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Balancing resilience and adaptability: regional development policy governance in Northern Ontario and Manitoba

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Regional economic development has proven to be one of the enduring features of Canada's policy landscape since the 1960s. Administrative reforms introduced in the late 1980s resulted in the creation of relatively autonomous regional development agencies to manage and deliver economic development policies tailored to the distinct needs and challenges of Canada's disparate regions. Since the administrative reform just over two decades ago, regional development policy governance in Canada has undergone noticeable changes. The implications of these transitions are analyzed with a focus on the region of Northern Ontario and the province of Manitoba. The discussion also draws significant lessons from the Canadian case to enrich our understanding of public policy governance and regional development in complex multi-layered systems around the world.

Le développement économique régional s'est avérée être l'une des caractéristiques durables du paysage politique du Canada depuis les années 1960. Les réformes administratives introduites dans la fin des années 1980 a abouti à la création de relativement autonomes les agences régionales de développement à gérer et à offrir des politiques de développement économique adapté aux besoins et des défis distincts de régions disparates du Canada. Depuis la réforme administrative un peu plus de deux décennies, la gouvernance régionale des politiques de développement au Canada a subi quelques changements notables. Les implications de ces transitions sont analysées avec un accent sur la région du Nord de l'Ontario et la province du Manitoba. La discussion attire également des leçons importantes de la jurisprudence canadienne pour enrichir notre compréhension de la gouvernance des politiques publiques et du développement régional dans un complexe système à travers le monde.

In Canada, interprovincial transfers and regional economic development policy-aimed at reducing regional differences and disparities—have been around since Confederation (1867). Embodying the historic tensions of federalism and regionalism in Canada,¹ regional development policy is guaranteed under the Constitution Act of 1982,2 making it a permanent fixture of policy governance and a legal and moral commitment of the federal government now rooted in constitutional law.3 Similar concerns with regional development can be found in other industrialized countries. In the European Union (EU), regional economic development has much policy salience as the EU struggles to adapt its economy to seismic global transformations over the last two decades.⁴ Other nations, such as Australia and the US, are also federal systems. All of these jurisdictions have been engaged over the past two decades in policy activities to reinvent selected local regions as viable economic clusters within a globalizing world.

Three distinct periods mark the evolution of regional development in Canada: 1867 to 1960, 1960 to 1987, and post-1987. The period before 1960 was marked by the creation of unco-

ordinated boards and agencies. After 1960, the federal government became more involved in the systematic programming of regional development projects. A major administrative restructuring of regional economic development policy in Canada in 1987 led to the creation of what are today five regional development agencies.5 These new agencies are part of a trend toward larger regions for developmental programming in Canada.6 The agency responsible for Northern Ontario was the Federal Economic Development Initiative for Northern Ontario (FedNor). The Western Economic Diversification agency (WD) was made responsible for the Western provinces, including Manitoba. The Atlantic Canada Opportunities Agency (ACOA) was created for the Atlantic Provinces. In 1991, a fourth agency—FORDQ, now named CEDQ—was established for Quebec. More recently (in 2009), a fifth agency - the Federal Economic Development Agency for Southern Ontario - was created.

The 1987 restructuring, partly necessitated by allegations (mostly from provincial governments) about overly centralized federal agencies located in Ottawa, was also considered to provide certain advantages associated with decentralized administration. The expectations of the federal government were that programs would be delivered more quickly and at lower costs, and that they could be modified to reflect local circumstances. The 1987 restructuring was thought, by both the federal and provincial governments, to reflect the emergent dynamics of regional development governance around the world. Since the 1980s, growing pressures from citizens for greater local governance and community participation were increasingly in evidence. These trends are often manifested in institutional shifts towards decentralization and citizen co-production.⁸ Policy decentralization towards lower jurisdictions and increasing involvement of organized citizen groups result in complex processes of collective action with institutionalized power structures from various levels and loci.9

This paper uses the framework of multilevel governance to analyze the implications of the administrative reform of 1987 for the implementation of regional economic development policy in Canada, focusing on the region of Northern Ontario and the province of Manitoba. These two provinces were selected because they represent two regions that share a focus in resource extraction but have experienced different implementations of regional development policy. The two cases represent regions with distinct challenges in Canada. Northern Ontario is a socioeconomically marginalized region in Central Canada. Manitoba is a Western province with concentrated economic activities in its commercial centre-Winnipeg-but stagnation in its rural and northern areas. The rest of the discussion then analyzes challenges and prospects in regional economic development policy governance in Northern Ontario and Manitoba.

To that end, the next section develops an analytical framework drawn from the governance literature in general, and multilevel governance in particular. Data for the study were collected through a combination of government document reviews and semistructured interviews with about thirty public officials well as officials in the agencies mentioned in the analysis. Data were collected over a period of two years, from February 2009 to March 2011. The analysis concludes with lessons that can be drawn from the Canadian case to enrich understanding of regional economic development policy governance in complex multi-layered systems around the world.

Multilevel governance

An emergent theme in the regional development literature is the complexity of policy governance in multilevel jurisdictions. Drawing mainly from the fields of comparative public policy and public administration, multilevel governance identifies vertical and horizontal dimensions. The vertical dimension refers to intergovernmental relations among various tiers of policy jurisdictions. The horizontal dimension

relates to the relationship between the state and policy stakeholders in society.11 In complex multilevel governance systems such as Canada, the United States, Australia and the EU, authority is dispersed between orders of government (local, regional, provincial, national and supra-national) as well as across loci and sectors that include markets and civil society. While there is a growing appreciation for the imperatives of coordination of policy governance across these multiple levels, less attention has been given to how different political systems actually adapt their institutional and policy designs to effectively operate in complex multilevel governance systems.

In Canada, although the Constitution grants de-jure responsibility for economic development policy to provincial governments, in practice, the federal centre (in Ottawa) has been heavily involved in supporting economic development activities in its constituent units in the various provinces.¹² Although municipalities are 'creatures' of the provinces in Canada, in reality, they have assumed greater policy responsibility and attendant policy autonomy and discretion, including the governance of local economic development.¹³ Local government interest in the social, economic, and environmental issues associated with urban and regional planning is not new. Local governments are now increasingly able to assert greater authority in these matters. Emergent ideas about local clusters of regional economic engines as the new economic driver of national economic development lend legitimacy to the demands of municipalities. As well, their politics have become sophisticated and most local governments in Canada have reached a scale (through amalgamation) where they can have the professional staff to engage with other levels of government.

Finally, even though public agencies have a mandate and responsibility for policy domains such as economic development, non-governmental organizations and citizen groups have struggled to fully participate in the process of economic development policy formulation and implementa-

tion.¹⁴ Each of these nodes of governance suggests different and increasingly assertive manifestation of policy engagement. It is important, therefore, to understand the nature and process of institutional and policy adaptation necessitated by the imperatives of coordination of policy governance across these multiple levels and loci within the specific context of a given political system.

Within the field of public policy research, the past decade has witnessed a transition in the analytical framing of policy implementation processes from 'management' to 'governance'. Although the concept of governance has escaped clear definition, it generally refers to a wide variety of selfsustaining networks (in advanced democracies) through which the state shares power and administrative responsibility with non-state policy actors. The governance literature embraces a range of perspectives, from those that identify a dominant public sector constrained by a network of organized societal actors within a relatively complicated policy subsystem¹⁵ to those that perceive highly complex systems in which adaptive abilities are required of all members within a network (including public agencies).¹⁶ This adaptive process has been described as "co-evolution".17

Some of the major analytical frameworks in the governance literature include network governance,18 governance networks, 19 and collaborative management.20 These analytical frameworks overlap in many ways, and have been further grouped under themes such as multilevel governance,21 transition management,22 and complex adaptive systems.23 Thus, a central concern of governance perspectives is to explain how policy subsystems, often consisting of dynamic and complex actors from several institutional levels and loci within a political system, interacts with and impinges upon the policy mandates and instruments of public agencies operating in multilevel governance systems.24

The above-mentioned transition reflects transformations in both gov-

ernment and society especially in industrialized democracies. ²⁵ Public policies are increasingly being implemented in concert with organized non-state actors in inter-organizational, collaborative or partnership arrangements. ²⁶ These new inter-organizational partnerships are not merely a passing fancy but are likely to be permanent features on the landscape of policy implementation. ²⁷

From the above review, the central concern shared by the governance literature is to understand how public agencies interact with their external environment often characterized by complexity, multiple actors and various levels of authority in the delivery of policies. A common thread flowing from this shared concern is the need to re-conceptualize power and authority among public and non-state organizations in the policy environment.²⁸ A constant challenge has been the tensions in federal systems manifested in intergovernmental jurisdictional rivalries and contestation.²⁹ Observations have been made about shifts from hierarchical and cooperative modes towards competitive mode of multilevel governance among the component jurisdictions of a federation or region.³⁰ Enthusiasm about outcomes of devolution in multilevel systems is tempered by factors such as local competencies, policy community and political conditions within each of the regions.31 Regional economic development policy governance is thus characterized by joint action across institutional boundaries in multilayered systems, and such contexts are potentially rife with issues of contestation over policy goals and jurisdictional domains.

The governance literature also calls attention to the emergent phenomenon of third-sector engagement in co-production. In this literature, the institutional and ideational forces underlying the shift in policy implementation can be understood as causing a transition from simply delivering and directing to one of facilitation, coordination and empowerment. Building legitimacy for effective policy intervention requires public agencies to identify the main actors within the

field and their specific demands, and then seek ways to coordinate the various bases of power. The structure of support and established feedback loops that public agencies maintain with local organized actors are, therefore, crucial factors of implementation success. Through the lens of the multilevel governance framework, one can make two interrelated propositions. First, the political legitimacy and coordinating capacity of public agencies are indispensable elements of policy implementation. Second, policy implementation in multilevel governance systems can be seen as a complex mix of hierarchy and collaboration. The two cases in the next section seek to verify the effectiveness of this framework.

FedNor in Northern Ontario

Northern Ontario is a region with a vast land mass and small population. Although it covers approximately 800,000 square kilometres, representing almost 90 percent of the Ontario land mass, the region has a total population of only about 786,500 - about six percent of that of the province.³² Five centres dominate its economy: Sudbury, Thunder Bay, Sault Ste. Marie, North Bay and Timmins. The history and structure of industry in the region confirms a trend of persistent decline in the mainstays of the economy (mostly primary resource industries), with a gradual shift towards service industries but a decline in industrial activity and a traditional weakness in secondary manufacturing and service industries (the presence of pulp and paper mills notwithstanding).³³ The picture of industrial stagnation and, even, decline is reflected in socioeconomic indicators like high unemployment rate, low average income, and net outmigration relative to the rest of the province.34

Before 1987, the federal government's economic development initiatives for Northern Ontario were indirect, with funds for rural and northern development in the region channelled through the provincial government.³⁵ With the 1987 restructuring (and the creation of FedNor), the federal gov-

ernment decided to deliver its own economic development programs directly.³⁶ The agency's mandate is to promote economic growth, diversification, and job creation in Northern Ontario.³⁷

FedNor has two main programs, the Northern Ontario Development Program (NODP) and the Community Futures Program (CFP). The NODP seeks to promote economic development and diversification by providing repayable and non-repayable contributions to not-for-profit organizations and small and medium-sized enterprises (SMEs). It is an all-embracing program, covering almost every sector. The other component of FedNor's programs is the Community Futures Program. This program supports 24 Community Futures Development Corporations (CFDCs) in Northern Ontario. The CFDCs are part of a larger national program supporting community economic development and small business growth in disadvantaged regions.

One of the distinct features of FedNor that initially shaped the agency's model of economic development policy implementation is that whereas other regional development agencies like ACOA and WD enjoy considerable departmental autonomy, FedNor is largely subsumed under the direct purview of Industry Canada.³⁸ This structural characteristic of FedNor means that although the agency is, in principle, mandated to work with the private sector, community partners and other organizations, it lacked policy discretion to sustain credible partnerships at the frontlines. This constraint was significant because in a federal system such as Canada, the success of policy intervention is largely determined by the imperatives of multilevel governance, consisting of vertical (inter-governmental) and horizontal (state-society) dimensions of collective action.

In the early 1990s, sentiments of disaffection with FedNor's implementation model began to surface from isolated quarters in the region. The Ontario Ministry of Northern Development and Mines (MNDM) (whose Conteh

name has changed several times over the past five decades) has been the provincial government's main conduit of economic development policy intervention in Northern Ontario.³⁹ In fact, since the late 1960s successive governments in the province have been involved in promoting economic diversification in Northern Ontario. Although the Canadian Constitution grants de-jure responsibility for economic development policy to provincial governments, in practice, this responsibility is shared between Ottawa and its constituent provincial counterparts.40 Before 1987, most federal resources for economic development in Ontario's socioeconomically disadvantaged regions were channelled through MNDM. This meant that MNDM enjoyed a rather hegemonic and unrivalled status in economic development program development and delivery. Thus, MNDM viewed Fed-Nor's mandate and activities with curiosity. And inasmuch as FedNor wanted its mission to be consistent with the core values and interests of the local environment, the agency took note of MNDM's jurisdictional sensitivities.

Although being merely an agency with little or no operational discretion, FedNor had to work around its structural constraint in order to incorporate intergovernmental coordination with MNDM. For MNDM, however, intergovernmental coordination meant that FedNor had to incorporate considerable elements of the former's policy vision into the latter's development programs.41 This would mean that policy direction for FedNor cannot simply come from outside the region. Within such a context, the adaptive abilities of FedNor became important to the success at navigating agency's through intergovernmental tensions. The challenge presented to FedNor is to balance the imperatives of its relationship with Industry Canada while at the same time addressing jurisdictional sensitivities at the frontlines of its operations. Viewed through the lens of the analytical framework discussed earlier, FedNor had to make a delicate balance between the imperatives of hierarchy and collaboration.

What makes intergovernmental coordination even more challenging, from FedNor's standpoint, is that Canadian federalism makes the provinces the primary players in regional economic development.⁴² Major areas where the provinces have flexibility in developing policy include the determination of which resources will be developed, how, to what extent and by whom; and the extent of local public input into policies and plans, and of participation in implementation. A long history of province-building in Canada has led to the development of strong, wilful provincial states bent on pursuing provincially defined economic strategies that sometimes seek to compete with or displace the federal government wherever and whenever possible.43 The implication of this political context suggests the need to not only appreciate the imperatives of coordination of policy governance across these multiple levels but also pay close attention to how public agencies within a given political system actually adapt their policy and program designs to effectively operate in the emergent complexity of multilevel governance systems.

Other challenges to FedNor's model of program delivery emerged from municipalities. Around the late 1980s, ideational shifts in the conceptualization of economic development made community economic development prominent.44 Paradoxically, local regions seemed ever more eager to manage their own economic destinies in the face of globalization.⁴⁵ In Northern Ontario, major municipalities such as Sudbury, Thunder Bay, Sault Ste. Marie and Timmins began to take assertive stances in demanding that the provincial government rethink its engagement with local entities.⁴⁶ This development is part of a political and institutional transformation in Canada and abroad whereby municipalities have been assuming greater policy responsibility and attendant policy autonomy and discretion, including the governance of local economic development.

Municipalities in the region, therefore, no longer wished to be treated as simply "clients" of economic development programs. They viewed themselves as better equipped in terms of organization, knowledge and technology to serve as conduits of economic development in the region.⁴⁷ Municipalities perceived themselves as closest to the problems of local economic development, and therefore believed they should be viable partners with insights considered germane to policy development, program design and project delivery. Consequently, municipalities increasingly expect to be part of any policy and governance structure aimed at addressing the ills of their regional economy.

Furthermore, other developments were emerging outside the institutional boundaries of the public sector. In particular, Aboriginal communities and other grass roots groups such as the Thunder Bay Economic Justice Committee and the Food Action Network, among others, have been increasingly demanding a role in the region's economic development planning framework. Aboriginal communities represented through their treaty organizations within Northern Ontario are increasingly demanding to be treated as distinct jurisdictional entities for the purpose of policy governance.48 Their assertiveness is accentuated by the fact that significant numbers of Aboriginal people are relocating to the urban centres of Sudbury, Thunder Bay, Sault Ste. Marie, Timmins, Kenora, and Sioux Lookout as they seek further education and employment opportunities. Their participation is thus deemed crucial to any forward-thinking approach to the economy of the region.⁴⁹ A recent report⁵⁰ sponsored by the Ontario government concludes that there is a strong recognition within the region that all future development initiatives by higher levels of government, municipalities, businesses, industries and other stakeholders must be carried out in concert with the First Nations.

The expectations and demands of Aboriginal and other local community groups mentioned above are deeply enough rooted in the fabric of Canadian politics for FedNor not to view them as just a set of variables to be manipulated.⁵¹ As the emergent gov-

ernance discourse suggests, even though public agencies are granted the official mandate and responsibility for policy domains such as economic development, these mandates are increasingly shared with governmental organizations and active citizen groups. Building legitimacy for effective policy intervention in a region with First Nations communities requires a careful identification of their existing community governing structures, and then coordinating with the various bases of power.

The private sector also added to the complexity of FedNor's policy environment by maintaining that businesses have increasingly been thinking in terms of the "market of regions" in their investment calculations.⁵² Like municipalities, the private sectorthrough its umbrella chambers of commerce (the Northeastern Ontario Chamber of Commerce and the Northwestern Ontario Associated Chamber of Commerce)—viewed its participation in the governance infrastructure of the region as crucial to its ability to prosper. The Northwestern Ontario Associated Chambers of Commerce (NOACC) maintains that domestic and international market pressures required a framework of regional development that goes beyond disparate project funding.53 Establishing more permanent feedback loops between public agencies and the private sector, the argument goes, would be conducive to inter-sectoral and longer-term economic planning for the region. This trend is yet another manifestation in institutional shifts towards decentralization and citizen production.

Each of the above-mentioned emergent nodes of collective action suggests different and increasingly assertive manifestation of policy engagement. As the governance literature suggests, it is important, therefore, to understand the imperatives of coordination of policy governance across these multiple levels and loci within the specific context of a given political system. A central concern of governance perspectives is to explain how policy subsystems, often consisting of dynamic and complex actors

from several institutional levels and loci within a political system, interacts with and even impinges upon the policy mandates and instruments of public agencies operating in multilevel governance systems.

In the wake of these changes to its policy landscape, FedNor recognized the need to revisit its regional development policy framework. Part of the adaptation by the agency was a de facto restructuring of its intraorganizational processes that allowed for greater autonomy from Industry Canada in the early part of this decade. 54 FedNor's increased operational autonomy by the turn of the millennium granted it some authority to formulate or adapt policies.55 It was a significant development, allowing for a more credible pursuit of community partnership and close consultation with other agencies. FedNor's adaptation to the exigencies of the local environment cannot, however, be seen as a complete break from the policy influence and, even, control of Industry Canada.⁵⁶ Rather, the agency's recent emphasis on multi-actor negotiations and interorganizational implementation models can be seen as a delicate mix of hierarchy and collaboration.

In 2009, for example, the Government of Canada committed \$9.5 million through FedNor's Northern Ontario Development and Community Futures Programs to support economic development throughout Northern Ontario.⁵⁷ Although broad policy directions for use in economic development accompanied the money, the rather vague terms of the directives allowed for local flexibility. FedNor's framework of implementation included a distinct emphasis on working with Aboriginal and other community groups, as well as with the private sector, to "develop a responsive, business-ready infrastructure" for the region.58

The gains from operational flexibility and adaptation have been more than symbolic for FedNor. The agency seems better positioned to deal with yet another major development that started in the middle of this decade. In 2005, the Ontario government adopt-

ed a broader and more ambitious vision of regional economic diversification for Northern Ontario.59 Under MNDM's leadership, the Growth Plan (now published) for Northern Ontario was set in motion by the provincial Places to Grow Act (2005). The strategy calls for comprehensive planning across all the sectors in the region, with a long-term projection of about 25 years. An administrative framework supporting the Growth Plan has also been established, consisting of an inter-ministerial forum known as the "G-North Ministers Table".60 This special committee of 16 provincial Cabinet ministers, with mandates related directly to issues of economic development in Northern Ontario, coordinates the Ontario government's approach to policy, planning and direction-setting in the region.

The aforementioned policy assertiveness of the Ontario government in the region has been unfolding rapidly, gaining great momentum and much publicity. Whether FedNor views these developments as a threat is unclear. What is clear is that FedNor officials have participated in consultation and planning conferences and have articulated their support for a long-range and more coordinated strategy as espoused by MNDM.61 Such a public show of support for MNDM's leadership may seem at odds with a public agency's jurisdictional impulse and ambitions, but it is a strategic investment in building legitimacy within its external environments by forming a united front with other public agencies. FedNor cannot be seen to be opposed to these developments. Building legitimacy for effective policy intervention requires public agencies to identify the main actors within the field and their specific demands, and then seek ways to coordinate the various bases of power. As the literature review earlier in the discussion suggests, the structure of support and established feedback loops that a federal agency such as FedNor maintains with lower levels of government as well as local organized actors are, therefore, crucial factors of implementation success.

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Ironically, the new framework also seems consistent with FedNor's operational interest. It allows public agencies across the levels of government to overcome program fragmentation and duplication resulting from Canada's long history of intergovernmental rivalry. Criticisms about duplication, fragmentation and waste in the past have often hurt the image of all public agencies. 62 FedNor now promotes its programs as part of a broader strategic investment in the region, complementing efforts of the Growth Plan and other initiatives to help communities make the transition to a diversified economy. FedNor's willingness and ability to adapt to these emergent transformations, however, continues to be tested. One major constraint for FedNor is that its narrow discretion as a field agency under Industry Canada implies that there are limitations to its ability to adapt to the growing currents of wilful provincialism and assertive community participation in Ontario.

WD's intergovernmental contracts with Manitoba

The 1987 restructuring that gave birth to FedNor in Northern Ontario also resulted in the creation of the Western Economic Diversification Agency (WD). FedNor is an agency within a federal department; WD is a department of the Government of Canada under the provision of the Western Economic Diversification Act. 63 The agency's primary mandate under its founding legislation is to improve the long-term economic competitiveness of Western Canada and the quality of life of its residents by supporting a wide range of initiatives targeting project activities in the areas of innovation, business development and community economic development.

WD was considered a response partly to the administrative and political discontent expressed by the western provinces with respect to the centralized administration of regional development and the 'disproportionate' focus of regional development policy on Atlantic Canada.⁶⁴ The primary tool of regional economic development in

Manitoba has been the bipartite framework agreement. What used to be the General Development Agreements, Economic and Regional Development Agreements, and Cooperative Agreements before 1987 became the Canada-Manitoba Economic Partnership Agreement in Manitoba. 65

The MEPA in Manitoba became an institutionalized series of five-year Economic Partnership Agreements by which the Canadian government enters into a form of contractual commitments with the western provinces. As maintained earlier, although the Canadian Constitution grants de-jure responsibility for economic development policy to provincial governments, in practice, this responsibility is shared between Ottawa and the provinces. The past three MEPAs have been signed by the federal Minister of the Environment (representing the Government of Canada) and the Manitoba Minister of Competitiveness, Training and Trade, representing the provincial government. A Management Committee (made up of two members or Co-Chairs, one appointed by the federal and another by the provincial minister) is responsible for administration and management of the Agreement.

Using contractual documents to set expectations for and commitment to intergovernmental collaboration, in theory, provides a mechanism for managing a complex policy field involving several jurisdictions.⁶⁶ As the analytical framework of the present discussion indicates, regional economic development involves joint action across institutional boundaries in multilayered systems, and such contexts are potentially rife with issues of contestation over policy goals and jurisdictional domains. The MEPA contracts provide a unified, co-financed, and multi-year funding mechanism for collective intervention and shared responsibility. The expectation is that a single fund would help clarify spending and financial incentives. Multi-year budgeting, it is hoped, will reduce uncertainty in the planning process and ensure continuity.67

Compared to FedNor's earlier experience in Northern Ontario, WD seemed to have enjoyed greater intergovernmental joint action in the late 1980s and early 1990s. WD's contractual model provided a mechanism for forging a more collaborative working relationship with the government of Manitoba. The contracts identify in advance the mandates and resources of WD and its relationship with its wider institutional and political environment. The MEPAs provided terms of commitment with some measure of flexibility that allowed for a coordination of policy delivery in ways that are not only technical, but also political.

By the turn of the millennium, however, the Manitoba government began defining the province's policy vision in more ambitious terms with longer-range planning. In 2003, the Manitoba government released the province's "Action Strategy for Economic Growth," which became the official document that lays out the province's vision for future economic development.⁶⁸ The Action Strategy contains a 'Six-Point Action Plan' that involves, among other things, investing in nurturing entrepreneurship, developing small and mid-sized businesses, undertaking innovation research that builds on Manitoba's economic strengths, and connecting communities to ensure that all Manitobans have the opportunity to participate in economic development activities. This trend was reflective of an institutional shift towards greater policy activism and attendant decentralization in the province.69

As the Manitoba government articulated its new economic development strategy, the province was confronted with demands by northern and rural residents to eliminate the constraints on their participation in the market governance processes in the province.70 Other sources of increasing pressure include the activities of the Manitoba chapter of the Canadian Centre for Policy Alternatives (CCPA) and the Manitoba Eco-Network (MEN), a network of groups dedicated to issues of economic justice and equal opportunities. Given the provincial government's new narrative

of a comprehensive and inclusive economic development policy for all sectors and regions of the provincial economy, the participation of local government and non-state actors is considered an intrinsic element of the province's governance arrangements.⁷¹

One of the examples of a positive response to the demand for new governance arrangements was the Aboriginal Summit in 2000 that highlighted the many ways in which Manitoba's growing Aboriginal population represents an important part of the province's economic future.⁷² Some of the key initiatives that have emerged from this partnership include the Manitoba International Gateway Council Initiative, which seeks opportunities to use Manitoba's unique northern rail route and deep-sea port, in the Port of Churchill, to develop trade links with northern Europe and Asia.

The Manitoba private sector was also embracing (and exploiting) the discourse of inclusive economic development, as is evident in their desire to be more involved in the strategic governance framework articulated by the province.⁷³ The successful performance of the province's economy over a period of two decades has strengthened the confidence of the private sector.⁷⁴ The Business Council of Manitoba was established just over twelve years ago as a consolidated forum for projecting the voice and inclusion of the private sector in public discussions involving the province and the federal government. Rather than being passive beneficiaries of government grants in the regions, the private sector increasingly views itself as a legitimate and indispensable partner within a collaborative governance framework within the province. In particular, through regular conferences, policy papers, and inter-organizational networks, the Manitoba private sector has been pushing to be part of joint governance arrangements for longerterm economic diversification strategy based on nurturing knowledge-based industries as an area of expansion. The Manitoba government was in turn eager to reciprocate the private sector's

desire for closer participation in market governance.⁷⁵

Another dimension of the ideational shift towards a more assertive and inclusive economic development policy in Manitoba is the strategic importance of the city of Winnipeg as the critical locus of market governance in the province.⁷⁶ With a population of just over 700,000, Winnipeg claims about sixty percent of the province's residents. Similar to events in Northern Ontario, municipalities have been assuming greater policy responsibility and attendant policy autonomy and discretion, especially in the governance of local economic development. The unique demographic concentration of Manitoba's population (of about seventy percent of the province's residents) within three hours' drive of Winnipeg adds to the strategic significance of municipal level jurisdiction in the new governance environment. The notion of nurturing innovation clusters in knowledge-based economies emphasizes 'local' aspects of social capital and knowledge networks between various institutions in academia, the private sector and nongovernmental research agencies.77

Policy decentralization towards lower jurisdictions and increasing involvement of organized citizen groups result in complex processes of collective action with institutionalized power structures from various levels and loci. The implications of this shift underscore the growing complexity of policy governance in multilevel jurisdictions such as Canada. The central concern shared by the governance literature, as indicated earlier in the analytical framework, is to understand how public agencies interact with their external environment often characterized by complexity, multiple actors and various levels of authority in the delivery of policies. A common thread flowing from this shared concern is the need to re-conceptualize power and authority among public and nonstate organizations in the policy environment.

As the federal government's main conduit of economic development intervention in the province, the WD's relevance and survival seemed to rest on its ability to adapt to the exigencies of the above-mentioned ideational and institutional pressures in Manitoba. In the Manitoba context that emerged after 2000, the imperative for the WD's adaptation was the evident leadership of the provinces in defining the policy vision and governance framework of regional development. WD's relevance in Manitoba was gradually becoming more symbolic than real. Inasmuch as effective multiactor policy implementation often requires agreed common goals, joint decision-making over more than the short term, cross-sectoral work, and shared responsibility and accountability structures, the more manageable bilateral context of federal-provincial economic partnerships before 2000 took on a more complicated texture involving multiple actors. Managing the MEPAs would involve more coordination that is costly from WD's organizational standpoint.

An interesting adaptation of the WD to the aforementioned trends in Manitoba is the agency's emphasis on fostering learning networks among multiple policy stakeholders. In the 2003 MEPA, the contractual document emphasizes mutual learning through joint monitoring and evaluation mechanisms.⁷⁸ Previous MEPAs were less emphatic about "learning" and more concerned about measuring performance.⁷⁹ The Agreements also began to emphasize the need to create 'room for improvement,' and viewed both successful and unsuccessful experiences as triggering 'motivation for further improvement.' Viewing the federal-provincial partnership agreements as instruments for governing learning networks thus reflects the increased complexity of this new environment in which a particular agency's performance is difficult if not impossible to measure. The institutional and ideational forces underlying the shift in regional development policy governance in Manitoba can be understood as causing a transition in WD's preoccupation from simply delivering and directing to one of facilitation, coordination and empowerment. The agency's political legitimacy and coordinating capacity in the region, and its balance of hierarchy and collaboration became critical determinants of its operations.

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

The policy time frames of the MEPA after 2000 tend to reflect medium-to-longer-term goals rather than short-term direct assistance to businesses in the private sector. There seems to be a greater focus on softer goals, such as support for institutional capacity building (like research capacity, for instance) geared towards longterm economic productivity and competitiveness.⁸¹ One of the problems with focusing on soft goals, however, is that accountability becomes blurry, and the very notion of the contract tends to look dubious. The MEPA is no longer viewed as a proposal-based program whereby the public can apply and access funds for business projects, but rather as supportive of programs involving what are referred to as strategic investment decisions alongside the private sector, the non-profit sector, public sector organizations, universities and research hospitals. WD's investment in building legitimacy for effective policy intervention became directed at identifying the main actors within the field and their specific demands, and then seeking ways to coordinate the various bases of power. The structure of support and established feedback loops that WD could maintain with local organized actors are, therefore, crucial factors of its policy intervention in the region.

Given the federal government's historic power struggle with the provinces for visibility and for credit for its regional development programs, pre-

serving federal agencies' organizational integrity and policy mandates is an intrinsic part of the nature of federal politics in Canada. The direction being taken by the WD since 2000, however, seems to amount to dissipation of its agency identity and policy control. It appears to be conducting collaborative management with the province of Manitoba from a position of relative weakness compared to a little over a decade ago.

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

On the other hand, even though recent developments appeared to have dissipated some of WD's control over its perceived constitutional mandate and legislated policy domain, nevertheless the legitimacy of the agency's policy intervention in Manitoba appears to have survived environmental turbulence by its willingness to invest in building some degree of institutionalized joint policy action with local partners. In this regard, WD remains a part of the inner circle within an apparently complex policy subsystem. And finally, the current complexity of horizontal collaborative market governance consisting of multiple partners in Manitoba serves the WD's organizational interest in the sense that in addition to drawing from the strengths of many perspectives, there are many heads to share the blame when policy expectations exceed outcomes, as they often do.

Discussion

One major difference between Fed-Nor's experience in Northern Ontario and WD's in Manitoba is that whereas WD enjoys considerable departmental autonomy, FedNor is merely a semi-autonomous agency whose mandate is largely subsumed under the purview of Industry Canada. While FedNor was ushered into a tumultuous operating environment at its inception, WD seemed to have enjoyed a more collaborative intergovernmental policy action in the initial years (particularly the late 1980s and early 1990s).

Notwithstanding the differences in their organizational autonomy and initial environmental conditions, subsequent events in the two regions pose similar challenges for the two agencies. Sentiments of disaffection with the two federal agencies' policy ambitions began to surface from isolated quarters in the respective regions. In both regions, the provincial government and their major municipalities seem ever more eager to manage their own economic destinies in the face of globalization and the attendant shifts toward a knowledgebased economy. Also, local community groups and Aboriginal organizations were becoming more assertive as distinct jurisdictional entities. Furthermore, increasingly mobilized private sector interests in the two regions added to the complexity of the policy environments.

As the federal government's main conduits of economic development intervention in the respective regions, WD and FedNor's relevance and survival rest on their ability to adapt to the exigencies of ideational and political changes within the regions. In particular, joint decision-making and shared responsibility and accountability structures took on a more complicated texture involving multiple actors across several levels of jurisdiction. For the federal agencies, the opportunity cost of effective adaptation under such conditions is giving up some visibility and credit for their regional development programs.

The levers of power over the past decade have arguably shifted to pro-

vincial and local authorities and other regional actors in light of their greater knowledge of local economic realities, and by virtue of proximity, their greater legitimacy to coordinate the multiple emergent bases of power within the regions. Nevertheless, being the federal government's main conduits of economic intervention in the regions, WD and FedNor remain significant players whose program preferences are given serious consideration by local partners. Because they carry the institutional authority of federal agencies, FedNor and WD continue to draw on symbolic or "soft" power to influence the direction of program development and implementation in the province.

Thus, by the mid-1990s, Canada's federal agencies mandated with the policy task of managing regional development in the country had to navigate the growing complexity of regional assertiveness and intergovernmental contestation in Canada. Given that Canadian federalism gives primacy to the provinces in the area of regional economic development, the imperatives of operational flexibility and adaptation proved to be more than symbolic for WD and FedNor. First, the political legitimacy and coordinating capacity of these two public agencies became indispensable elements in the success of their policy implementation. Second, as demonstrated by the experience of the two agencies since about the mid-1990s, regional development policy implementation in multilevel governance systems can be seen as a complex mix of hierarchy and collaboration. Judging by the trend of events in Canada and around the industrialized world⁸² - these new inter-jurisdictional and inter-organizational partnerships are not merely a passing fancy but are likely to be permanent features on the landscape of regional development policy governance.

Conclusions

The literature evidences a growing appreciation for the imperatives of coordination of policy governance across multiple levels of governance.

However, attention needs to be given to how different political systems adapt institutional and policy designs to effectively operate in the emergent complexity of multilevel governance. While the vagaries of federalprovincial relations have been age-old fixtures of policy governance in Canada, the 1987 administrative restructuring set an institutional context for the emergence of assertive provincial leadership and local participation. The process in Canada since 2000 has been characterized by greater decentralization to provincial and local authorities and more active citizen participation.

These developments reflect a global shift in regional development governance.⁸³ De-jure policy responsibility is increasingly less indicative of the reality of policy governance in practice. Policy responsibilities tend to be shared between central and constituent units within a given system. Municipalities are assuming greater policy responsibility and attendant policy autonomy and assertiveness. Also, the boundaries that separate the public sector from other loci of collective action are becoming less sacrosanct. Although public agencies enjoy the official mandates for most public policy domains, their mandates are increasingly shared with non-governmental organizations and active citizen groups. The complexity of policy governance in multilevel jurisdictions is both reality and a challenge in regional development.

This primary task of scholars of regional development now is to understand how public agencies interact with their external environment within a given region. The paper emphasizes the complexity of regional spaces that arises as multiple actors and various levels of authority engage in a range of policy interventions. A significant thread flowing from this realization is the need to re-conceptualize power and authority among public actors across levels of government and nonstate organizations. What is the nature and process of institutional and policy adaptation necessitated by the imperatives of coordination of policy governance across these multiple levels and loci within the specific context of a given political system? What the governance perspective contributes is a framework that explains how regional policy subsystems, often consisting of dynamic and complex actors from several institutional levels and loci within a political system, interact with and impinge upon the policy mandates and instruments of regional development agencies operating in multilevel governance systems.

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