economic development in Northern Ontario needs to become more strategic, collaborative, and transformative in order to improve the region's ability to adapt to the constantly changing currents of a knowledge-driven and globalized economy in the twenty-first century. Key to this governance innovation is the mandate, structure, and approach to program implementation of the Federal Economic Development Initiative for Northern Ontario (FedNor), created, along with other regional development agencies (RDAs), by the federal government in 1987. Although FedNor is often referred to as an "agency," in fact it is not technically an agency in the strict legal and institutional sense of the term, but merely a program delivery unit within Industry Canada. In that sense, FedNor differs from other RDAs in lacking effective financial and policy discretion.

The paper provides a critique of the institutional infrastructure of FedNor's economic development policy intervention and compares it with that of the operations of Western Economic Diversification Canada in Manitoba and the Atlantic Canada Opportunities Agency in New Brunswick, with particular reference to the characteristics of their engagement with their provincial, municipal, and community stakeholders. As the primary delivery unit of the federal government's economic development initiatives in Northern Ontario, FedNor brings a unique organizational resource to the region by virtue of its external network with a range of federal departments. But FedNor needs to become less tied to Industry Canada (and Ottawa in general) and more locally embedded and responsive to initiatives of the local private sector and community groups.

Regional economic development in Canada is no longer about economic equalization for economically disadvantaged regions through redistributive programs, but increasingly about creating the institutional infrastructure and making critical investments needed to mobilize a region's economic assets to allow it to become more economically diverse and globally competitive. Also required is an institutional infrastructure conducive to policy governance rooted in intergovernmental and cross-sectoral networks of agencies engaged in holistic, collaborative, and strategic investments in the regional economy.

Summary of Recommendations

First, FedNor should be restructured to allow for *greater operational discretion and autonomy from Industry Canada* to formulate or adapt policies that support local initiatives in Northern Ontario. The organization must have the institutional, operational, and financial capacity to engage with, and adapt to, the social structure of Northern Ontario, rather than be constrained by forces outside the region, as is now the case. FedNor currently lacks a policy development capacity, and cannot make major strategic changes in its trajectory. It cannot respond to regional initiatives, nor can it commit itself over the longer term to more collaborative programs.

FedNor needs to be divested of its current bureaucratic trappings and transform into a more focused, responsive, and results-oriented organization that engages effectively with provincial and regional partners. One way to accomplish this goal would be to grant FedNor the legal and institutional status of an agency that possesses the organizational capacity to enter into major long-term partnerships, manage its own resources, and report directly to the Treasury Board of Canada Secretariat for its annual programs, priorities, performance, and disbursement of funds. As well, the minister of state responsible for FedNor could create a depoliticized advisory committee — drawn from residents of the region and from across all key sectors, including industry and post-secondary institutions — to oversee FedNor's operational activities and funding decisions and advise FedNor about gaps, inconsistencies, and missing pieces in its investments in the region. The director general of FedNor would report to, and consult with, the advisory committee, and the committee would report annually to the minister. Such an oversight body would ensure that the management of FedNor's resources is not subject to the political whims of Ottawa.

Second, FedNor should abandon its current project-centric approach of allocating disparate grants to a wide number of projects in favour of *supporting a smaller number of larger investments designed to build the capacity for value-added and knowledge-intensive economic clusters* within the emerging priority sectors targeted in the *Growth Plan for Northern Ontario*, initiated by the Ontario Ministry of Northern Development and Mines (MNDM). The "new regionalism" emphasizes sector-wide research and development–related investments in the economy in partnership with post-secondary and other research institutions. Such an approach would direct resources away from subsidizing individual businesses and toward building the critical infrastructure of a knowledge-driven economy in key economic sectors.

Third, FedNor should adopt *formally the* Growth Plan for Northern Ontario *as the policy framework* for the region. Although the growth plan is not really a "plan" in the technical sense of being specific, measurable, assignable, realistic, and time bound (SMART), it does provide a strategic framework with a set of priorities that can serve as the template for strategic planning and investment in the region. More important, the document provides a policy framework that would allow the federal and provincial governments to form a united front from which they could jointly engage business and industry, municipalities, Aboriginal communities and organizations, the education and research sectors, and community organizations on economic development strategies for existing and emerging priority economic sectors in the region.

Fourth, FedNor should institutionalize a collaborative approach to program delivery by developing comprehensive *five-year formal partnership agreements* with MNDM and the Northern Ontario Heritage Fund Corporation (NOHFC) for larger investments that support the emerging priorities targeted in the *Growth Plan for Northern Ontario*. Partnership agreements would establish FedNor's operational autonomy from Industry Canada and shield it from the vicissitudes of federal politics, thus providing the legal and institutional mechanisms for allocating resources over the long term more consistently, predictably, and systematically. Such agreements also would provide greater legitimacy to FedNor's policy proposals and convince federal departments to align their programs with the strategic priorities of Northern Ontario.

Fifth, because Northern Ontario is not one homogenous region, the partnership agreements should focus on supporting SMART programs identified through a comprehensive process of consultative *strategic planning by five regional economic zones or subregions.* These economic subregions should be a partnership with the region's five major cities and their surrounding communities to coordinate the development and delivery of economic development programs. The regional economic zones should be distinct from existing political constituencies, since their only function would be to provide the institutional framework for developing a strategic economic plan relevant to each subregion. Such zones would help communities to plan collaboratively for their economic, labour market, infrastructure, land-use, and other needs tied to their strategic priorities.

If implemented, these five recommendations would fundamentally change the governance structure of regional economic development in Northern Ontario. Instead of the current plethora of programs that give the air of fragmentation and duplication, FedNor and NOHFC could pool their resources, align them directly with the emerging priorities of the *Growth Plan for Northern Ontario*, and mobilize them toward joint investments in larger-scale partnerships with municipalities, industrial sectors, and post-secondary institutions, targeting the key sectors identified for each economic subregion. Such concrete measures would provide the institutional structures conducive to a more transformative, strategic, and collaborative process of economic development policy governance in Northern Ontario as the region attempts to transform itself into an economically diverse and globally competitive economy in the twenty-first century.

Introduction

Governments across Canada together spend over $20 billion a year on a plethora of programs aimed at economic development, research and development (R&D), and innovation (Mendelsohn, Johal, and Zon 2013). The wide range of approaches and broad constellation of programs by the ten provinces, three territories, hundreds of municipalities, and the federal government invariably revolve around spurring economic growth, increasing productivity, and fostering private sector innovation. One common feature of these programs is the perennial problem of fragmentation and duplication across the various levels of government. A primary reason for this state of affairs can be attributed to the age-old problem of the federal government's imposition of its "spending power" in provincial policy domains (Courchene 2008; Savoie 1990). The fact that economic development is a shared jurisdiction between the federal and provincial governments has not eased the anxiety of provinces. The latter in turn have become increasingly assertive about their policy space in recent years.

The salience of regional economic development as part of Canada's political and policy centrepiece is underscored by William Lyon Mackenzie King's often-stated aphorism that, if most countries have too much history, Canada has too much geography. Some regional development agencies (RDAs) of the federal government have made strident efforts to overcome the problems of intergovernmental fragmentation and duplication. For example, some RDAs have attempted over the past two decades to achieve more formal coordination of program design and implementation across levels of government. Their efforts, however, stand in sharp contrast to the systemic challenge of poor intergovernmental coordination and policy responsiveness to changing regional circumstances.

The history of regional economic development in Canada can be traced back to the late 1950s, but that history has been examined elsewhere (Conteh 2013; Savoie 2003) and is not the focus of this paper. The discussion starts instead with the 1987 restructuring that gave birth to the Federal Economic Development Initiative for Northern Ontario (FedNor) and other RDAs for western Canada (Western Economic Diversification Canada, WD) and Atlantic Canada (the Atlantic Canada Opportunities Agency, ACOA). RDAs were later created for Quebec (1991) and, most recently, Southern Ontario (the Federal Economic Development Agency for Southern Ontario, FedDev). For analytical focus, I compare only the three organizations created in 1987. I also refer frequently to FedDev, given its close similarity to FedNor as an appendage of Industry Canada. However, FedDev, which was established in 2009, is still too young in its operation to allow for detailed comparison with FedNor or the other RDAs.

The 1987 restructuring was a response in part to the administrative and political discontent provinces expressed with respect to the centralized administration of regional development. The rationale was that decentralizing regional development to agencies whose mandates focused directly on specific regions could enhance the capacity for closer federal-provincial cooperation, thereby resulting in greater responsiveness to local economic development initiatives. FedNor, however, is distinct from its sister RDAs. Whereas other RDAs enjoy considerable departmental autonomy (consistent with the reason for their creation), technically FedNor is not an "agency" in the strict legal and institutional sense of the term, but merely a program delivery unit within Industry Canada. In fact, FedNor is the only regional economic development entity whose mandate is restricted to that of program delivery, lacking in effective financial and policy discretion. To meet the criteria of agency, an entity must possess the ability to act and to respond to forces within its operating environment. In the case of a public organization, this entity must have the institutional, operational, and financial capacity to engage with, and adapt to, the social structure that forms its geographic or policy sphere. Such a capacity is necessary for a public agency to truly serve the interests of its principals, which, in FedNor's context, are the taxpayers and residents of Northern Ontario. The legal and policy connotation of "agency" presupposes that such an organization is able to exercise direct control or guidance over its own actions in pursuit of goals dictated to it by its principals. Thus, although FedNor is, in principle, mandated to work with the private sector, community partners, and other local organizations — and, over the past five years, it has made noteworthy efforts to consult and partner with the Northern Ontario Heritage Fund Corporation (NOHFC), a similar program delivery agency set up by the province's Ministry of Northern Development and Mines (MNDM) — its policy discretion to sustain credible partnerships on the front lines is not self-evident, and has been the subject of constant criticism. Indeed, a synopsis of FedNor's almost thirty-year existence would reveal that the organization has been trapped largely within the constraints of a "bureaucratic black hole" under the imposing shadow of Industry Canada.

After nearly thirty years of operation under the current institutional arrangement, a systematic and comprehensive evaluation of FedNor's organizational structure and mandate (relative to its sister RDAs) is thus warranted. From this evaluation, recommendations can be made to improve FedNor's ability to cooperate with provincial and local partners in ways that enhance its responsiveness to local economic development initiatives. The significance of this research is underscored by the unprecedented challenges and opportunities currently facing Northern Ontario, and the need for policy governance systems to facilitate the region's resilience and adaptive capacity in the face of seismic global economic change.

The aim of the discussion is not to evaluate the success or failure of FedNor's programs, since it is almost impossible to establish a direct link between federal regional economic development expenditures and regional economic growth, given intervening macroeconomic variables such as fiscal and monetary policy as well as international market trends. Although I make numerous references to the programs of RDAs, I do so only to highlight relevant characteristics of their engagement with their respective operating environments, principally their provincial, municipal, and community stakeholders.

The objective of this paper, therefore, is to evaluate the capacity, legitimacy, and effectiveness of existing economic development institutions in Northern Ontario, with a particular focus on FedNor. The recommendations focus on specific measures to structure policy development and program delivery systems in Northern Ontario to enhance the region's capacity for strategic and collaborative governance, allowing it to adapt better to the constantly changing currents of the knowledge-driven and globalized economy of the twenty-first century. The related concepts of "strategic" and "collaborative" governance are central to the rest of the discussion in this paper and, therefore, require further elucidation.

Strategic policy intervention can be understood from several perspectives (Mintzberg 2013; Schedler, Proeller, and Siegel 2011). For example, it can be seen as thinking and acting with the future in mind (Bolan and Nuttall 1974; Minnaar 2010) or as seeking to control the future (Dewulf, Blanken, and Bult-Spiering 2011; Weick 1979). Strategic policy engagement can also be viewed as a process of effective change management (Joyce 2000), as integrated decision making and implementation aimed at directing change (Steiss 2003), or as a formalized procedure to produce integrated systems of decisions and action (Andrews et al. 2011). Taken together, these various perspectives suggest that strategic policy engagement refers to the facilitation of integrated systems of decision making and action directed at managing change.

Collaborative governance consists of joint policy ventures in which the partners pool their resources to meet shared objectives, and each partner exercises power in the decision-making process. It can be distinguished from other types of partnerships based on the degree of power and the form of control or influence partners exercise. Partnerships can be collaborative, operational, contributory, or consultative. Briefly, operational partnerships are characterized by a sharing of work rather than of decision-making power. Contributory partnerships are those in which a public or private organization agrees to provide sponsorship or support for an activity in which it will have little or no operational involvement. Consultative partnerships are those in which a public organization solicits advice

TYPES OF PARTNERSHIPS

from individuals, groups, and organizations outside government. This paper emphasizes collaborative governance as distinct from other forms of partnership.

The discussion is grounded on the premise that regional economic development in Canada and around the world is no longer about economic equalization through redistributive programs (as was the tendency in previous decades), but about creating the institutional infrastructure and critical investments for mobilizing the tangible and intangible assets of economic regions to become more globally competitive, adaptive, and resilient. For example, the aim of regional economic development in Canada is not to make all regions of the country economically equal, but globally competitive. Thus, for instance, although Moncton, New Brunswick, is not as economically large and diverse as Toronto, it can leverage its local assets fully to increase its participation in the global economy and enhance the welfare of its residents. The new emphasis in the literature on this subject is on the institutional infrastructure that allows for policy governance rooted in locally embedded, cross-sectoral strategic visioning and planning to identify each region's assets and relevant priority sectors for investment resource allocation as global economic conditions change.

Methodology

This project relied on a combination of in-depth, semi-structured interviews and content analysis mostly of government documents. The most recent data were collected in June and July 2014. It is worth noting, however, that extensive data were drawn from earlier field work over a period of four years (2008–11). The analysis compares FedNor's programs and delivery systems in Northern Ontario with those of ACOA and WD and their regional partners in New Brunswick and Manitoba, respectively. Given the close similarity of the mandates of FedNor and NOHFC, the latter also features prominently in the discussion and recommendations.

The primary government documents reviewed for content analysis include annual departmental performance reports, as well as reports on plans and priorities to the Treasury Board of Canada Secretariat. Other policy documents reviewed include departmental strategic outcomes and corporate business plans. Weaving these documents together provides significant insight into the agencies' changing program priorities and operational strategies over the years. They also contain useful information about the agencies' perceptions of their operating environments, including economic and market trends, emerging sectors, and potential partners, as well as opportunities and risks.

The semi-structured interviews were conducted with more than eighty high-level, mid-level, and front-line officials drawn primarily from RDAs, private sector associations, and relevant community groups in the three regions. In-depth interviews were conducted with senior-level and front-line FedNor staff in the major cities and a number of smaller towns and Aboriginal communities in Northern Ontario. Interviews were also conducted with MNDM and NOHFC officials, various municipal development corporations or departments, representatives of Aboriginal communities, post-secondary and research institutions, and private industry representatives in the leading sectors of mining, forestry, agriculture, and tourism. These interviews allowed for a more comprehensive understanding of the prevailing perceptions of FedNor's activities in the region. Similar interviews were conducted with officials at WD and ACOA and a range of their counterparts in various levels of government, the private sector, and local communities in Manitoba and New Brunswick. The names of interviewees are not referenced, however, to preserve the confidentiality of public employees and clients of the agencies. In short, the combination of content analysis and in-depth interviews provided a triangulated data source for analysing and comparing FedNor's mandate, structure, and program delivery system with that of its sister agencies.

Structure of Paper

The paper is divided into five parts. The first part provides an overview of the current understanding of regional economic development, widely described in the literature as the "new regionalism." The discussion here focuses on natural-resource-rich regions such as Northern Ontario and the governance framework most conducive to managing modern, knowledge-driven, and globally integrated economic regions. The new regionalism is thus the theoretical lens that serves as the framework for juxtaposing the experiences of ACOA and WD with that of FedNor. It also sets the conceptual foundation for recommendations for reforming FedNor within the context of the emergent policy and political environment in Northern Ontario.

In the second, third, and fourth parts of the paper, I offer a brief analysis of FedNor, WD, and ACOA, and make observations about the main features of their respective approaches. Given the paper's focus on FedNor, I insert direct quotations from the interview data to underscore local actors' experience with, and perception of, that organization's activities.

In the final part, I outline key lessons to be drawn from the analysis of the RDAs, and make specific recommendations to create the institutional infrastructure of transformative, strategic, and collaborative governance of economic development in Northern Ontario. I conclude with some remarks that link the economic and governance issues in Northern Ontario to wider global trends.

New Regionalism in Context

Regional economic development in Canada and around the world has shifted away from concerns about economic equalization through redistributive programs for economically disadvantaged regions toward "new regionalism": the creation of institutional infrastructure and the allocation of investments to mobilize the tangible and intangible assets of economic regions to become more globally competitive, adaptive, and resilient (see, for example, Boschma 2005; Florida 2008; Krugman 2011; Porter 2003). The global economy is in continual transformation as new markets, technologies, and opportunities emerge. These processes of change include increasing trade and financial flows, emerging markets in newly industrializing countries, and rapid technological innovation that is transforming sectors and products at breakneck speed. With these transformations come new opportunities and challenges.

A significant consequence of the seismic global economic restructuring of the past two decades has been the rise of subnational jurisdictions as the centres of economic policy intervention (Barber 2013; Krugman 1994; OECD 2009; Porter 1990; Scott 2001). At the centre of such a policy environment are social clusters of knowledge production, dissemination, and utilization facilitated by interaction through knowledge networks and relationships at the local level. This trend has given rise to the growing importance of "places" (metropolitan and non-metropolitan alike) as distinct jurisdictions in their own right, with governance systems involving networks of government, business, community, and civic actors (Doornbos 2006; OECD 2007, 2009; Timonen 2003).

Within this context of a rapidly changing world, regions and communities are positioning themselves for success by making better use of their competitive advantages. Central to these ideas are assumptions about the role of the state in creating new structures, organizations, and institutions, as well as augmenting existing ones to support the networked regional economy (Bastian and Hilpert 2003; Bradford 2010; Conteh 2013). The critical difference among regional economic systems is marked by how well communities position themselves to exploit these changes and navigate the challenges by drawing from endogenous assets while tapping into exogenous advantages.

Canadian cities play a valuable role as regional hubs and economic engines in their geographic spheres of influence (Conference Board of Canada 2014). In Northern Ontario, more than half the population lives in Greater Sudbury, North Bay, Sault Ste. Marie, Timmins, and Thunder Bay. These cities, which are economic hubs for all of Northern Ontario, possess the critical mass of skilled people and regional assets such as colleges and universities, innovation centres, media centres, and commerce and cultural facilities that anchor many of the region's existing and emerging priority economic sectors (Conteh 2013; Holbrook and Wolfe 2002).

The main components of a regional economic ecosystem are the skills, creativity, and character of its people, the structural characteristics of its market economy, the health and resilience of its communities, the integrity of its physical environment, and the connectedness of its physical and digital infrastructure. For resource-dependent regions such as Northern Ontario, the keys to success are economic diversification through value-added activities in mining and forestry; investment in innovation-related assets; and cultivation of the culture of entrepreneurship. A necessary feature of the governance of such an economic development policy environment is the creation of a framework for policy intervention that encourages and facilitates collaboration among the orders of government as well as non-governmental actors, including industry, businesses, labour organizations, community organizations, and educational and research institutions, all of which need to work together over the long term.

"New regionalism:' the creation of institutional infrastructure and the allocation of investments to mobilize the tangible and intangible assets of economic regions to become more globally competitive, adaptive, and resilient."

The "organic" clusters of market actors, knowledge producers, and civic interests that form in immediate surrounding communities can be leveraged into formal mechanisms of engagement and collaborative forms of governance (Cooke and Schwartz 2007). Within such an intergovernmental and interorganizational collaborative framework, the goals of policy intervention often include joint efforts to attract new investment, facilitate the growth and retention of existing competitive businesses (including export-development activities and diversification into value-added business opportunities), respond to labour market needs and opportunities through education, training, and entrepreneurship, and support research tailored to a region's context to inform business development and infrastructure planning.

The primary focus of regional economic development policy intervention thus becomes strategic investments aimed at leveraging applied R&D toward greater innovation, productivity, and competitiveness in key economic sectors. In Northern Ontario, the potential in biotechnology, mining and forestry, agri-food, information and communications technology, renewable energy, and manufacturing could readily form the basis of these investments. But no single organization can make such investments. Rather, they are realizable only through concerted and synchronized intergovernmental cooperation and cost-sharing arrangements. The substance of investments under these new arrangements would be centred on creating, acquiring, or enhancing the requisite assets and capacity for greater technological innovation, adoption, or adaptation in the region.

Within the context of the new regionalism, the pooled resources of public agencies should focus on sponsoring feasibility studies on cluster and competitiveness strategies, and embarking on large-scale investment in human capital formation through schemes such as youth internships to cultivate and retain young and local talent. The role of agencies working together in concerted action becomes that of the "binding agent" (Conteh 2013), linking stakeholders across sectors, especially in optimizing information sharing and collaborative working relationships among technology and research clusters and private firms. In short, the new regionalism focuses on sector-wide transformative investment rooted in knowledge-driven activities. Although the underlying logic of regional economic development remains "place-based" in the sense of geographic location, the new approach emphasizes innovation within critical sectors that mark traditional regional strengths.

Clearly, no single organization in silo can pursue these strategies effectively. Another aspect of the new focus, therefore, is the *multilevel* governance structure of regional economic development, in the sense that public agencies from various levels of government should no longer operate in silos, allocating small business grants based on disparate programs to any number of business applicants. Rather, agencies should shift to formalized agreements and structures of interjurisdictional cooperation for joint delivery systems consisting of various levels of government, industry groups, and post-secondary institutions. Such concerted governance structures would position a region to develop a more panoramic picture of the various sectors of its economy and determine how best to adapt locally to globally driven change.

In Canada, where federal agencies are mandated to support economic adjustment in subnational regions, economic development policy governance within a multilayered institutional system reflects the new context of regional development. Structured hierarchies in multilevel systems are confronted with the need to adjust their policy delivery processes to environmental conditions that reflect increasingly complex imperatives. The complexity of the modern economic environment, in particular, necessitates viewing regional development policy implementation as a process of interorganizational and interjurisdictional cooperation. Mechanisms for building synergies among a number of actors in both the public and private sectors are increasingly important. Networked regional economies require collaborative approaches to market governance in which public managers make connections across organizations and share ideas, resources, and power with state and non-state actors.

The imperatives of the new economy thus require a rethinking of regional economic development policy governance and other multilevel governance systems. Such rethinking calls, first, for policy alignment across levels of government through the development of a framework of policy governance that gives central importance to "place" as both a geographic and an institutional construct — that recognizes the central role of city-regions as regional hubs and economic engines in their respective areas. Second, it calls for horizontal collaborative governance among the public, private, and community sectors, in which the private sector is seen less as an object or client of economic development and more as an agent of adaptation to global and local changes. Collaborative governance in this regard is distinct from other forms of partnership because it consists of joint policy ventures in which the partners pool their resources to meet shared objectives and each partner exercises power in the decision-making process. Third, public policy governance mechanisms are needed that emphasize building strategic alliances to manage successfully the many dependencies that are a natural and necessary component of delivering services or implementing policies in highly politicized environments. Strategic policy engagement, as noted in the introduction, refers to the facilitation of integrated systems of decision making and action directed at managing change. It emphasizes locally embedded and integrated processes of policy visioning, planning, and implementation. The new regionalism thus forms the theoretical framework that integrates the rest of the analysis, provides the lens for juxtaposing the experiences of the three RDAs examined in this study, and sets the conceptual foundation for the recommendations put forward for restructuring FedNor.

The Federal Economic Development Initiative for Northern Ontario

The mandate, broadly speaking, of the Federal Economic Development Initiative for Northern Ontario is to promote economic growth, diversification, and job creation in the region. FedNor boasts two main programs: the Northern Ontario Development Program (NODP) and the Community Futures Program (CFP) (Canada 1999). The NODP seeks to promote economic development and diversification by providing loans and grants to not-for-profit organizations and small and medium-sized enterprises. As an all-embracing program, it covers almost every economic sector. The CPF supports twenty-four Community Futures Development Corporations (CFDCs) in Northern Ontario, which are part of a larger national program for community economic development and small business growth in disadvantaged regions. Both the NODP and the CFP were designed to address some of the structural, sectoral, and community economic development challenges facing the region by improving small business's access to capital and supporting community economic development endeavours, as well as providing business information and market intelligence to the private sector.

From its inception, FedNor has been subsumed under the purview of Industry Canada (Canada 1995). In terms of political oversight, one important characteristic that FedNor shares with other RDAs is that its political head is referred to as "minister of state." The status of this position in the federal government's executive structure has varied since it was initiated by Prime Minister Pierre Trudeau under the *Ministries and Ministers of State Act* (1971). Generally speaking, a "minister of state" is considered a junior minister in the Canadian government; historically, the position has served as assistant to provide policy focus on a specific issue or area not sufficiently large in scope or significance to justify the status of a full ministry.

Since 2006, ministers of state have not been included in the federal cabinet, which means that Canada's RDAs share a systemic disadvantage with respect to their lack direct access to cabinet decision making. Two aspects to this arrangement are worth noting. First, since their creation, and especially after 2006, the influence of RDAs on cabinet decision making has been relatively uncertain and lacking in any institutional guarantees. Given the historic controversies surrounding regional development policy in Canada (Conteh 2013; Bradford and Wolfe 2010; Savoie 2003), it is highly unlikely that this institutional arrangement will change in the immediate future to improve the policy clout of RDAs in Ottawa.

The second and more significant consideration for our present discussion is that, even though FedNor, FedDev, WD, and ACOA are all headed by ministers of state, the latter three command the status of organizations recognized in their own right by the Treasury Board Secretariat, which is vested with statutory authority to act as the management board overseeing the operations of the whole federal government (see Canada 2014). Its Expenditure Management constitutes the main framework for developing and implementing the federal government's spending plans and priorities for all departments and agencies. Organizations recognized in their own right by the Treasury Board Secretariat are granted policy, budgetary, and programming autonomy, and thus are authorized to report directly to the secretariat, rather than through some other parent organization.

A key part of FedNor`s unique institutional characteristic is rooted in the political history surrounding its creation. At first, FedNor appeared to have been given a mandate — like other RDAs — to deliver its own programs as both a facilitator and a catalyst of economic development in the region. In fact, however, the federal government was more preoccupied in 1987 with responding to pressure from provinces to have a greater degree of control of economic development in their respective regions (Savoie 1997). Ontario was generally considered a privileged province already benefiting from the disproportionate attention given to it by Industry Canada. Moreover, the federal government was particularly suspicious of Ontario's tendency to use Ottawa's financial resources for province building while taking the credit for itself.

FedNor's creation was therefore a half-hearted measure, or even a symbolic gesture, by the federal government to satisfy the demands of Northern Ontario residents to have their own RDA at a time of major restructuring of regional economic development in Canada. The result was a weak program delivery unit, with a modest operating budget that paid lip service to the concept of independent and meaningful decentralized regional economic decision making. Although FedNor appeared to have been created under principles of administrative restructuring guided by the value propositions of institutional decentralization, the organization — as both an offspring and a victim of regional and intergovernmental politics — was the weakest of the RDAs, a mere federal "flag" flying in Northern Ontario for the purpose of political visibility (FedNor 2003).[1]

Since its inception, therefore, FedNor's program delivery has, by all accounts, been inconsistent with the principles of decentralized and concerted action across levels of government. Despite the best efforts of some of its previous (and present)

1 Interview with a retired senior FedNor official, Thunder Bay, ON, March 2009.

directors, its approach to program implementation is top-down, mechanistic, and bureaucratic, strongly tethered to its parent organization, Industry Canada. The latter, however, is mostly preoccupied with the industrial heartland of the Greater Toronto Area (GTA) and the greater city-regions of Montreal and Vancouver. Therefore, one factor that has shaped FedNor's engagement in Northern Ontario is its lack of organizational autonomy, particularly compared with ACOA and WD. In short, FedNor is the institutional embodiment of the federal government's historic ambivalence about the particular needs of Northern Ontario.

Further evidence of the perennial lip service the federal government pays to decentralized economic development governance in Northern Ontario is that FedDev, created in 2009 for Southern Ontario, commands more organizational autonomy and discretion than FedNor. A cursory view of their organizational structures indicates a close similarity between the two, as Figure 1 shows. On a positive

"FedNor is the institutional embodiment of the federal government's historic ambivalence about the particular needs of Northern Ontario."

note, despite their structural weakness as appendages of Industry Canada, both FedNor and FedDev, as the main conduits of Ottawa's economic development policy engagement in Ontario, benefit from the disproportionate clout and influence that Industry Canada commands within the federal government. Implicitly, the inferior attachment of their ministers of state to Industry Canada is somewhat mitigated by the access they have to the department's immense policy influence and vast resources.

Compared with FedNor, however, FedDev is better positioned to take advantage of its affiliation with Industry Canada because of its greater policy autonomy and financial capacity to carry out its mandate. In this regard, FedDev enjoys the best of two worlds, in the sense that it draws resources from Industry Canada for its operations in Southern Ontario while also commanding an agency status that grants it a high degree of operational autonomy to make its decisions free from the shackles of Industry Canada's bureaucratic chain of command. FedNor's structure, in contrast, means that, although the organization in principle is mandated to work with the private sector, community partners, and other organizations, it lacks policy discretion to sustain credible partnerships at the front lines. Since FedNor's programs are based on policies developed within Industry Canada (Canada 1999), the organization's ability to adapt to regional developments is constrained by the imperatives of its accountability structure within Industry Canada.

Over the course of its nearly thirty-year history, FedNor has made some efforts to improve its engagement in Northern Ontario despite its structural constraints (Conteh 2013). In the early to mid-1990s, for instance, FedNor officials tried to work with community groups to deliver the NODP program (Canada 1995). Such attempts cannot be seen, however, as a break from the policy orbit of Industry Canada. Rather, FedNor's recent emphasis on closer engagement with local actors has created a complex mix of hierarchy and collaboration in its approach. The result is an organization split between horizontal engagement and vertical, mechanistic, top-down processes of program delivery.

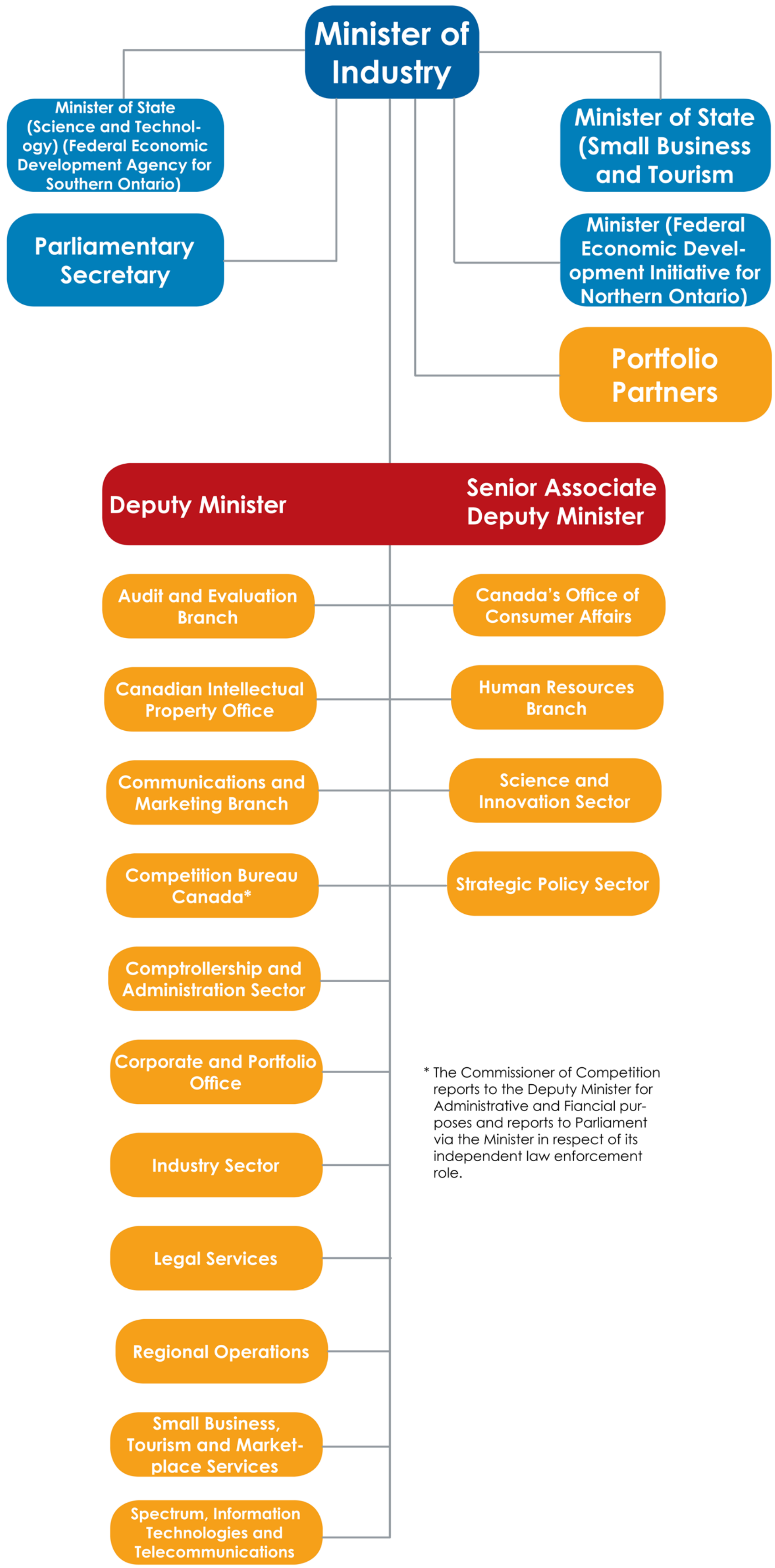
The actual expenditures under the NODP and CFP have been on smaller, shorter-term projects that are largely inconsistent with the imperatives of the new regionalism. Furthermore, although FedNor's framework of implementation resonates with the new regionalism in its emphasis on working with Aboriginals and other community groups, as well as with the private sector, to develop a responsive, business-ready infrastructure for the region, the reality of its day-to-day operations prevents it from doing so.

Moreover, FedNor's spatial logic, geographically focused on Northern Ontario, is at fundamental odds with Industry Canada's sectoral and national focus. For example, at a policy discussion on the state of information and communications technology in Canada, Industry Canada revealed that only 5 percent of the country was not covered by broadband Internet access. FedNor determined, however, that a good part of the 5 percent was in Northern Ontario. As a FedNor official noted, "[s]o there was Industry Canada saying 'great, only 5 percent of Canada is not covered,' but then we are saying, wait a minute, we don't take comfort in that knowing that Northern Ontario is part of that 5 percent. Some people would say it's great to be part of Industry Canada because they have other resources to bring; I would agree with that, except that I don't believe that there is a meaningful level of focus on us [FedNor] or understanding of our region to allow those resources to be brought, and that's the challenge."[2]

FedNor's efforts to consult and partner with communities, businesses, and other levels of

2 Interview with a senior FedNor official, Thunder Bay, ON, June 2014.

Figure 1: The Structural Links of FedNor and FedDev with Industry Canada



Source: Industry Canada.

government generally have been hindered by the fact that the organization is principally a program delivery organization and lacks the authority to develop its own policies or to deviate from those set within the framework of Industry Canada.[3] Thus, although a principal feature of the new policy and organizational configuration of 1987 was the decentralization of administrative and policy functions away from Ottawa and toward the regions, this was not the case for FedNor. If the new approach was intended to allow for more direct interaction between federal agencies and local communities in program design and implementation, FedNor was given no practical authority to engage in it. The operational framework of FedNor's mandate is unable to do justice to the realities of policy delivery in complex, multilevel jurisdictions.

FedNor's structural constraints have been brought into sharper focus over the past decade. The political environment of Northern Ontario has changed considerably, increasing the need for operational flexibility and greater responsiveness on the part of federal and provincial organizations alike to local initiatives. In 2005, for instance, the Northwestern Ontario Municipal Association (NOMA) and the Federation of Northern Ontario Municipalities (FONOM) called for a review of prevalent approaches to regional economic development in the North involving extensive consultation. *Creating Our Future: A New Vision for Northern Ontario* argued that "the current approach to regional economic development in Northern Ontario is not producing the desired results" (NOLUM, NOMA, and FONOM 2005, i). The document also called for a more collaborative approach involving all orders of government to pursue a new vision for Northern Ontario through coordinated strategies and actions. At the end of the consultation process, a Northern Ontario summit was proposed.

By 2007 the Ontario government had responded to these concerns and challenges by establishing a process under the 2005 *Places to Grow Act* to produce a new plan for Northern Ontario development. Over the course of three years, the provincial government received input from "more than 2,500 northerners... in over 80 events across the north including 13 regional forums, 13 technical tables, a Think North Summit, 20 meetings with Aboriginal communities and organizations and workshops engaging more than 200 youth" (Segsworth 2009, 5). The government's "Proposed Growth Plan for Northern Ontario" was released and announced as open for comment in the fall of 2009; the final plan was published in March 2011 (Ontario 2011).

The *Growth Plan for Northern Ontario* identifies six major thematic areas: the economy, people, communities, infrastructure, the environment, and Aboriginal peoples. It calls for comprehensive planning across all sectors in the region, with a long-term projection of twenty-five years. An administrative framework supporting the growth plan was established, consisting of an interministerial forum known as the G-North Ministers Table. This special committee of sixteen provincial cabinet ministers whose mandates relate directly to issues of economic development in Northern Ontario was supposed to coordinate the Ontario government's approach to policy, planning, and direction setting in the region (Ontario 2009). However, this governance framework has yet to take full form.[4]

Another significant element of the growth plan is its call for the federal government (primarily FedNor) and municipal governments to partner with the province to realize the plan's "shared visions," including

- maximizing the economic benefit of increased mineral exploration and strengthening the mineral industry cluster by bolstering partnerships among colleges, universities, and industry to support research;

- educating and training residents of the region for careers in emerging fields such as advanced manufacturing, the digital economy, renewable energy, and water technologies and services;

- building a new relationship with Aboriginal people to increase their participation in Northern Ontario's future economic growth and to achieve better health status for Aboriginal communities;

- developing complete networks to support stronger communities, such as an interregional transportation network, enhanced broadband service, and a broader transmission network to increase the capacity for renewable energy development; and

- creating regional economic zones to help communities plan collaboratively for their economic, labour market, infrastructure, land use, cultural, and population needs (Ontario 2011).

Although the present policy climate in Northern Ontario is effectively embodied in the growth plan, the document does not appear to provide any concrete recommendations for developing an effective partnership among all three levels of government. Consequently, age-old concerns about duplication, overlap, and lack of coordination and responsiveness to local development planning abound in the region. The general conviction among stakeholders in the

3 Interview with a senior FedNor official, Thunder Bay, ON, June 2014.

4 Interview with an official in the Greater Sudbury Chamber of Commerce. Sudbury, ON, June 2014.

private sector, municipalities, and even the two upper levels of government is that the document does not provide a concrete basis for practical action or intergovernmental collaboration in the region. The following selected interview quotes offer a picture of actors' perceptions.

> The growth plan is an impressive long list of nice things to do for the region. What areas can each municipality realistically focus on and how do we get there? What instruments, resources, mechanisms, key players, facilitators, geographic range, economic sectors, and timelines do we follow? These are questions that remain unanswered.[5]

> The growth plan is merely a framework for moving the region forward. Moving past the project-by-project approach to a more strategic policy conversation is the next level, and that's not being done. There needs to be more broad ownership of the growth plan, rather than just the provincial government.[6]

> Currently, there is no coordination of how to implement the growth plan. MNDM would say it's their responsibility along with [the Ministry of] Infrastructure, but nobody really owns it.[7]

> The challenge of the growth plan has been that Northern Ontario is a big place, so each city fits different within the plan. I don't see any clear plan for the respective regions.[8]

As these quotes indicate, the growth plan is generally accepted as a legitimate reflection of priority sectors for the region as a whole, but actors from various sectors — public, private, and non-profit — see it as aspirational, rather than practical. The missing piece in the plan is the institutional infrastructure that can support a transformative, intersectoral, and strategic policy and program intervention among all levels of government.

Since the release of the growth plan, there have been indications that MNDM and NOHFC are interested in establishing a closer rapport with municipalities. An example of this new thrust is an initiative in mining supply and services over the past six years. MNDM worked with Ontario's North Economic Development Corporation (ONEDC) — an incorporated body consisting of representatives from the major cities of Northern Ontario and other economic development organizations in the region and tasked with coordinating the development and delivery of economic development programs — to examine how the mining sector compares globally and how to help it adapt. A number of substantive recommendations came out of that process, illustrating how government can provide a framework of market intelligence and strategic adaptation where municipalities and their respective private sector actors lead, and upper levels of government strive to remove barriers and stimulate the investment needed to enable economic regions to adapt to global change. Similarly, over the past two years, NOHFC has been aligning its programs with the growth plan, particularly those involving growth sectors such as mining supply and forestry, clean technology, agri-business, tourism, alternative energy, and the film industry.[9]

A concern for the region from a strategic point of view is that the enthusiasm that greeted the publication of the growth plan is gradually waning. The plan should be seen, therefore, as having opened a critical and time-sensitive window for strategic, collaborative, integrated, and transformative investment in the region's economy. It is for all intents and purposes a policy framework document that sets broad goals, identifies key priorities, and lays out a strategic direction for the region. It has set the stage for the next steps that Northern Ontario must take.

5 Interview with a city official in Marathon, ON, June 2014.

6 Interview with a chief executive officer of a mining company in Sudbury, ON, June 2014.

7 Interview with a senior official of the Community Economic Development Commission, Thunder Bay, ON, June 2014

8 Interview with a city official, Sudbury, ON, June 2014.

9 NOHFC currently offers five programs: the Strategic Economic Infrastructure Program, the Northern Community Capacity Building Program, the Northern Innovation Program, the Northern Business Opportunity Program, and the Northern Ontario Internship Program; see http://nohfc.ca/en/programs for more information.

FedNor and the Policy Climate of the Growth Plan for Northern Ontario

In the wake of the public discourse that preceded and followed the release of the growth plan, FedNor has tried to change its rhetoric and even rebrand its programs to reflect elements of the new regionalism. One key example of this is its promotion of the Business Growth and Competitiveness and Innovation priorities, which fall within NODP programming (see FedNor 2013). The most visible initiative in this regard is the Targeted Manufacturing Initiative for Northern Ontario, introduced in 2013 to help Northern Ontario manufacturers become more innovative, productive, and competitive in the global marketplace. Another related program with which FedNor has been involved recently is the Industrial and Regional Benefits policy. FedNor has also included as one of its targets the support of organizations and small and medium-sized enterprises to advance business innovation. Other operational priorities include supporting new tourism assets and products, and increasing connectivity and the adoption of information and communications technologies.

It remains unclear, however, just how FedNor is actually pursuing all these "new" programs. The organization tends to list a vast array of partners within the federal government with which it proposes to work, without detailing exactly how it can do so, given its current organizational and financial capacity. An example of this is FedNor's ambitious statement about its strategic priority relating to "the Economic Development Initiative," claiming that it "will collaborate with Industry Canada, regional development agencies…and Canadian Heritage" (FedNor 2013) on this program. FedNor has also set its ambitions on outreach to the Natural Sciences and Engineering Research Council of Canada, the National Research Council of Canada's Industrial Research Assistance Program, Ontario Centres of Excellence, and Export Development Canada to foster collaboration in promoting their programs in support of business innovation in Northern Ontario. FedNor also aims to partner with the Business Development Bank of Canada to enhance coordination of support to businesses in areas such as information and communications technologies. Another laudable ambition of FedNor is its plan to engage with Northern Ontario's six community colleges to discuss their involvement in private sector and innovation activities. Clearly, FedNor's leadership touts the rhetoric of strategic collaboration and investment consistent with the new regionalism, but it might be too early to make any categorical evaluation of these initiatives.

Despite its ambitions and rhetoric, however, FedNor's programs remain plagued by certain structural issues that are worth noting. First, not only are these programs rebranded variants of older programs, they are also still largely uncoordinated with the efforts of provincial and

A Sample of 15 out of 91 Agencies the Treasury Board Secretariat Deals with Directly
Aboriginal Affairs and Northern Development Canada and Canadian Polar Commission
Atlantic Canada Opportunities Agency (ACOA)
Canadian International Trade Tribunal
Canada Revenue Agency
Canadian Northern Economic Development Agency
Economic Development Agency of Canada for the Regions of Quebec
Federal Economic Development Agency for Southern Ontario (FedDev)
Fisheries and Oceans
Industry Canada
Northern Pipeline Agency
Officer of the Commissioner of Lobbying
Office of Infrastructure of Canada
Parks Canada Agency
Registry of the Competition Tribunal
Western Diversification (WD)

municipal governments, and reflect the organization's scattershot approach to program funding. Second, FedNor lacks credibility and legitimacy as possessing the institutional capacity to represent and champion the aspirations of Northern Ontario effectively. Regional stakeholders in Northern Ontario thus find it difficult to believe that FedNor's programs and policy rhetoric are the result of bottom-up policy consultation within the region, rather than top-down program design.

Third, it is ironic that FedNor includes as part of its strategy a plan to engage with the Treasury Board Secretariat, while seeming somewhat oblivious to the fact that it is not even listed on the latter's website as one of the federal departments and agencies with which the secretariat deals directly (see Canada 2014). From a legal-administrative perspective, therefore, FedNor's ambition to engage federal partners is vague and dubious, and it remains unclear how exactly an organization of FedNor's size, operating budget, and institutional subservience to Industry Canada intends to realize such ambitious plans requiring a highly collaborative and strategic organizational capacity.

A fourth problem that plagues FedNor is the organization's framework — half a decade after a damning evaluation of its NODP program (Canada 2011a) — for tracking the implementation of its programs or measuring their performance against their stated rationale and objectives. FedNor generally lacks metrics to identify medium- and longer-term performance indicators or to establish links between its stated goals and program spending. In particular, despite FedNor's high rhetoric about the collaborative nature of its programs, it has no convincing record to substantiate its claims.

The fifth and most serious deficiency of FedNor's operation is the lack of a strategic orientation in its allocation of program resources. Contrary to the logic of the new regionalism, FedNor remains locked into disparate and short-term program funding with no overarching strategic thrust that supports a holistic and longer-term rationale. The organization's modest budget is overstretched to cover a vast array of initiatives that leaves the impact of its projects rather dubious. An organization of FedNor's size cannot be all things to all firms and sectors. It must be selective, strategic, and focused to make a meaningful impact on the region, and, even more important — as the new regionalism demands — it must pool its resources with those of other organizations to do so. Given the pressures of political visibility, however, FedNor often succumbs to the temptation to promise more than it can actually deliver. The result is that the organization splits its funding into tiny projects scattered across a large clientele.

To make matters worse, FedNor is notorious for its highly bureaucratic project approval process, with unjustifiably long delays that leave many of its clients — including municipalities — frustrated and wary of future dealings with the organization. FedNor has made some effort to improve its project-funding process, but, as one interviewee complained, "FedNor doesn't spend a lot of time working in a transparent manner and letting people understand what they are doing. Right now, the mood in the city [Sudbury] is that if there is a way we can pursue an initiative without involving FedNor, we would. I can safely say I'm speaking for most of my colleagues in telling you that I don't see FedNor as particularly relevant."[10]

Viewing these weaknesses through the lens of the new regionalism, one can only conclude that FedNor's structural constraints and program delivery render it incapable of engaging in sector-wide transformative investments. Although the underlying logic of regional economic development remains "place based," in the sense of geographic location, the new approach emphasizes strategic support for innovation and

"FedNor generally lacks metrics to identify medium- and longer-term performance indicators or to establish links between its stated goals and program spending."

the development of frameworks for cost-sharing policy intervention that encourage and facilitate collaboration among the orders of government, as well as non-governmental actors — which in this context often include industry, businesses, labour organizations, community organizations, and education and research institutions, all of which need to work together over the long term.

FedNor's structural transformation thus requires enhancing its institutional and policy capacity to engage in strategic programming and services alongside regional stakeholders. As one economic development officer in Thunder Bay lamented, "we talk a lot about partnership, but the reality is that we don't seem to know what that means. They [funding agencies] are keener to sign off on things rather than engage in real partnership."[11] FedNor's transformation also requires moving from scattershot program funding

10 Interview with a city official, Sudbury, ON, June 2014.

11 Interview with a senior official of the Community Economic Development Commission, Thunder Bay, ON, June 2014.

to more targeted and streamlined initiatives, as well as integrated approaches that combine program platforms with partners from other levels of government.

FedNor's structural weaknesses have become particularly poignant as the organization finds itself thrust into the middle of one of the current defining issues of economic development in Northern Ontario: the Ring of Fire (RoF). This project involves plans for a large chromite mining and smelting development in the James Bay Lowlands area. Its successful operation is widely projected to have a transformative impact on the material welfare of the First Nations communities located in the mineral-rich area and on the economy of Northern Ontario in general. The stakes are high, and any potential breakdown in federal-provincial cooperation would be a massive economic loss for the region. Thus far, FedNor has supported the implementation of the three-year $4.4 million RoF business capacity-building initiative with the Nishnawbe Aski Development Fund. This in itself is laudable, but its role as one of the lead collaborators with sixteen departments and agencies makes for an interesting test case for FedNor.

At a more general level, the publication of the *Growth Plan for Northern Ontario* sharpened FedNor's organizational dissonance as it has sought to balance its vertical ties to Industry Canada with more horizontal responsiveness to regional developments (FedNor 2010). FedNor officials participated in all of the consultation and planning conferences leading to the growth plan, and even expressed verbal support for the new policy initiatives. But what this "support" actually means in practice remains vague. Since the 2011 publication of the growth plan, FedNor has not developed any strategic organizational response to this new policy framework in the region. Instead, its attitude has been one of passivity and indifference, viewing the growth plan as a provincial exercise. As a senior official of Thunder Bay's Community Economic Development Commission noted, "we know about the growth plan but it belongs to the provincial government. We don't know what the growth plan is going to look like in the future."[12] Such a statement reveals the deeper attitudes that undermine any prospect of collaborative engagement.

FedNor's verbal show of support for the growth plan without any concrete indication of how it intends to organize itself to respond reflects its jurisdictional impulse and political sensitivities as a federal organization flying the federal flag in the region. The following quotes, taken from interviews with officials in the economic development offices of Northern Ontario municipalities, indicate deeper structural issues in FedNor's program design and delivery system, as seen through the lens of regional stakeholders.

12 Ibid.

I have always been a proponent of all three levels of government being invested in northern Ontario. What seems lacking is an institutional table that is ongoing to align our interventions, rather than the ongoing ad hoc, project-by-project, and incremental partnerships along with the occasional entanglements. Moving from one level of government to another is like moving to another country. How can we collectively sit down to start addressing strategic goals? I believe there is a will. Look at the cabinet committee for northern Ontario. The next logical step is to engage our federal government counterparts. It is currently being done in pockets, but the North is complicated and unique. If we're going to advance at the policy level, we need to work more collaboratively. We have vastly different mandates, and our pursuit of them would be more efficient. The cross-ministry work is not quite happening. There are various ministries in the region probably doing very similar things, and we should be working together. The future of the region lies in designing collaborative institutions that support comprehensive policy intervention.[13]

FedNor and NOHFC are not able to share single applications, etc., because of our political relationships. The political relationships help define what we can do from a bureaucratic standpoint….NOHFC and FedNor can have economic development agreement — where we can collaborate on everything from strategic planning right to program delivery. We can have a lot more synergy in terms of reducing staffing duplication and reviewing applications. A development agreement would help us streamline that process. We still have to be strategic to make sure that there is a federal and provincial component. If we can pool together $35 million of FedNor with $100 million of NOHFC over three to five years, for example, there is a lot we can do with that. The field staff can work more closely together. There would be a cost saving in amalgamating the two programs, synchronizing the delivery systems, and putting more money into actual programs rather than overhead expense."[14]

A FedNor-NOHFC joint delivery system is possible, but it will take a lot of work to get there. There has to be a common philosophy of what we are trying to accomplish. Right now Ottawa holds the levers over FedNor's activities. Every program is backed by a set of terms and conditions that have been put in place at the Treasury Board level. Such a change is a multiyear process. Several steps will have to be taken to develop a closer partnership

13 Interview with an MNDM official, Sudbury, ON, June 2014.

14 Interview with an NOHFC official, Sault Ste. Marie, ON, June 2014.

> between FedNor and NOHFC: first, arrive at a common political will; second, develop a common understanding of purposes; third, design common tools and delivery systems. In short, a one-window delivery system is a major challenge because large institutions take a lot of time to turn around and move in a different direction.[15]

> You have three levels of government that are very sensitive to their political masters. Trying to get us around the same table is very challenging. We have an ongoing frustration both with the federal and provincial governments. I told you about the strategic planning under way; we wanted to be innovative and new. We had the money to do the basic stuff, but we wanted to be more sophisticated to capture larger global trends and see how our traditional and emerging sectors fit into them. We went to FedNor and the province to ask for support. The provincial government said, sure, we're onboard. The federal government said we don't have money for strategic planning. But then I keep thinking; how would you know what priorities to invest in if you have no idea of where a city is going?[16]

More than 90 percent of the interviewees, including some officials within NOHFC and FedNor, shared these opinions. The quotes reveal that, despite the impressive initiatives and rhetoric FedNor has developed over the past four years, regional economic development is still viewed as footloose or scattershot. In the past five years, FedNor's leadership has demonstrated some appreciation — at least to judge by their rhetoric — for increased partnerships among levels of government and with First Nations, non-governmental organizations, and the private sector (FedNor 2004, 2011). Moreover, there is some degree of ongoing, high-level contact between federal and provincial agencies in the region. The problem, however, is that the nature of these contacts tends to be informal, ad hoc, incremental, and project-centric.

The publication of the *Growth Plan for Northern Ontario* in 2011 opened a critical and time-sensitive window in which to develop a more collaborative governance framework of joint policy action in Northern Ontario, but FedNor's willingness and ability to adapt remain unproven. The organization is still generally viewed in the region as constrained by the vicissitudes of federal politics and bureaucracy. Its desired alternative is to develop formal, institutionalized, strategic, and longer-term engagement with regional partners aimed at synchronizing some or all of their programs within a broader policy template.

One positive development in recent years is that FedNor's current minister is from Northern Ontario and, in principle, should have a base of understanding about the region that an outsider would lack. Having a minister from the region does not really make a substantive difference, however, in terms of FedNor's program delivery operations and procedures. The fundamental problem facing FedNor is its lack of decision-making discretion and autonomy from Industry Canada. It lacks a policy development capacity, and therefore cannot make major strategic changes in its trajectory. It cannot be totally flexible to regional initiatives. It cannot commit itself over the longer term to more collaborative programs. It must be cautious in its approach, short term in its orientation, and incremental in its investments. As a program delivery unit, FedNor serves as the flagship for the federal government in the region, and exercising discretion in collaborative ventures with other levels of government and non-state actors might reduce its visibility. This is an unnecessarily complex entanglement from which FedNor needs to be released.

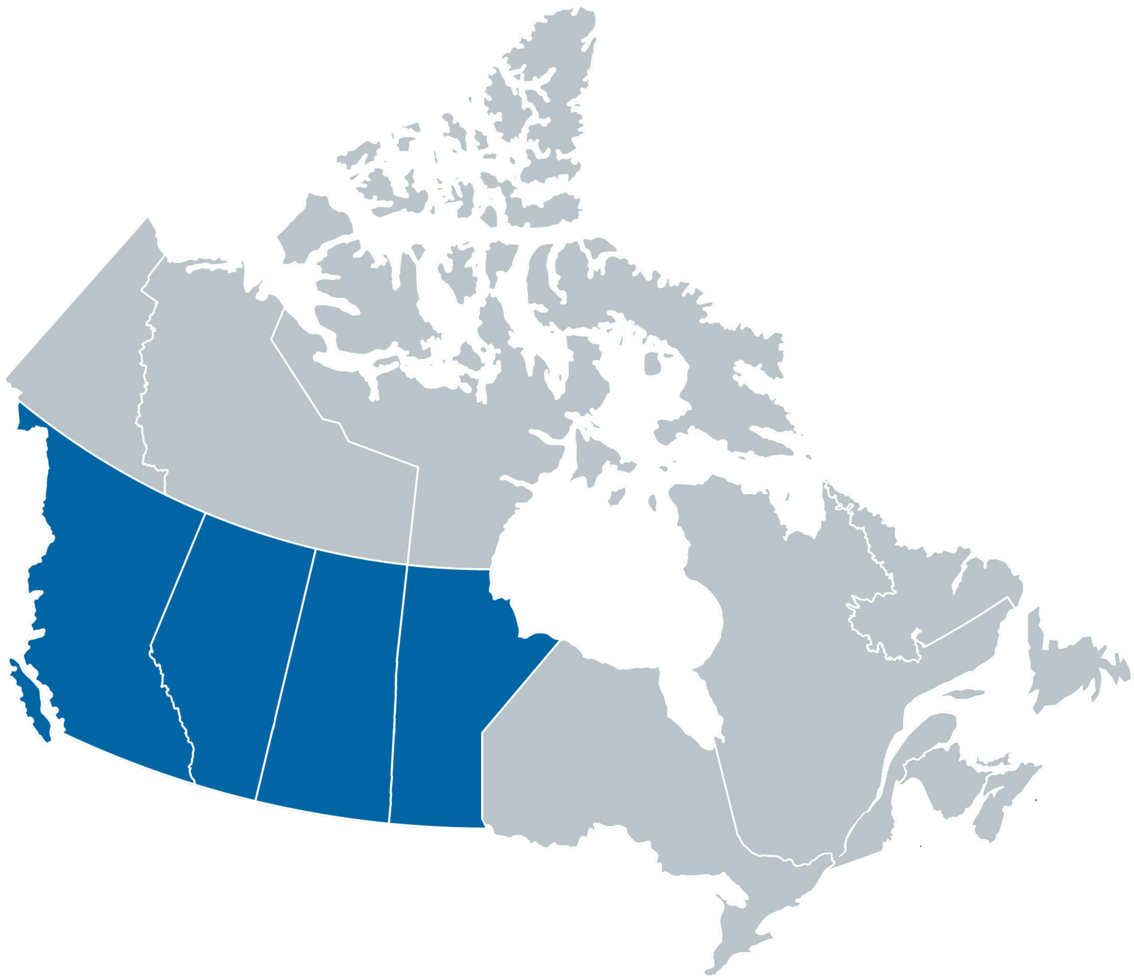
Given the complex, intersectoral, and highly local nature of regional economic development, FedNor continues to struggle to balance its limited policy discretion and bureaucratic accountability structures within Industry Canada on the one hand, and the imperatives of being responsive to local initiatives and a relevant partner in large-scale and long-term intersectoral collaborations on the other. To change the status quo, FedNor should be granted increased operational autonomy and discretion to formulate or adapt policies that reflect local initiatives in Northern Ontario. This adjustment would allow for a more credible pursuit of strategic partnerships and close consultation with other agencies, especially NOHFC.

In Summary

The interjurisdictional and interorganizational collaborative ventures required for strategic and transformational policy intervention in Northern Ontario have been hindered by the realities of a subservient, bureaucratic, and institutionally constrained FedNor. This constraint is particularly striking given that regional economic development policy implementation is a function not merely of public agencies' intraorganizational resources or expertise, but also of their engagement with, and responsiveness to, their operating environment. The challenges and opportunities of FedNor's policy intervention in Northern Ontario point to the need for greater collaboration among organizations and jurisdictions. The institutional infrastructure required for such arrangements, however, conflicts with the bureaucratic character of FedNor's operating procedures. New instruments of intergovernmental cooperation consistent with the imperatives of the new regionalism are thus required to facilitate more strategic and horizontal program delivery in Northern Ontario.

15 Interview with a FedNor official, Thunder Bay, ON, June 2014.

16 Interview with an economic development officer, Sudbury, ON, June 2014.



Western Economic Diversification Canada and the Canada-Manitoba Economic Partnership Agreement

The federal government's main conduit of regional economic development policy engagement in western Canada is Western Economic Diversification Canada (WD). The conception of WD occurred during the same 1987 restructuring of regional economic development that gave birth to FedNor. Unlike FedNor, however, which is simply a program delivery unit nested within Industry Canada, WD is a federal department established under a distinct provision, the 1987 *Western Economic Diversification Act*. WD is headed by a federal minister (the minister of state for western economic diversification). Its head office is in Edmonton, Alberta, regional offices are located in each western province, and there is a liaison office in Ottawa.

The *Western Economic Diversification Act* empowers WD with the broad mandate to promote the industrial development and diversification of the economies of the western provinces. This feature has been critical to the agency's capacity to engage in strategic and collaborative policy intervention, even in the face of assertive provincialism over the past two decades (Conteh 2011, 2013). The built-in flexibility created by WD's founding mandate was an appropriate response to the administrative and political discontent the western provinces expressed over the perceived centralized administration of regional development (Webster 2002).

The most distinctive and significant aspect of WD's approach to policy engagement in western Canada has been the pursuit of what before 1987 were called general development agreements and economic and regional development agreements. Over the past decade, WD's policy intervention has begun to involve a range of contractual policy instruments, principally consisting of "partnership agreements," "direct agreements," and "national agreements" (WD 2009, 2011b)

Partnership agreements — referred to as Western

Economic Partnership Agreements (WEPAs) — constitute the majority of WD's grants and contributions, and are delivered in collaboration with other levels of government. WEPAs allow the agency to cost share initiatives that respond to regional needs and opportunities. For instance, in fiscal year 2011/12, WEPAs were cost shared equally with each of the four western provinces — a total of $200 million ($100 million from the federal government and $25 million from each province) was allocated to initiatives identified as federal and provincial priorities (WD 2011a). Under its direct agreements, WD allows itself a measure of flexibility and policy manoeuvring in responding to disparate demands without being bound by the terms of the WEPAs. National agreements govern a number of national programs WD delivers in the western provinces, the most popular being the set of programs developed under Canada's recent Economic Action Plan (WD 2010b), which include the Community Adjustment Fund, the Municipal Rural Infrastructure Fund, Recreational Infrastructure Canada, and the Community Economic Diversification Initiative.

The WEPA of particular interest in this study because of the way it differs from FedNor is the Canada-Manitoba Economic Partnership Agreement (MEPA), which was signed by the federal minister of the environment and Manitoba's minister of competitiveness, training and trade (later renamed entrepreneurship, training and trade). A management committee made up of two members, or co-chairs, one appointed by the federal minister and the other by the provincial minister, is responsible for the general administration and management of the agreement. Such a contractual document, articulating expectations for and commitment to intergovernmental collaboration, is a convenient instrument for managing a policy field involving two jurisdictions. The MEPA contract provides a unified, cofinanced, and multiyear funding mechanism for collective intervention and shared responsibility (Canada 2003). A single fund helps to clarify spending and financial incentives, while multiyear budgeting tends to reduce uncertainty in the planning process and to ensure continuity. In this regard, unlike FedNor, WD seems to have undertaken greater intergovernmental policy action since its inception. This legal-institutional arrangement for joint policy delivery serves as a framework for intergovernmental coordination in large, longer-term, sector-wide transformational projects. The nature of the contract also provides a mechanism for strategic adaptation over time as the conditions of a highly fluid and knowledge-driven economy change.

The contract identifies in advance the mandate and resources of WD and its relationship with its wider institutional and political environment. The MEPA provides terms of commitment, with some measure of flexibility that allows for coordination of policy delivery in ways that are both technical and political. In particular, the contractual arrangement between WD and the Manitoba government acknowledges the complexity of interdependency between national and subnational jurisdictions in a highly contingent and nebulous policy area such as economic development (WD 2005). Therefore, the notion of a contract in this context can be viewed loosely as a governance mechanism for managing interdependencies across institutional boundaries. The contract allows for customized arrangements that reflect regional and temporal contingencies.

Over the past decade, as Manitoba's economy has become ever more knowledge driven and diversified, WD's contractual arrangement allows the agency to make necessary adaptations in its policy engagement with the province. For example, Manitoba has emerged as home to a number of growing, innovative industry sectors such as alternative energy, digital media, information and communications technologies, and life sciences (Manitoba 2011a). A key implication of Manitoba's emergent knowledge-driven and research-intensive economy is that WD's operating environment has become increasingly complex and turbulent, featuring a new set of actors in the private sector and in post-secondary and other research institutions. Other key provincial departments whose activities coalesce around Manitoba's growing economic policy assertiveness and rather aggressive pursuit of emerging economic priorities are Innovation, Energy and Mines; Agriculture, Food and Rural Initiatives; and Aboriginal and Northern Affairs (Manitoba 2011b).

The contractual model provides a flexible mechanism for forging a resilient, collaborative working relationship with this constellation of new actors. Since 2000, WD and the Manitoba Department of Entrepreneurship, Training and Trade have continued to be primary players in the MEPA, and have formed the inner circle within an increasingly complex subsystem of economic development policy in the province (WD 2005, 2010a). But their leadership is becoming ever more symbolic as WD now works with a wide range of organizations in the public, non-profit, and private sectors.

The key point is that, through its various agreements, WD now collaborates with the provincial government, as well as with industry, municipal, and community partners, to invest in a range of activities. One outcome of this wider network of partners in policy delivery is the increasing focus on larger and more transformative projects in the province's emerging knowledge clusters (WD 2010a). By reaching out to multiple partners all at once, WD is blurring the once-sacrosanct boundaries of the public sector in intergovernmental agreements. This approach is a fundament break with the mechanistic view of policy implementation and program delivery, and focuses instead on the imperatives of the broader political context within which public agencies such as WD operate.

In particular, WD's agreements increasingly reflect a policy thrust consistent with elements identified in the Manitoba government's 2003 "Action Strategy for Economic Growth," setting out the province's vision for economic development (Manitoba 2003). Part of the action strategy is a "Six-Point Action Plan" consisting of

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.

Closely reflecting this provincial action strategy, the 2003 version of the MEPA focuses on five strategic areas of regional economic development — namely, support for knowledge-based research and development; an increase in value-added production; support for trade and investment promotion; enhancement of productivity and competitiveness; and promotion of economic development through tourism opportunities (Canada 2003). Similarly, the 2009 MEPA strongly resonates with Manitoba's action strategy for the economy in its emphasis on nurturing critical masses of knowledge networks that could serve as dynamic engines of innovation (Canada 2009b). In this sense, the MEPA provides a legal framework for intergovernmental coordination consistent with regional development governance that permits more active leadership by the provincial government. The action strategy thus shapes the contract between the province and the federal government (WD 2010c). Although the federal government remains keen to maintain some level of visibility, the flexibility of its delivery rule allows provincial policy-makers to manoeuvre around interjurisdictional complexity.

Moreover, the policy time frames of WD's agreements since 2000 have tended to reflect medium- to longer-term goals, rather than short-term subsidies to businesses. There seems to be a more strategic focus on support for institutional capacity building (including research capacity) geared toward long-term economic productivity and competitiveness. Although WD is technically empowered to engage in direct assistance programs, the agency's operational emphasis is less on proposal-based programs whereby the public can apply and access funds for business projects. For example, the agency's *2010-11 Report on Plans and Priorities* identifies what it refers to as "operational priorities," which include technology commercialization, trade and investment, and business productivity and competitiveness, all aimed at broad-based capacity building of the private sector over the long term (WD 2010b).

Through WD's trade and investment operational priority, the agency has entered into a long-term partnership with the provincial government and Economic Development Winnipeg, a semi-autonomous economic development corporation of the city, in a project called Yes Winnipeg. The goal of the partnership is to work together over the long term to attract and retain foreign investment capital in Manitoba. This example demonstrates how WD's focus is now more on programs involving joint longer-term strategic investment decisions alongside the private sector, the non-profit sector, and public sector organizations (IE Market Research Corp. 2010). The general objectives of WD's contractual agreements increasingly emphasize "promoting regional development in accordance with the key strategic areas periodically identified by all parties."[17]

An even more significant indication of this new strategic thrust is the agency's pursuit of its policy advocacy and coordination mandate (WD 2009). WD sees itself increasingly as a "convening power," bringing together a number of federal players in the province to work on strategic issues. For instance, in 2010, WD spearheaded a trilevel committee consisting of six federal departments, four provincial departments, and the city of Winnipeg to work on the CentrePort Canada project, which involves building an inland port around the Winnipeg Airport (CentrePort Canada 2011a). In addition, WD also serves as coordinator and lynchpin of the Federal Council in Manitoba, which consists of approximately forty senior-level public servants from all federal departments in the province. These examples illustrate WD's attempts to exercise its authority to pursue more concerted policy action by serving as the "golden thread" that weaves together the federal government's economic development policy engagement in the province. In short, WD has been able to maintain considerable legitimacy in representing the interests of the province in Ottawa, while serving as the federal government's economic development engine in Manitoba.

A further characteristic of WD's approach to regional economic development is that the agency interprets its contractual relationship with Manitoba as supportive of local joint action under provincial leadership. WD increasingly sees itself as a strategic partner (in supportive roles) with the provincial government and, at times, municipalities (WD 2009). Interorganizational

17 Interview with a senior policy official at WD, Winnipeg, December 2011.

collaboration in Manitoba is about making more room for local actors in joint action with the various levels of government.

In Summary

WD's actions and mandate hold significant lessons for FedNor in Northern Ontario. WD sees its function as more strategic; rather than simply delivering disparate programs, the agency focuses on facilitation, coordination, and empowerment. WD's contractual approach to regional economic development policy implementation in Manitoba has positioned the agency to engage in longer-term, transformational, and strategic policy intervention in the province. The developmental agreements provide an institutional framework within which, rather than simply delivering a set of programs by processing funding applications from individual businesses (as FedNor tends to do), WD can operate as a facilitator and an empowering agency. Policy implementation in this regard is neither primarily about public agencies undertaking policy implementation by themselves nor about shifting such responsibilities completely to non-state actors in the private sector or to local communities.

The development agreements also offer a governance framework for managing complex policy networks involving a constellation of actors drawn from several jurisdictions (including municipalities), the private sector, community groups, and research institutions. These agreements enable partners to plan a course of joint action that allows for the constant adaptation of management systems to dynamic changes in the environment.

The case of WD in Manitoba illustrates how FedNor could use development agreements as instruments for managing joint policy action across institutional boundaries in Northern Ontario. Intergovernmental agreements in Northern Ontario could be relatively flexible "relational" instruments, facilitating joint action to support the transition of the region's economy under its own growth plan. Policy intervention in complex, fluid, and dynamic knowledge-driven economies such as Northern Ontario requires collaborative governance arrangements that transcend rigid layers of government and bridge the often-sterile boundaries between the public and non-governmental sectors.

"Western Development's actions and mandate hold significant lessons for FedNor in Northern Ontario. WD sees its function as more strategic; rather than simply delivering disparate programs, the agency focuses on facilitation, coordination, and empowerment."

The Atlantic Canada Opportunities Agency in New Brunswick

The Atlantic Canada Opportunities Agency is a federal agency similar to WD in many respects, but with some differences that could provide further lessons for FedNor in Northern Ontario. ACOA's mandate, as legislated by the 1987 *Government Organization Act*, Atlantic Canada, is to "support and promote opportunities for the economic development of Atlantic Canada." To see how the agency works relative to FedNor, it is useful to focus on ACOA's operations in New Brunswick.

One significant similarity between Northern Ontario and New Brunswick is that, since the formal inception of regional economic development policy in Canada in the 1960s, both regions have been considered "slow growth" or "resource dependent" (APEC 2006; McMillan 1989). Some of New Brunswick's main economic challenges include declining employment opportunities in primary industries, low population and labour force growth owing to a high rate of out-migration, a labour participation rate that is lower than in the rest of Canada, high unemployment, the relative absence of significant manufacturing activities, and average income lower than the national average.

Significant weakness in New Brunswick's economy during the late 1980s and early 1990s was evident in lower business capital investment relative to the national average, lower R&D investment, poor use of the provincial supply of scientific and technical human capital, the skewed nature of industrial distribution (such as the limited role of manufacturing and the lack of high-tech industries), and a relatively lower productivity level than the Canadian average (APEC 2002; Desjardins 2005). In addition to, or because of, such structural economic weakness, New Brunswick, like the other Atlantic provinces, had long been perceived by Canadians elsewhere of benefitting from "federal largesse" (McMillan 1989). Against this backdrop, one can appreciate the province's efforts to change such a perception by diversifying and enhancing the competitiveness of its economy.

ACOA has been a key federal partner in New Brunswick's pursuit of greater economic diversification.

The agency is headed by a federal minister of state, and has a head office in Moncton, with regional offices located in each of the other three Atlantic provinces. Since its creation, ACOA's mission, in principle, has been to provide support to small and medium-sized enterprises; engage in policy, program, and project development and implementation; and advocate for the interests of Atlantic Canada in national economic policy, program, and project development and implementation (Conteh 2013). ACOA's main program areas are enterprise development, community development, and policy, advocacy, and coordination. Enterprise development consists of supporting initiatives to improve the province's business climate, as well as lending a direct hand to individual business start-ups, modernizations, and expansions (ACOA 2008). Community development involves working with communities to nurture economic growth, improve local infrastructure, and develop opportunities in the local economy. The third area of operation — policy, advocacy, and coordination — mandates the agency to serve as a voice for Atlantic Canada's interests at the national level. ACOA is authorized to represent and cater to the region's general interests through such activities as economic policy development, research and analysis, and networking with other federal departments and agencies to ensure coordination of policies and programs affecting the region.

ACOA's pursuit of its mandate initially was fraught with bureaucratic hurdles. The New Brunswick government generally considered the agency to be irrelevant or a political competitor seeking to brandish the federal "flag" within the province's policy circles. Various provincial departments and businesses tapped the agency's resources, but its ability to affect the strategic direction of economic policy in the province was not evident.[18] By the latter part of the 1990s, however, the consolidation of emergent ideas about the new regionalism as the rationale for economic development policy intervention began to inform and transform the agency's activities in the province.

For ACOA, the successful implementation of policy became not merely a technical task of program design and delivery; it was also a matter of political negotiation and partnership formation, since the agency had to coordinate its activities with those of emerging actors and with ideas coming to the fore beyond its own walls (InterVISTAS Consulting Inc., MariNova Consulting Ltd., and TranSystems Corporation 2007). Successful policy implementation by ACOA in New Brunswick indeed depends on the agency's ability to make its policy interventions consistent with and supportive of local joint action under provincial leadership. As a senior manager in the agency put it, "ACOA is now striving to facilitate full participation in the New Brunswick economy by shifting towards making investments that build and capitalize on local capacity, foster economic diversification, and help communities transition beyond traditional economic activities."[19] ACOA accordingly began to attune its program and service delivery model to the changing imperatives of regional development in New Brunswick. For instance, in the early 2000s, the agency identified special growth sectors for development after close consultations with counterparts in the provincial government and the private sector. The resulting document closely reflected the provincial government's strategic focus on the energy and petroleum sectors (ACOA 2008).

ACOA also focused on intergovernmental initiatives such as fostering greater productivity and public-private collaboration with a range of actors in the region to invest in skills development for a knowledge-driven economy. ACOA adopted a multilevel governance arrangement to maximize local assets, foster the interaction of local stakeholders, and nurture synergies across various economic sectors. ACOA's attention also turned toward overcoming administrative barriers and facilitating better networks with the provincial and municipal governments, as well as with the private sector and community actors.[20] Since the early 2000s, ACOA's emphasis has been on strengthening partnerships and mobilizing stakeholders to advance its economic development priorities (ACOA 2008; Canada 2010), and this focus on collaborative policy implementation continues to characterize the agency's strategy of policy penetration in the region today. For instance, the agency's fiscal year 2011/12 plans and priorities included a commitment to work with the provincial government, businesses, and academia to increase the volume of R&D conducted in New Brunswick, and to implement initiatives to help commercialize technology developed in the region (Canada 2011c).

In a preamble to its 2009 program document, ACOA committed to coordinating its policy activities with partners drawn from other federal agencies administering a comprehensive array of programs and services that support business and economic development in the region (ACOA 2009). These agencies include Foreign Affairs and International Trade Canada, Transport Canada, and Industry Canada. ACOA also identified its primary public sector partners in New Brunswick as two key agencies responsible for economic development in the province: Business New Brunswick and the Regional Development Corporation. ACOA also has focused increasingly on building close working relationships with non-

18 Interview with a senior official at ACOA, Moncton, NB, January 2012.

19 Interview with a policy official at ACOA, Moncton, NB, January 2012.

20 Interviews with a Chamber of Commerce official in Moncton, NB, and a front-line (support service) official in a community economic development agency in Bathurst, NB, January 2012.

governmental regional stakeholders from research centres and academic institutions such as the University of New Brunswick and the Université de Moncton (Canada 2011c).

A specific example of the agency's focus on collaborative models of policy intervention is its work on what is referred to as the Global Commerce Strategy. ACOA has committed to working with its provincial partners in promoting Atlantic Canada as a competitive business partner and valuable link in the global supply chain (ACOA 2005). Similarly, through the Atlantic Energy Gateway initiative, ACOA seeks to facilitate the development of Atlantic Canada's clean and renewable energy sector through interjurisdictional and interorganizational alliances. The agency sees such alliances as critical to the pursuit of new technology-based growth sectors and the competitiveness of resource industries.

By about 2005, ACOA and the New Brunswick government were adjusting their parallel delivery models to the exigencies of the new economy. The agency saw a sectoral focus for firm subsidies or loans as outdated and ill-suited to a knowledge economy, and began shifting its strategy to stimulating regional growth in productivity and competitiveness by fostering R&D, technology adoption, business skills development, and trade and investment. Public agencies across levels of government were required to work more closely to provide an institutional framework for nurturing network clusters, fostering backward and forward linkages among firms, and exploiting knowledge spillover from one sector to another. Between 2003 and 2008, ACOA funded more than 230 R&D projects involving more than $70 million (ACOA 2008, 2010). During this same period, it has supported, in close partnership with the New Brunswick government, more than 85 technology-adoption projects involving more than $21 million in investments.

As these examples indicate, building synergies among a constellation of public agencies and private organizations has become a priority in New Brunswick (see New Brunswick 2002, 2006, 2009). Managing the province's economic development policy ambitions in a complex environment requires a process of policy delivery involving multiple agencies analysing and learning from each other across levels of government, the private sector, and local stakeholders. ACOA has positioned itself, in this regard, as a strategic partner with the province and with municipalities.[21]

A significant characteristic of ACOA's strategy in pursuing collaborative policy intervention is the agency's rather supportive role behind provincial leadership in economic development. The Atlantic Innovation Fund (AIF) initiative is an example. In recognition of the prevalence of innovation policy championed by the Atlantic provinces, ACOA launched the AIF in 2001 to work jointly with provincial and municipal governments and the private sector to develop new ideas, technologies, products, and markets that would allow the region to compete in the global knowledge-based economy (Canada 2001). The AIF supports R&D leading to the launch of new products, processes, and services, and seeks to improve New Brunswick's capacity to commercialize R&D. Through the AIF, ACOA has made strategic investments aimed at deepening partnerships with government and non-state actors in New Brunswick, particularly chambers of commerce and universities, in order to increase the province's innovation capacity (ACOA 2008, 2010). The provincial government's launch of the New Brunswick Innovation Fund (NBIF) two years after the AIF is a testament to the success of ACOA's pursuit of collaborative governance. The AIF and the NBIF complement each other not only in the substance of their policies, but also as intergovernmental funding mechanisms. ACOA also plays an essential role in the coordination and development of the Atlantic Gateway, and it leads trade development initiatives that increase the exposure of Atlantic Canadian firms in foreign markets, thereby generating new economic opportunities.

Another dimension of ACOA's adaptation to local phenomena in New Brunswick was its review of its organizational mandate. By the early part of 2000, the agency had revamped its hitherto latent mandate on policy analysis, advocacy, and coordination, and modified its goals and performance indicators to reflect the discourse of the new regionalism. For instance, in its 2011 report on program activities, the agency placed greater emphasis on growth in new industries in aerospace and information technology (Canada 2011b). Even the agency's growing investment in value-added products in traditional industries (wood, food, paper) has the funding criteria of innovation. It is not that firm subsidies no longer exist; what is new is the emphasis on cross-sectoral and longer-term investment strategies.

ACOA has also sought to position itself as a credible conduit through which the opportunities and challenges of the Atlantic economy can be channelled onto the federal policy stage (Canada 2009a). The agency has become more assertive 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. In contrast to the situation just over a decade ago, when various federal departments were operating distinct programs in New Brunswick, ACOA has gradually become a lynchpin around which the economic development activities of other federal departments in the region are coordinated and aligned with the interests of the provincial government, the private sector, and other local actors.

New Brunswick has made considerable economic

21 Ibid.

progress over the past two decades. The province's standard of living has been steadily rising (ACOA 2008; New Brunswick 2006, 2011). Over the decade from 2001 to 2011 alone, the New Brunswick economy grew by an average of 2.0 percent per year, and investment in emerging (knowledge-intensive) sectors was one of the principal drivers of that growth (New Brunswick 2011). Personal income increased higher, dependence on federal transfers dropped, employment increased, and participation in the labour force rose. New Brunswick has also been undergoing a transition from a primarily resource-dependent economy to an increasingly knowledge-based one, driven by innovation, technology, and growth in non-resource sectors. The fastest growth sectors in New Brunswick's economy in recent years include transportation, logistics, and distribution; health and life sciences; manufacturing; information and communication technologies; alternative energies; and retail and tourism (New Brunswick 2015).

In Summary

The most significant lesson that ACOA's experience holds for FedNor is that the centrepiece of the former's approach to policy engagement in New Brunswick is program coordination with the provincial government. ACOA transformed itself from a program delivery organization operating in a silo to a strategic partner with the provincial government engaged in longer-term commitments. The agency remodelled itself from a top-down deliverer of subsidies to a champion of collaborative and decentralized networks of economic development policy governance. The current context of ACOA's economic development policy intervention in New Brunswick can be referred to rightly as strategic and collaborative governance of innovation policy involving various levels of government and non-governmental stakeholders.

Another significant lesson that FedNor can draw from the experience of ACOA is that efforts to promote economic development should be consistent with the imperatives of a globally integrated and knowledge-driven economy, where the focus is on nurturing economic clusters and building the capacity for local knowledge production, dissemination, and commercialization. The dictates of the new economy in Northern Ontario (as in New Brunswick) require that resources be directed toward the creation or support of knowledge clusters and industrial ecosystems rooted in the region's rich endowment of natural resources in mining, forestry, and agriculture.

A third lesson that FedNor can draw from ACOA's approach is that economic development policy intervention seems most effective at the local level, since knowledge or industrial cluster activities tend to be geographically concentrated and locally driven. Northern Ontario is a vast geographic space; although it is convenient for political purposes to view the region as a homogenous unit, it is unhelpful to draw the same conclusion about its economic structure. The economy of Northern Ontario can be understood as revolving around five centres of "gravity": its major cities. Within the geographic spheres of these five regional centres, smaller communities, including single-industry towns and Aboriginal communities, often link their economic activities. Building knowledge-intensive and value-added economic ecosystems requires that these economic subregions be recognized as distinct economic zones and policy spaces for the purposes of identifying and investing in the relevant priority sectors of the economy.

A fourth and very important lesson for FedNor is that organizational restructuring, such as that introduced in 1987, is not sufficient on its own to create institutional infrastructure that lends itself to more effective policy intervention in complex economic systems. ACOA's experience illustrates that organizations must adapt strategically to allow for closer intergovernmental and interjurisdictional coordination capable of facilitating joint action. One of the key advantages of a decentralized policy implementation process is greater coordination of programs among public agencies of different jurisdictional levels. This is yet to be the case for FedNor because the agency's structural arrangement does not afford it either the discretion or the autonomy to pursue the kinds of flexible, strategic, and long-term investments of its sister agencies.

A fifth and final lesson for FedNor is that optimizing program output does not necessarily indicate an effective regional economic development policy engagement. For instance, ACOA's initial focus on delivering more programs to prove its effectiveness was exploited by both the New Brunswick government and the private sector. The agency's resources were used to fund a host of provincial schemes that were ostensibly for development (Savoie 1997). ACOA realized this vulnerability and shifted to coordinating its programs more closely with the provincial government. FedNor has had the tendency over its nearly thirty-year existence to introduce a new platform of programs roughly every five years. Although the configurations and packaging of these programs change, they remain essentially locked into the same pattern of disparate and short-term investments delivered by the agency. The success of regional development policies in knowledge-driven economies nested within multilevel jurisdictions increasingly requires joint delivery systems in partnership with other levels of government and non-state actors, and rooted in a coherent strategic plan. Through pooled resources, smaller agencies such as FedNor could have a policy impact well beyond their modest operating budget.

Lessons and Recommendations for FedNor

The recommendations presented in this paper for building an institutional infrastructure for strategic, collaborative, and transformational economic development policy engagement in Northern Ontario are rooted in a critical analysis of the mandate and operations of FedNor. The suggestions offered here, however, apply to all agencies in Northern Ontario that are directly engaged in facilitating the region's economic development — in particular, the Northern Ontario Heritage Fund Corporation and its parent department, the Ontario Ministry of Northern Development and Mines. They also apply to all municipal economic development departments or corporations in the region. Finally, the recommendations, rooted in the new regionalism, have implications for the role of post-secondary and other research institutions, as well as private sector associations, in the governance of the region's economy.

The overarching objective of the recommendations is to position FedNor as a relevant partner in the region's adaptation to the constantly changing currents of a knowledge-driven and globalized economy in the twenty-first century. The main reason for focusing on FedNor is that, as the primary conduit of the federal government's economic development policy engagement in the region, it has immense potential to serve as a unique organizational resource for Northern Ontario. Despite the sometimes impressive efforts of regional development agencies in their respective areas of operation, economic development policy governance in Canada suffers from a systemic challenge of poor intergovernmental coordination and weak policy responsiveness to changing regional circumstances.

Some observers have suggested simply abolishing all RDAs and redirecting the savings to substantially reduce or even terminate federal corporate income tax in economically challenged regions (see, for example, Mintz and Smart 2003). It is quite curious, however, that a similar argument has not been made to abolish Industry Canada, the federal department whose key mandate is to foster a growing, competitive, and knowledge-based Canadian economy. What critics of regional economic development often fail to appreciate or acknowledge is that Industry Canada's policy orientation and organizational culture — evident in the historical records of Treasury Board Secretariat Reports on Plans and Priorities and actual Program Expenditures of the department — is mostly preoccupied with the global competitiveness of Canada's manufacturing heartland.[22] RDAs, on the other hand, are mandated to foster economic development in structurally challenged regions by coordinating a disparate range of federal investments within a coherent and strategic framework of economic development. The significance of this coordination is that it mitigates the fragmented silos of sectoral policy intervention whereby, for instance, agricultural, industrial, infrastructural, human capital, and environmental policies and programs run by distinct federal departments are integrated and channelled into a holistic framework from a regional perspective.

As with all RDAs, FedNor is part of a network of federal organizations with considerable (potential) resources that could be leveraged to support regional economic development efforts. The main problem is that FedNor`s unique mandate and institutional configuration has rendered it ill-equipped to realize the potentials of RDAs in western and Atlantic Canada. FedNor is distinct from ACOA and WD in its being merely a program delivery unit within Industry Canada. At its inception, ACOA, for example, had clear legal mandate, a budget of $1.05 billion over five years, and considerable institutional discretion to adopt whatever measures it felt best suited the needs of the Atlantic region. Similarly, WD was originally endowed with comprehensive legal authority, a $1.2 billion budget, and a practically free hand to strategize and disburse its fund over a five-year period. FedNor, however, was given no such legal mandate or institutional authority. With a modest budget of $55 million over the first five years of its existence, the organization was tasked with implementing a set of programs, along with the unenviable responsibility of merely providing the federal government local input and advice on policies, programs, and services affecting Northern Ontario.

These gross disparities in legal authority, organizational discretion, and financial capacity — even after accounting for relative differences in their respective geographic and demographic spheres of operation — remain a feature of Canada's RDAs. The implication and manifest outcome of these disparities is that the mandate and budget of ACOA and WD, even after recent federal budget cutbacks for RDAs, are consistent with the logic of decentralization, while those of FedNor are not. ACOA and WD are vested with the authority to determine federal objectives pertaining to regional development in their respective spheres of operation, and they have the operational autonomy to negotiate and then to administer economic development agreements with their provincial counterparts. FedNor has no such legal mandate, policy discretion, or administrative authority. ACOA and WD constitute a logical and tangible reflection of the decentralization of Canada's regional

22 See archived Treasury Board Secretariat, "Reports on Plans and Priorities," available online at http://www.tbs-sct.gc.ca/rpp/2006-2007/IC-IC/ic-ic01-eng.asp.

development efforts enshrined in 1987 parliamentary legislation. FedNor does not. Instead, FedNor's unique institutional feature set the organization on a trajectory from which it has never veered despite the best intentions and efforts of its directors.

The most glaring indicator of FedNor's distinct and inferior institutional and legal status relative to other RDAs is that it lacks the policy autonomy and financial discretion that agencies and departments command. Although generally referred to as an "agency," FedNor is not included in the Treasury Board Secretariat's list of federal government department and agencies that are required (and authorized) to provide annual Reports on Plans and Priorities, unlike ACOA, WD, and even the more recently created FedDev for Southern Ontario. Instead, FedNor's program activities are subsumed under reports prepared by Industry Canada. Even more curious is that, although FedDev, like FedNor, is subsumed under Industry Canada, it enjoys sufficient operational autonomy and commands a budget large enough to allow the agency to be listed on its own on the Treasury Board Secretariat website. This indicates, among other things, that the operational discretion and autonomy vested in FedDev is possible for FedNor even if the latter is not transformed by an act of Parliament into a stand-alone agency. Although independent departmental status such as that of WD and ACOA might be desirable from the standpoint of Canada's politics of regionalism, FedNor's operational autonomy could be functionally and substantively reinforced even with a looser affiliation to Industry Canada, as the case of FedDev illustrates.

The key theme of the recommendations, therefore, is for a new modus operandi for FedNor that sees it less tied to the "apron strings" of Industry Canada (and Ottawa in general) and more locally embedded and responsive to the needs of the region it is mandated to serve. FedNor's function should not be primarily that of a program delivery unit for processing funding applications and subsidizing firms, but as a facilitator of cross-sectoral collaboration.

For almost thirty years, FedNor has been largely trapped in the bureaucratic shadow of Industry Canada, despite rhetoric that sometimes resonates with the new regionalism. Over the past five years, FedNor has been more conscious of its strategic role and increasingly aspirational in positioning itself as a conduit for leveraging resources from federal departments. The Ring of Fire project in northwestern Ontario, for example, is a rare opportunity for FedNor to serve as an organizational lynchpin between federal departments, the provincial government, and the region, and to take a new direction. The following recommendations thus are designed to help FedNor make the most of the opportunity presented by the political climate of the Ring of Fire and the policy context of the *Growth Plan for Northern Ontario* by shifting to a new trajectory.

Recommendations

Five clear recommendations for stimulating strategic and collaborative governance in Northern Ontario emerge from the analysis presented in this paper. Figure 2 illustrates how the five recommendations relate to each other.

Recommendation 1: Accord FedNor Greater Operational Autonomy and Discretion

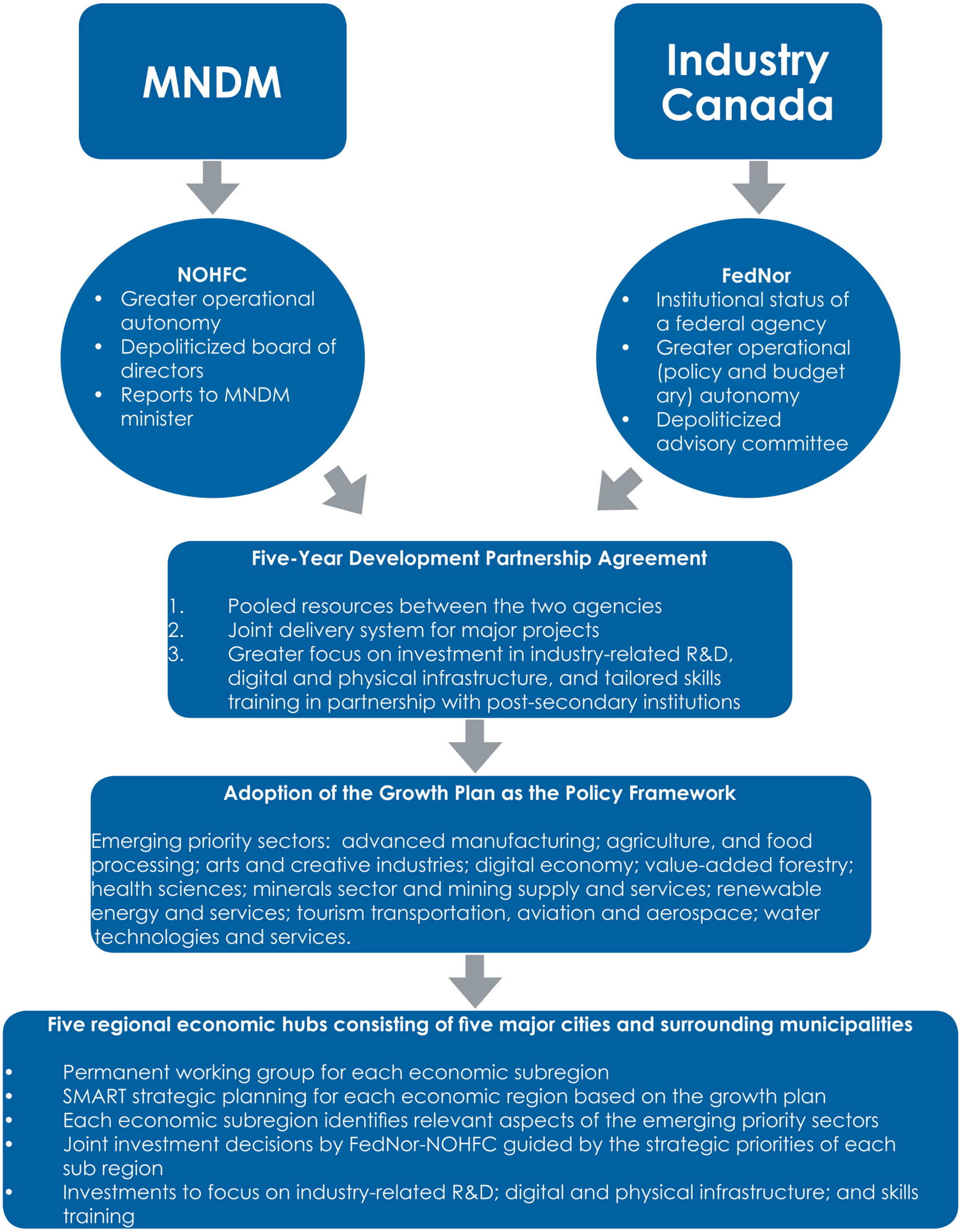
Effective engagement of FedNor in Northern Ontario requires creating mechanisms for greater autonomy and discretion from Industry Canada than currently exist. The goal would be to divest FedNor of its current bureaucratic trappings and make it into a more focused, responsive, and results-oriented organization that engages effectively with provincial and regional partners. FedNor's substantive focus differs fundamentally from Industry Canada's. Industry Canada has a national scope that invariably leads the department to focus on centres of economic "gravity" such as Toronto, Montreal, and Vancouver. FedNor's mandate, in contrast, is geographically limited to Northern Ontario; thus, its spatial logic is at fundamental odds with the sectoral focus of Industry Canada.

The strength and responsiveness of WD and ACOA are best explained by the discretion and autonomy the two agencies enjoy relative to other federal organizations in their geographic spheres of operation. ACOA, for instance, uses its autonomy from other federal departments to position itself as a credible conduit through which the opportunities and challenges of the Atlantic economy can be channelled onto the federal policy stage. ACOA is also able to assert its advocacy role to ensure that the interests of Atlantic Canada and those of its constituent provinces are recognized in the development of policies and programs of other federal departments. ACOA is thus a strong lynchpin around which the economic development activities of other federal departments in the region are coordinated and aligned with the interests of provincial governments, the private sector, and other local actors.

FedNor's intra-organizational processes, therefore, need to be restructured to allow it greater *operational autonomy and discretion* to formulate or adapt policies that reflect local initiatives in Northern Ontario. Such restructuring would facilitate a more strategic approach that is responsive to the complexities of a natural resource–dependent economy. As one senior FedNor official observed, "everyone in the agency seems keen to be accountable to the federal government, but tend to forget that they are also accountable in their mandate to the people they are here to serve."[23]

23 Interview with a FedNor senior official, Thunder Bay, ON, June 2014.

Figure 2: Strategic and Collaborative Governance Infrastructure for Regional Economic Development in Northern Ontario



Any organization that claims and aspires to act as an agency must be able to choose, to act, and to respond effectively to forces within its operating environment. If FedNor is to become an "agency," as was the stated purpose of its creation in 1987, it must have the institutional, operational, and financial capacity to engage with, and adapt to, the social structure that forms its geographic sphere: Northern Ontario. As long as FedNor`s activities are constrained by the organizational structure of Industry Canada, its ability to serve the interests of Northern Ontario will be effectively compromised. FedNor currently lacks a policy development capacity and, therefore, cannot make major strategic changes in its trajectory. It cannot be totally flexible to regional initiatives, nor can it commit itself over the longer term to more collaborative programs. It has to be cautious in its approach, short term in its orientation, and incremental in its investments. The goal of any reform, therefore, should be to divest FedNor of its current bureaucratic trappings and transform it into a more focused, responsive, and results-oriented organization that engages effectively with provincial and regional partners.

One suggestion for providing the requisite autonomy and discretion would be to grant FedNor the legal status of an agency, possessing the institutional capacity — as is the case for all other federal RDAs — to manage its own resources and to report directly to the Treasury Board Secretariat concerning its annual programs, priorities, performances, and disbursement of funds. This structural reform could be accomplished without necessarily making FedNor totally separate from Industry Canada. Rather, its operational discretion and autonomy could be akin to that vested in FedDev in Southern Ontario.

FedDev's full and official name refers to it as an "Agency," whereas FedNor is referred to as an "Initiative." This difference is more than mere nomenclature. Although FedDev appears to be similar to FedNor in terms of its mandate and organizational structure, considerably more policy and financial autonomy is manifest in its capacity to determine its programs, manage its funds, and report directly to the Treasury Board Secretariat, rather than having its operations subsumed under Industry Canada's annual reporting structure and susceptible to undue meddling from the industry minister.

A closely related suggestion for providing FedNor the requisite autonomy and discretion would be for its minister of state to create a depoliticized advisory committee. A form of advisory committee was attempted in the early 1980s, but the experiment was largely informal and ad hoc, consisting of people handpicked by the minister, who directly controlled or influenced their decisions. Instead, any new committee should be drawn from residents of the region, from various subregional groupings (see recommendation 5), and from all key sectors, including industry and post-secondary institutions, and vested with the mandate and authority to oversee FedNor's operational activities and funding decisions. (The other four recommendations provide the institutional mechanisms by which the committee's decisions could be nested within a deliberative process of bottom-up decision making in Northern Ontario.) The director general of FedNor would report to, and consult with, the advisory committee, and the committee would report annually to the minister.

Recommendation 2: Shift from Small Business Funding to Strategic Investment in Value-Added Economic Clusters

FedNor should restructure its framework of program delivery from its current project-centric awarding of disparate grants to individual firms to placing greater emphasis on supporting the creation of economic clusters in the region. The aim of this approach would be to direct resources toward building the critical infrastructure of a knowledge-driven economy in key sectors. Regional economic development is no longer about simply funding individual businesses, but about investing in transformative projects that build innovative and entrepreneurial capacity in whole sectors or industries identified as priorities and knowledge-intensive clusters in a region's strategic plan.

For example, WD's partnership with Manitoba since 2000 has tended to reflect a more strategic focus on goals such as support for institutional capacity building (such as research capacity) to sustain long-term economic productivity and competitiveness. Although WD is technically empowered by its founding mandate to engage in direct assistance programs, the agency's operational emphasis is less on proposal-based programs whereby the public can apply and access funds for business projects. For example, in its *2011-12 Report on Plans and Priorities*, WD identifies what it refers to as "operational priorities," which include technology commercialization, trade and investment, and business productivity and competitiveness, all aimed at strategic goals such as private capacity building over the long term (WD 2011a).

Similarly, ACOA, through its Atlantic Innovation Fund, has streamlined its strategic investments over the past decade. In New Brunswick, more than half the agency's funds have been directed to building critical R&D infrastructure. This approach by ACOA is consistent with the imperatives of globally integrated, knowledge-driven economies, where cluster growth strategies and knowledge production, dissemination, and commercialization determine the success of a region. The transformational policy intervention of the twenty-first century is fundamentally about investing in innovation assets, principally through partnerships with post-secondary institutions in R&D that supports the foundations of the new economy. The modern economy is heavily driven by R&D at the global level. It stands to reason that the same model should apply at the national and regional levels. Unfortunately, such partnerships seem peripheral to FedNor's current programs.

Recommendation 3: Align FedNor's Programs with the Growth Plan for Northern Ontario

FedNor should formally adopt the *Growth Plan for Northern Ontario* as the policy framework for the region. Although the growth plan was initiated by MNDM, it does not belong to the provincial government, as FedNor officials tend to see it; rather, in standard processes of public policy formulation, a policy document belongs to the people of a particular jurisdiction or polity if it is the outcome of an extensive consultative process with its residents, as the growth plan was.[24]

In Manitoba, in contrast, WD's programs increasingly reflect a policy thrust consistent with elements identified in the provincial government's 2003 action strategy and in the Economic Partnership Agreements between WD and Manitoba (Canada 2009b). In a similar vein, the successful implementation of ACOA policy in New Brunswick is not merely a technical task of program design and delivery; it is about how the agency makes its program interventions consistent with and supportive of local joint action under provincial leadership. By the mid-2000s, ACOA and the New Brunswick government were adjusting their parallel delivery models to the exigencies of the new economy, driven by the province's 2002 prosperity plan.

The Growth Plan for Northern Ontario provides a broad and generally shared policy framework for the region in this first quarter of the twenty-first century. Although not really a "plan" in the technical sense of being specific, measurable, assignable, realistic, and time bound, the growth plan provides a strategic framework and set of priorities that can serve as the template for strategic planning in the region. The document also offers a policy framework for the federal and Ontario governments to form a united front to engage business and industry, municipalities, Aboriginal communities and organizations, the education and research sectors, and community organizations on economic development strategies for existing and emerging priority sectors in the region. Time, however, is of the essence, because the momentum and sense of anticipation created by the consultations and deliberations leading to the growth plan are already beginning to fade.

Recommendation 4: Develop Joint Program Delivery Systems through Partnership Agreements between FedNor and NOHFC

FedNor should institutionalize its new program delivery system (noted in Recommendation 2) by developing a comprehensive five-year formal partnership agreement with MNDM and NOHFC centred on the emerging priority sectors targeted in the growth plan — namely, advanced manufacturing; agriculture, aquaculture, and food processing; arts, culture, and creative industries; the digital economy; forestry and value-added forestry-related industries; health sciences; the minerals sector and mining supply and services; renewable energy and services; tourism; transportation, aviation, and aerospace; and water technologies and services.

Between FedNor and NOHFC, the plethora of programs suggests fragmentation and duplication. A partnership agreement between the two would allow them to link their resources to emerging priorities, as NOHFC has already attempted to do in the latest version of its programs. A partnership agreement also would create the necessary policy and program alignment (as opposed to entanglement) across the two levels of government that could be more holistic, coordinated, and synchronized.

Partnership agreements should be understood as "relational contracts" (Atwood and Trebilcock 1996; OECD 2007). Unlike classical contracts, which are litigious in nature and often enforced by courts, relational contracts are public policy tools that enable partners across levels of government or organizations from different sectors to plan a course of joint action that allows for constant adaptation of management systems to dynamic changes in the environment. For example, the most distinctive and significant aspect of WD's approach to policy engagement in Manitoba (and all of western Canada) is its partnership agreements with the western provinces.

A similar partnership agreement between FedNor and NOHFC would strengthen FedNor's operational autonomy from Industry Canada and shield it from the vicissitudes of federal politics by offering the organization a legal mechanism for allocating resources to local economic initiatives over the long term more consistently, predictably, and systematically. Moreover, a partnership agreement would give FedNor greater policy legitimacy to convince federal departments to align their programs with the strategic priorities of Northern Ontario.

The partnership agreement could be signed by FedNor's minister, representing the federal government, and MNDM's minister, representing the provincial government. A management committee made up of two members, or co-chairs such as the existing operational heads of FedNor and NOHFC, could be responsible for the general administration and management of the agreement. This legal-institutional arrangement of joint policy delivery would provide the framework for intergovernmental coordination on large, longer-term, sector-wide transformational projects. The relational — that is, non-litigious — nature of the contract also would provide a mechanism for

24 Interview with two senior FedNor officials, Sudbury and Thunder Bay, ON, June 2014.

strategic adaptation over time as the conditions of a highly fluid and knowledge-driven economy change.

The concept of collaborative program delivery through some form of partnership agreement and resource pooling between FedNor and NOHFC is not new in Northern Ontario. Industry representatives and even officials within the two agencies acknowledge the virtues of joint program delivery systems.[25] Municipal economic development officers across the region express frustration about the labyrinth of procedures they must navigate in their engagement with upper levels of government. Synchronizing or pooling the programs of the two agencies has been a central theme of the many calls for institutional reform in the region. What seems lacking is the political will, given the politics of visibility and the contest for greater recognition between the two levels of government. Contrary to its jurisdictional impulse and political sensitivities, joint federal-provincial policy intervention in the region would greatly serve the organizational interests of FedNor. Closer partnerships between FedNor and regional actors, and investment in larger and longer-term programs, would help the organization maintain some institutional capital to influence the terms of regional development policy.

Recommendation 5: Create Five Economic Subregions in Northern Ontario for SMART Strategic Planning

The proposed five-year partnership agreement should focus on supporting specific, measurable, assignable, realistic, and time-bound (SMART) programs identified through a comprehensive process of consultative strategic planning. This process should be undertaken through the creation of five regional economic zones or subregions in Northern Ontario. The growth plan has already acknowledged the distinct economic configurations of such subregions, and identified the key sectors that drive each one. Institutional form should now be given to these regional economic hubs centred on five cities and their geographic spheres. They would be distinct from the existing Ontario North Economic Development Corporation in the sense that they would be a partnership, not between the major cities of the region, but between each city and its surrounding smaller municipalities to coordinate the development and delivery of economic development programs. These regional economic zones would help communities plan collaboratively for their economic, labour market, infrastructure, land-use, and other needs based on their respective strategic priorities.

It is no secret that Northern Ontario's economy is a constellation of subregional economies, each with specific assets, potentials, and needs. As an official put it during an interview, "It's very hard to speak of a region of northern Ontario in a strict economic sense, but some of us in the public sector keep pretending there is such a thing. Yes, there are some commonalities, but each subregion within northern Ontario is unique."[26] Although it is common to think of Northern Ontario as one region, this generalized view is not helpful for strategic and detailed policy governance. Moreover, the present scattershot approach of funding small projects in every town and village might be politically savvy for funding agencies in the region, but it is strategically misguided. Northern Ontario is a massive geographical space with 150 municipalities, the largest five of which account for over 50 percent of the population. The best option for the smaller communities is to create a regional institutional infrastructure that can be aligned with one of the five municipalities to project their interests effectively onto a region-wide policy platform.

The five subregions should be distinct from existing political constituencies because their only function would be to provide an institutional framework for detailed, strategic, and longer-term planning based on the aspects of the growth plan most relevant to each. Using the partnership agreement, MNDM, NOHFC, and FedNor could develop a joint permanent working group in each subregion to institutionalize collaborative governance alongside the municipal governments. These working groups would provide a space for deliberation and resource allocation in support of local initiatives aimed at time-specific and measurable transformative projects.

In Summary

The five concrete recommendations presented above for FedNor and its partner agencies would help Northern Ontario to build the institutional structures conducive to a more transformative, strategic, and collaborative process of economic development policy governance as the region attempts to build an economically diverse and globally competitive economy in the twenty-first century.

The institutional infrastructure that would emerge from these critical next steps would represent a radical reconfiguration of program design and resource distribution between the two levels of government in the region. It would mean joint delivery systems formalized in a federal-provincial partnership agreement that would have implications for the activities of a wide range of federal departments and provincial ministries in the region. Most important, the recommended institutional reconfigurations would effectively address the perennial problem of economic development program duplication and fragmentation among agencies, since the resources of the key agencies would be pooled into a shared stream of transformative investment in joint and longer-term projects.

25 Interviews with officials of the Chamber of Commerce, Sudbury, ON, June 2014.

26 Interview with an MNDM official, Sudbury, ON, June 2014.

Conclusion

The current mandate, structure, and approach to regional economic development of the Federal Economic Development Initiative for Northern Ontario have a detrimental effect on the organization's policy engagement in the region, especially as seen through the lens of the new regionalism and by juxtaposing Fednor's experience with those of Western Economic Diversification Canada in Manitoba and the Atlantic Canada Opportunities Agency in New Brunswick. Although FedNor is often referred to, erroneously, as an "agency," it is the only regional economic development entity whose mandate is restricted to that of program deliver. FedNor is not equipped with the legal, institutional, operational, or budgetary capacity of an agency to engage with and adapt to the social structure that forms its geographic or policy sphere.

Regional economic development is no longer about economic equalization for economically disadvantaged regions through redistributive programs. Rather, it is increasingly about creating the institutional infrastructure and making critical investments to mobilize a region's tangible and intangible economic assets in order for it to become more economically diverse and globally competitive. In recent years, FedNor has engaged in some rhetoric and program rebranding that bear traces of the new regionalism. It has made claims to strategic goals that include fostering economic innovation and competitiveness through support for the adoption, adaptation, and commercialization of new technologies and the promotion of community innovation initiatives.

FedNor's structural constraints, however, especially its tight policy and budgetary discretion, considerably limit its organizational capacity to purse these strategies credibly. These institutional tethers and budgetary constraints make FedNor's operations vulnerable to well-founded suspicions among its local partners, who generally view it as a half-hearted measure on the part of the federal government. The structural ambivalence that FedNor embodies is reflective of Ottawa's historic tendency to vacillate between acknowledging the peculiar challenges of Northern Ontario's resource-dependent economy on the one hand, and sweeping the region's concerns under the rug of the Southern Ontario manufacturing heartland on the other. Taking the regional peculiarities of Northern Ontario seriously requires a real agency, in the technical sense of the term — one with the operational autonomy and discretion to respond to the region's distinct challenges. Such an agency should possess the institutional, policy, and budgetary capacity to work meaningfully with its provincial counterparts, municipalities, and First Nations communities in a way that positions the organization to be a relevant partner in making investments and strengthening alliances and clusters among businesses, research institutions, and innovation centres in ways that are strategic, longer term, and responsive to the needs of Northern Ontario.

Over the past three decades, the world has witnessed the emergence of a global network of trading blocs. Within those trading blocs, economic regions such as Northern Ontario are becoming the fundamental building units of the global economy; they are defined not by political boundaries, but by concentrations of people and the market regions surrounding them. This transformation is part of a global revolution, an integral aspect of which — and possibly its key driver — is technology. New technologies are giving birth to a "new economy" that integrates the traditional industrial economy, based on hard manufacturing and natural resource exploitation, with a knowledge economy driven by innovation in products and processes (Broome 2007; OECD 2009). As a corollary to the new economy, the demands of effective participation have raised the requisite skills and education levels of people and regions.

Another significant element of this emergent revolution is the increasing discourse of ecological stewardship — that is, a growing awareness of the environmental implications of economic activities, thanks to increasing evidence that the ecological and economic are inextricably intertwined. Out of this growing sense of ecological crisis, however, has emerged a great opportunity for regions to develop new energy sources and new sectors in the production, transmission, and use of "green" products and processes.

Northern Ontario, like other natural resource–dependent regions in Canada, is experiencing this sweeping and dramatic revolution. Some of the changes in the region are manifested in resource depletion, the substitution of synthetics for natural commodities, the substitution of capital for labour in production, the relocation of natural resource industries to low-cost jurisdictions in the developing world, and low real prices on global markets, which, because of international trade agreements, are no longer mitigated by subsidies and trade protection.

In short, the revolution unfolding before our eyes is opening up a wide field of opportunities and possibilities. Regions that embrace strategic and transformational change in response to global developments will be better positioned to leverage and exploit these emerging opportunities. But the forces of creative destruction are fraught with danger for regions that persist in the old ways of doing things. In some regions, the public agencies tasked with facilitating local economic adaptation persist in using outmoded bureaucratic methods despite pervasive rhetoric about embracing strategic change in a revolutionary period. The questions that every economic region must contend with are twofold. First, what are the forces of change unfolding in the early twenty-first century, and what do they mean for the region? Second, are the institutions mandated to manage these forces aligned to work collaboratively or are they entangled in a maze of bureaucracy and trapped in organizational silos? How a region answers these questions will determine whether it pursues a path of resilience and adaptation or one of stagnation and decline.

No two regions will have the same answers. There are no economic blueprints. Rather, the answers will be found in setting up institutions that position a constellation of agencies from all levels of government to work in partnership with the private sector — that engine of creativity, wealth, and job creation. But it is not just about the private sector; it also about leveraging the forces of innovation and critical human capital development through close partnership with tertiary and research institutions and community organizations. Together, these actors from across various sectors must think and act strategically to make the right investments in the tangible and intangible infrastructure conducive to a knowledge-driven and competitive economy.

The old paradigm of regional economic development focused on allocating funds in the form of grants and subsidies to individual firms. This approach is no longer tenable. It has not worked in the past, and it is less likely to work in the current economic context. The new paradigm focuses on integrated and cross-sectoral investment in a region's innovative capacities. The literature of the new regionalism maintains that certain internal features explain fundamental differences between regions that have been successful in exploiting the opportunities of globalization and those that have not. These features point to certain local determinants that increase the capacity or competences of a region to anticipate and leverage the forces of global economic restructuring (Cooke and Schwartz 2007). Rather than seeing regions simply as geographical "spaces" or "containers" in which industrial processes unfold, the preferred approach would differentiate between regions on the basis of certain internal properties that account for varying degrees of dynamism and adaptive behaviour.

Principally, policy intervention aimed at building systems capacity for strategic and collaborative action must be directed toward first identifying the strengths and assets of a local economy, as well as its weaknesses and needs, and then prioritizing the building of a physical, digital, and institutional infrastructure to maximize its competitive advantages in specific sectors. It also means embracing a comprehensive and integrated strategy that not only invests in the infrastructure for R&D, but also deploys the knowledge generated and builds the requisite skills of the labour force through human resources training directly linked to the targeted sectors.

The new regionalism also requires collaborative and coordinated governance in the form of joint delivery systems. The role of public agencies is not merely to screen applications passively for funding, but also to provide strategic and collaborative leadership in facilitating the flow of ideas and investments across sectors of the economy. In this regard, regional development agencies such as FedNor are best seen as hybrid organizations, or lynchpins between the economy and society, constantly engaged in "local social knowledge management" exercises (Bradford and Wolfe 2010). These exercises have the potential to identify and cultivate a region's key assets and link them together through the value chain of knowledge generation, dissemination, commercialization, and the bridging of capital, land, and machinery, research, entrepreneurship, and skilled labour.

Against the backdrop of these general trends, this paper has put forward concrete recommendations for transformational, strategic, and collaborative institutional infrastructure that supports longer-term, time-specific, and sector-wide investments in the economy of Northern Ontario. The recommendations identify specific measures to enhance the region's capacity to adapt to the constantly changing currents of a knowledge-driven and globalized economy. The ultimate success of development in Northern Ontario will be measured by the degree to which the region is globally competitive, economically diverse, and ecologically sound. It will be marked by a people with the skills and education to match the driving sectors of the modern knowledge-based economy. It will be characterized by a sense of partnership with, and inclusion of, Aboriginal peoples, who, by current demographic trends, will constitute an increasing proportion of the region's population, entrepreneurs, and workforce. Finally, Northern Ontario's successful economic development will be measured by the integrity of its transportation and communications infrastructure, the reliability and affordability of its energy, the resilience and confidence of its communities, and the competence of its governing institutions.

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Who We Are

Internally, Northern Policy Institute seeks to be as "flat" as possible with much of the work contracted out to experts in the fields under consideration. This approach avoids the risks associated with large bureaucratic organizations. It also allows Northern Policy Institute to flexibly respond across a wide range of issues while also building up in house and regional expertise by matching bright young minds on temporary placements and project specific work with talented experts who can supply guidance and coaching.

Some of the key players in this model, and their roles, are as follows:

Board: The Board of Directors sets strategic direction for Northern Policy Institute. Directors serve on operational committees dealing with finance, fundraising and governance, and collectively the Board holds the CEO accountable for achieving our Strategic Plan goals. The Board's principal responsibility is to protect and promote the interests, reputation, and stature of Northern Policy Institute.

CEO: Recommends strategic direction, develops plans and processes, and secures and allocates resources to achieve it.

Advisory Council: A group of committed individuals interested in supporting, but not directing, the work of Northern Policy Institute. Leaders in their fields, they provide advice on potential researchers or points of contact in the wider community.

Research Advisory Board: A group of academic researchers who provide guidance and input on potential research directions, potential authors, and draft studies and commentaries. They are Northern Policy Institute's formal link to the academic community.

Peer Reviewers: Ensure specific papers are factual, relevant and publishable.

Authors and Research Fellows: Provide independent expertise on specific policy areas as and when needed.

Standing engagement tools (general public, government stakeholders, community stakeholders): Ensure Northern Policy Institute remains responsive to the community and reflects THEIR priorities and concerns in project selection.

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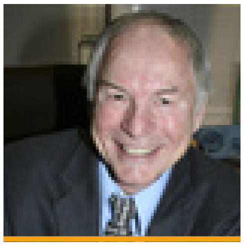
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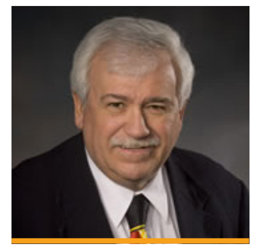
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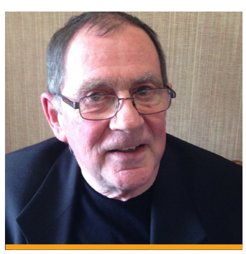
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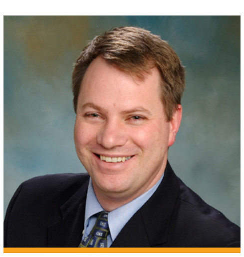
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