

# **Administering Regional Development Policy in Socioeconomically Disadvantaged Regions**

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## **Abstract**

*This article develops a theoretical framework of policy implementation referred to here as multi-actor governance. This framework primarily draws insights from the literature on governance and interorganizational theory to further advance the discussion around policy intervention involving multiple partners within and outside the state. The framework is then used to examine the existing institutional infrastructure of regional economic development policy in Northwestern Ontario. The discussion addresses the weaknesses of intergovernmental collaboration in regional economic development policy implementation in the region. Second, it expands the lens of analysis beyond intra- and inter-organizational challenges within the public sector to include an investigation into the nature of interactions between state and organized community and private sector interests in Ontario's disadvantaged northern region. The paper concludes with a rethink of economic development policy intervention in disadvantaged regions, particularly highlighting to strategic role of municipalities and local community stakeholders.*

## **Keywords**

**Governance; Organization theory; Policy implementation; Public administration; Regional economic development.**

## **Introduction**

The present discussion seeks to develop a theoretical framework of multi-actor governance, primarily drawing insights from the literature on governance, and to some extent, network analysis and interorganizational theory. The concern of the multi-actor governance framework as advanced in this paper is with how governments interact with their external environment to make and implement decisions which reflect the value preferences of all parties.

Such a theoretical framework, it is argued, will advance our understanding of regional economic development policy implementation in diverse, complex and dynamic policy environments. Northwestern Ontario, as a socioeconomically disadvantaged region in Ontario, has been characteristic of such complexity and dynamism. The discussion will thus use the multiactor governance framework as a lens for examining the existing institutional infrastructure of regional economic development policy intervention in Northwestern Ontario.

The problem of economic development is a generic challenge world-wide as even resource-rich regions in developed and developing countries fail to reach a sustainable level of economic development. Canada is surely one of the most regionalized industrial countries, and is accordingly very fragmented. In such an economy the 'free market' does not function well for all regions simultaneously, and therefore, macroeconomic policies tend to be intrinsically insufficient. This has meant that regionally targeted economic development policies have become a key feature of Canada's policy landscape. Regional economic development could be defined as a general effort by governments to support economic activities in less developed regions, and it often includes a number of policy instruments such as employment and wealth-generating activities, and involving interrelated fields such as rural development, industrial and commercial competitiveness, and urban policy.

Certain systemic forces have challenged the legitimacy of regional development policy in Canada. First, the neoconservative revolution of the 1980s and 1990s discredited most efforts by governments to correct market failures through strategic resource distribution across the sectors of their economies. Second, the forces of globalization (including NAFTA) have shifted the pressures of economic competition towards building competencies in certain industrial centres.

Such a shift has come at the expense of less developed regions within the national economy. Third, public disillusionment with, and loss of faith in, government intervention following the media's portrayal of bureaucratic inertia and 'wasteful' use of resources in regional economic development endeavours as well as other policy areas (Savoie, 1997). In spite of its troubled legitimacy and the conceptual confusion and debates surrounding its place in Canada's economic policy, regional economic development, nevertheless, has maintained some enduring features and salience as permanent as the realities of Canadian federalism (Savoie, 1981; 1997; Simeon, 1985).

The discussions about regional economic development policy in Canada have often focused on the challenges of intergovernmental relations between the federal and provincial governments, with an implicit exclusion of the role of municipal governments (Aucoin and Bavkis, 1985; Savoie, 1997). Such an oversight, however, is significant given the spatial nature of regional economic development and the fact that local governments have been known to be involved in efforts to attract new businesses, enhance the capacity of existing local enterprises, and strengthen the competitiveness of their local economies. Another oversight in policy research on regional economic development in Canada is that discussions among scholars in particular tend to pay greater attention to intra- and inter-organizational challenges within the public sector, but seem to be quiet on the nature of interactions between state and societal interests in Canada's disadvantaged regions. The multiactor governance framework as used in this paper seeks to address the existing gap in the research on regional economic development policy in Canada, first, by highlighting the roles municipalities increasingly play in regional economic development, and second, incorporating a state-society framework into the analysis.

Two main questions are addressed: first, what is the nature of the existing institutional infrastructure of regional economic development policy implementation in Northern Ontario? Second, how can these mechanisms be altered to improve coordination and partnerships between the various levels of governments and organized community interests in Northern Ontario? By answering these above questions, I hope to evaluate the capacity, relevance and integrity of existing institutions in light of current exogenous or strategic challenges facing the governance of regional economic development in socioeconomically disadvantaged regions at a period marked by radical reconfiguration of markets and communities in the country.

The rest of the discussion will proceed as follows: first, the section immediately following will lay out the theoretical framework of multi-actor governance. Second, the background of regional economic development policies and programs in Northern Ontario will be sketched to serve as a context for the empirical discussion. Third, with insights drawn from the multi-actor governance framework, the current administrative and institutional mechanisms of regional economic development policy implementation in Northern Ontario will be critically examined, drawing attention to their strengths and limitations. Finally, alternative institutional infrastructures will be assessed in light of emerging forces of change in Northern Ontario.

## **The Multi-actor Governance Framework**

Policy implementation research per se is undergoing a conceptual transformation in favour of attention to concerted action across institutional boundaries (O'Toole, 2000; Lindquist, 2006). Thus, one notices the broadening of the perspective on implementation to a multi-disciplinary, multi-level and multi-foci exercise looking at a multiplicity of actors, loci and levels.

As Lindquist (2006) observes, implementation research has simply mushroomed into separate streams of analysis like horizontal management, network analysis, governance, evaluation, and the like. Future research, therefore, should seek to intentionally integrate these insights into a holistic framework of policy implementation analysis. In the present discussion, this means drawing from the strengths of apparently divergent theoretical perspectives and reframing the discourse into a more integrated concern about governance. For instance, policy implementation can be understood through the lens of interorganizational theory, whereby the process is viewed as a series of interactions between the outputs of policy formation and the effects of organizational and interorganizational impacts, and between the latter and the target-groups' behaviours (O'Toole, 2008; Denhardt and Denhardt, 2003; Winter, 1990; Rainey, 1990; Schoffield, 2001; Sinclair, 2001; Pal, 1995; Brodtkin, 1990). Similarly, insights from network analysis have advanced our understanding of various constellations of political actors, both within the state and in society within the policy process in different environments (Agranoff and McMcGuire, 1999; Meier and O'Toole, 2004; Gupta, 2004). Moreover, although seeking to explain regional economic development policy implementation, this paper does not mechanically restrict the discussion to implementation per se, but includes other elements of the policy process, showing the relationship between implementation and other parts of the policy cycle (Winter, 2008; Hill and Hupe, 2003).

The governance perspective generally share a concern for the relationship between state intervention and societal autonomy, with different facets of this continuum emphasized or highlighted by different orientations in the literature (Treib, Bahr and Falkner, 2007). Janet Newman (2006) also notes the many variants among governance perspectives ranging from a hierarchy model (with emphasis on accountability, structures, and procedures) to more open systems model (emphasizing flexibility and adaptability to changing conditions) and even a self governance model (fostering participation, consensus-building and networks). Governance generally takes into account a change in the actor constellation, both during the formulation and implementation of policies and in the method of political steering. It is usually associated with changes in the nature of the state whereby processes of governing shift from the traditional sense involving collectively binding decisions taken by the executive and legislature and implemented by bureaucrats within public administrations towards more collaborative mechanisms of policy implementation.

Governance poses some opportunities and challenges for our understanding of policy implementation. Trends in modern governance include shifts in political culture (including the politics of difference) with a consequent greater sensitivity to the issues of identity and diversity as a central feature of public policy (Pal, 2006). Models of governance manifest themselves at three levels; moving up (with the emerging role of international organizations), moving down (to regions, localities, and communities), and moving out (to NGOs, corporatization and privatization) (Pierre and Peters, 2006). The present discussion is concerned with those phenomena of governance associated with 'moving down' responsibilities and authorities of policy implementation and adaptation towards regions, localities and communities.

The new governance literature stresses networks, bargaining, and interaction, rather than hierarchies as the best way to govern and the best way to understand governance. Daniel Drache (2006), for instance, while welcoming the 'return' of the public domain (after the fad of neoclassical marketism in the 1908s and 1990s) envisages a new public domain that does not presuppose the state as a monopolistic presence. Instead he suggests a negotiated order between

the state, market and organized societal interests in policy making and delivery. Kooiman (2003) refers to governance as societal steering through processes of coordination within networks.

Treib, Bahr and Falkner (2007) attempt to reduce the conceptual confusion in our understanding and analysis of governance by classifying the term as used in the literature into three main dimensions, namely, politics, polity or policy of governance. The politics dimension focuses on the actor constellation and power relations between political actors. Scholars who focus on this perspective, they maintain, often draw extensively from the network literature, using terms such as 'network governance' (Eising and Kohler-Koch, 1999) and 'interorganizational networks' (Rhodes, 1997) to describe policy subsystems characterized by interdependence and resource exchange, and distinct from other actor constellations such as statism, pluralism and corporatism. The polity dimension emphasizes system of rules that shapes the actions of social actors – an explicitly institutional perspective that seeks to describe systems along certain characteristics such as hierarchy or market, central locus of authority or dispersed loci of authority, and institutionalized or non-institutionalized interactions among actors. The policy dimension sees governance as a mode of political steering. Here, the steering instruments range from hierarchical imposition to sheer information measures.

While the above classification serves a highly useful heuristic purpose, in practice, the distinction between policy, politics and polity becomes blurry. In fact, in distributive and redistributive policies such as regional economic development, the politics dimension of governance determines the choice of instruments (policy dimension), and the power resources and strategies of actors (politics dimension) are often functions of the polity (that is, hierarchy or market, centralized locus or dispersed loci of authority). Seeking to explain the complex realities of policy formulation and implementation in a particular policy subsystem by paying strict attention to only one of the dimensions of governance could be unduly restrictive. Nevertheless, the attempt of Treib and his colleagues at conceptual clarification immensely contributes to a better understanding of governance among scholars.

The most significant implication of the governance discourse for our understanding of policy implementation is a re-visitation of visions of the role of government, the feasible tools at its disposal for dealing with public problems, and how best to organize the administrative machinery of government to achieve those ends. The articulation of new visions of the state's role in policy governance varies across a wide spectrum from state-centric to society-centric visions of governance. Peters and Pierre (2005), for instance, identify various types of state-society relations that can exist, providing a typology of such relations along a continuum from most statist (state-dominant) to what reads like near anarchy (society-dominated system).

Three major challenges to the traditional conception of the state are communitarianism, deliberative democracy, and direct democracy (Pierre and Peters 2006). Communitarianism seeks to replace large-scale government with smaller units of governing in which the appropriate basis of governing is the 'community'. Variants of this model can be found in the literature on governance networks (Kickert, 1993; Rhodes, 1996; Koppenjan and Klijn, 2004). Deliberative democracy is a more process-oriented initiative calling for reform in the decision making institutions that privileges citizen-driven deliberation over technocratic policy outcomes (Hajer and Wagenaar, 2005; Healy, 2006; Hirst, 2000). Direct democracy is the most radical, calling for a supplanting of existing representative institutions in favour of the public making its own decisions through mechanisms such as initiatives and referendums (Voss and Kemp, 2005).

Paul Hirst (2000) provides an example of a society-centric version of governance, examining what new channels and processes of political control and democratic accountability

the emerging forms of governance will take. His key contention is that the monopoly of governance capacity that liberal-democratic theory accords to the state is no longer a valid account. He outlines a new model of 'associative self-governance' in which governance can be generated among structures of civil society – what he calls democratized networks.

Rod Rhodes (2000) also provides a society-centred vision of governance. Through his methodological critique of the analytical limitations of 'traditional' conceptions of public policy, public administration and the role of government in society, he proposes what he calls an 'anti-foundational' perspective which debunks the positivist methodology of conventional social science and its assumptions of rationality and 'managerial control' of networks and society. His preferred tool of understanding and explanation, then, is a discourse, interpretative narrative of the perspectives of all stakeholders – senior manager, street-level agent, and client/citizen. The implication, then, is that analyses of policy implementation processes, for instance, can only be descriptive, narrative and interpretative. Such a perspective rejects any attempt to impose objective assessments of efficiency or effectiveness suggestive of policy control by public agencies.

Gerry Stoker (2000) takes a similar society-centred view of governance, drawing from political theory to ascertain that social science should be concerned with different models of public-private exchange and cooperation to compensate for urban institutional fragmentation. Like Rhodes, Stoker maintains that governance should be thought of as simply a process, noting that there are multiple ways of steering policy directions and outcomes in the political context.

Jan Kooiman (2003; 2000) might be considered one of the most celebrated advocates of society-centric governance models. Kooiman presents a socio-cybernetic approach to governance, with a focus on the growing diversity, dynamics and complexity in society and the challenges these developments pose to steering. Governance, in his view, is seen as an interactive, iterative process between a wide variety of actors, none of which enjoys authority over the others, or over society as a whole. Whether conceptualized as self-governance or 'co'-governance, the task of government (which is no longer supreme) is to enable socio-political interactions among the multiple societal actors; to encourage many and varied arrangements for coping with problems and to distribute services among several actors.

The above visions of the future direction of governance have analytical and practical implications for policy implementation and administration. One of the most significant challenges being posed to traditional patterns of governance is the potential to deinstitutionalize governance and supposedly replace the state with alternative mechanisms of policy formulation and implementation. For example, the key principles of traditional public administration such as an apolitical civil service, the prevalence of hierarchy and rules, and an institutionalized civil service are being challenged. Each of these principles has been heavily criticized by what Peters, (2001) calls the 'new frames of reform, namely; market model; participatory state model; flexible government model; and deregulated government model. While an elaboration of each of these models is beyond the scope of this paper, it is worth noting that they all share similar concerns about the 'evils' of traditional bureaucracy and hierarchy. Each of these models of reform has the effect of 'hollowing' out the state and making it a less significant actor in society.

Giving consideration to the society-centred arrangements of policy formulation and implementation would require some radical institutional adaptation with rather problematic implications. Some scholars concerned about what they consider the excesses of society-centric approaches are providing a counterweight to the prevalent disdain for government in the governance literature. Peter and Pierre (2005), for instance, advocate for a soft state-centric

perspective on policy governance in modern pluralist societies, making a normative case for some re-examination of the centrality of the state in whatever form of state-society arrangement is proposed. Without agreeing with statist versions of such arrangement, they nevertheless call for caution in the enthusiasm of the recent governance literature's rather sanguine portrayal of societal arrangements that seem to take vertical authority less seriously. The ideals of democracy, they argue, necessitate some form of public authority (wielded by the state) to maintain the goals of accountability, coherence, steering, and a common set of priorities for the collective good of society. The significance of such a counterweight to society-centric perspectives is that the emergence of governance does not necessarily presuppose the decline of the state but rather presents an analytical framework for assessing the state's ability to adapt to changes in the external policy environment as the late twenty-first century unfolds. This view is increasingly reflected in the emerging literature addressing the management of transitions in policy environments (Pel and Teisman, 2009; Termeer and Dewulf, 2009; Kooiman, Loorbach and Franzeskaki, 2009).

Taking the argument of Pierre and Peters (2006) as a point of departure, a key question for policy implementation in the multi-actor governance framework is not so much what specific formal areas of control the state has retained as what types of adaptive instruments and capabilities it possesses. While coordination and coherence are central to the discourse of multi-actor governance framework, policy implementation still depends on the capacity and legitimacy of the state to enforce decisions in some ways – something that implies the power of the public sector and its use legitimate authority to provide policy leadership and direction. The governance approaches, at minimum, suggest a conceptual or theoretical representation of cooperation, coordination and collaboration as central features of policy implementation. But it should not necessarily imply the demise of the state in that process. The concern of the multi-actor governance framework as advanced in this paper is with how governments interact with their external environment to make and implement decisions which are agreeable to all parties. Such an approach resonates with earlier concerns in inter-organizational theory (Thompson, 1967).

Indeed, much of what is described as “new “ in the governance literature has been accounted for by organizational theory especially as it relates to the external environments of public organizations in increasingly complex societies. The governance literature could still be further enriched by insights from organizational theory about how the structure and mandate of an organization affects its interaction with the constellation of other actors within the state and society (Walmsey and Zald, 1973). This paper thus focuses on organizations as the unit of analysis. The goal is to capture the complexity of policy subsystems by situating organizations as the principal players in the policy process. Although the study conceptualizes the political system in a way that recognizes the importance of institutionalized policy subsystems centred around key public organizations charged with administering policy in a given functional sector, an equally important element in the analysis is consideration of their engagement with non-state organizations within the policy subsystem.

The multi-actor governance framework as advanced in this discussion hypothesizes that the effectiveness of regional economic development agencies in Northern Ontario is contingent upon the success of their interaction with, and adaptation to, the external environment. Several factors will in turn foster or hinder their interaction with the local environment: first, the extent to which public agencies' mission reflects the core values/interests of the local environment in Northern Ontario will enhance their engagement with the region. Second, the perception,

organization, articulation and influence of economic development agencies' key clientele within the local environment could reinforce or undermine the legitimacy and strategy of public agencies. The greater the structure of support and established feedback loops these agencies maintain with the local constellation of organized actors (public and private) the better their chances at effecting enduring policy changes in the region.

Third, the degree of coordination among public agencies with similar mandates will enhance the strategic impact of their policy intervention. This often depends on the coordinative ability of public agencies in brokering power and resources, as well as negotiating conflicting interests among multiple players towards collaborative action. Multi-actor implementation mechanisms, therefore, require management styles and policy instruments different than the ones that are used in more typical bureaucratic efforts (Mandell, 1999). Bowen refers to these processes as evincing "the complexity of joint action." In regional economic development, for instance, success at coordination transforms potentially conflicting, short-term and fragmentary sets of development projects offered by similar agencies in silos into complementary and coherent programs with a more strategic, sectorally comprehensive and longer-term orientation (Pel and Tesiman, 2009) that leads to structural transformation in the local economy.

In conclusion, multi-actor governance framework views collaborative partnerships as encompassing a more hybrid and diverse expression of interorganizational cooperation between state agencies and organized societal interests. These mechanisms of interorganizational cooperation are mostly formal as well as informal strategic networks of complex relationships involving intergovernmental cooperation among agencies of similar mandates, and state-society partnerships incorporating community development organizations and business groups.

## **Regional Economic Development in Northwestern Ontario**

Northwestern Ontario is a vast region of many diverse communities with a total population of approximately 240,000. Thunder Bay and its close suburban municipalities form the major urban "hub" with a population of about 125,000. The region is currently in the midst of economic change, crisis and transition. The issues affecting its performance include the presence of a declining sector linked to older industry, aging populations, outmigration of the younger population, and the absence of coherent strategies to drive economic growth (Di Matteo, 2006). The only significant population growth is among Aboriginal communities.

The traditional economy of Northwestern Ontario has been dominated by a small number of larger companies with relatively high employment levels as the core economic engine, as well as service industries dependent on larger employers or communities. Over the last two decades in particular, there have been significant layoffs in the forest industry and these job losses likely will be permanent (Rosehart, 2007). The closures of several pulp and paper and lumber mills are being driven by factors largely outside of the influence of Ontario, including the rising Canadian dollar, the declining US housing market, strong international competition, increasing energy prices, environmental pressures and climate change. Clearly, Northwestern Ontario is a vulnerable economy while it is in economic transition.

The history and structure of industry in the region confirms a trend of persistent decline in the mainstays of the economy (mostly primary resource industries) with a gradual shift towards service industries, but a general decline in industrial activity, and a traditional weakness in secondary manufacturing and service industries (even with the presence of pulp and paper mills) (Southcott, 2007). The share of employment in primary and manufacturing industries declined from 28% in 1981 to 16% in 2001. The picture of industrial stagnation and even



decline gives the impression of a developing country condition in Northern Ontario, with socio-economic underdevelopment by most indicators.

The region is also facing a demographic quagmire of population decline mostly due to outmigration of the young and the unemployed, and a relative increase in retired or retiring residents with greater reliance on public services. Population decline, especially of the most productive segment, in turn, means a declining tax assessment base for most of the municipalities in the region. Meanwhile, transfer payments from the Ontario Government are still not sufficient to enable municipalities to fund the programs that citizens in this region need (NOMA, 2007).

The challenges facing the Northwest include how to enhance the remaining economy and provide work opportunities, not only for an idle and aging workforce, but also for the young people who continue to seek prosperity elsewhere. The region is thus at a cross-road: it can continue to rely on the Provincial and Federal Governments to respond to legitimate requests from the region and hope that the answer is both timely and appropriate to the expressed needs. Or, it can chart a course into making structural changes in the region's economy to meet present and future challenges.

While the traditional economy of Northwestern Ontario has been dominated by the natural resources sector, public policy has signalled an interest to diversify the region's economy as well as address both longer-term resource depletion and changing markets. The next section will spell out the policy intervention of the federal and provincial governments in their attempts to address the economic challenges facing Northern Ontario as a whole. Their efforts will be evaluated and juxtaposed with alternative institutional mechanisms of economic development policy intervention already underway in the region of Northwestern Ontario.

## **Federal and Provincial Attempts at Regional Development**

The federal government has been involved in regional economic development since the 1950s. Over these past decades, there have been a number of institutional and organizational configurations aimed at delivering economic development programs to Canada's disadvantaged region. In 1987 the federal government effected several significant changes in regional development policy leading to the creation of three regional development agencies for Western Canada, Atlantic Canada and Northern Ontario. (Northern Quebec eventually had its own development agency created in 1991). The agency responsible for Northern Ontario was the Federal Economic Development Initiative in Northern Ontario (FedNor), designed to plan and fund economic development Northern Ontario (Webster, 1992). While other federal regional development entities are separate departments, FedNor is administered by Industry Canada (Auditor General's Report, 1995). The creation of these new agencies indicated a trend toward creating larger regions for developmental programming in Canada. In all cases, the emphasis was on strengthening large-scale regional economies by concentrating on areas of potential comparative advantage.

FedNor is mandated to work with a variety of partners, as both a facilitator and catalyst, to help create an environment of regional economic development involving communities, businesses and other levels of government. The agency has two main programs, the Northern Ontario Development Program (NODP) and the Community Futures Program (CFP). The NODP has the goal of promoting economic growth throughout a large and diverse geographic area – stretching from Muskoka Lakes to James Bay, and from the Manitoba border to western Quebec. It supports projects in six areas, namely; community economic development; innovation; information and communications technology; trade and tourism; human capital; and

business financing. The NODP is an all-embracing programme covering almost every sector. The only limitation is spatial or geographical. Any economic activity falling within FedNor's regional jurisdiction can be potentially supported by the NODP.

Through its Community Economic Development project, for instance, FedNor seeks to partner with community groups and not-for-profit organizations in helping to create employment and stimulate growth in often socioeconomically depressed communities. The agency's Innovation project is an example of helping companies in Northern Ontario to bring new products and services to market. FedNor does this by providing assistance to organizations that attend to the necessary infrastructure, environment and conditions to facilitate applied research and development, and the development, application and transfer of new technologies to the North.

The other component of FedNor's programs is the Community Futures Program. This program supports 61 Community Futures Development Corporations (CFDCs) (although only 24 are located in the North, with the remaining 37 serving rural Eastern and Southern Ontario). CFDCs offer a wide variety of programs and services supporting community economic development and small business growth. In addition, CFDCs located in Northern Ontario can provide access to capital via loans, loan guarantees or equity investments in order to create or maintain employment.

The provincial government also has its own development policy intervention in Northern Ontario. Ontario's Ministry of Northern Development and Mines serves the region of Northern Ontario and the province's minerals industry. It delivers provincial government programs and services in the region. The ministry has two main divisions; Mines and Minerals Division and Northern Development Division. The latter is responsible for economic and community development in the Northern Ontario. Its key mandate is to actively promote economic growth and investment in Northern Ontario as well as ensure that provincial government policies and programs reflect a northern perspective.

The Northern Development Division has divided its economic and community development mandate into about four (somewhat overlapping) thematic components, namely Business Support, Community Support, Support for Youth, and Transportation and Roads. The Business Support program, for instance, serves the business community or potential investors seeking to start or expand a business in Northern Ontario by offering services such as financial help through a variety of programs and guidance from local northern development professionals. The Community Support component of the Northern Development Division is primarily targeted to Northern municipalities and not-for-profit groups who are often engaged in planning community development projects. Here again, they offer a variety of programs that offer financial aid as well as guidance from local northern development professionals. Given the spatial focus of regional economic development policy, the only key criteria seem to be that projects must be located in Northern Ontario.

The main key delivery agency of the Ministry of Northern Development and Mines is the Northern Ontario Heritage Fund Corporation (NOHFC). The NOHFC has two aims: first, to work with northern entrepreneurs and businesses to help them create jobs in the private sector; and second, to support critical infrastructure and community development projects that will help communities improve their economies and quality of life. The NOHFC delivers a variety of government programs and services in the North, and most of them are similar to what FedNor does. For instance, it has programs in the following areas: Community and Regional Economic Development; Transportation; and Community Infrastructure. The NOHFC has a team of

northern development professionals based in each of the North's six largest cities (Kenora, North Bay, Sault Ste. Marie, Sudbury, Thunder Bay and Timmins), as well as professional representatives in a number of smaller communities across the North. Team members work with northern communities, institutions and businesses to help them identify economic development opportunities in key economic sectors. From the above description, one could begin to address the credibility, capacity and integrity of the existing institutional infrastructure of economic development policy implementation in Northern Ontario. The next section below undertakes this task.

## **An Evaluation**

As maintained in the theoretical framework, one of the key factors that foster or hinder the interaction of public agencies with their local environment is the extent to which these agencies' mission reflects the core values/interests of the local environment. Overall the mandates of both FedNor and NOHF generally position them to provide some policy leadership in Northern Ontario. Both agencies are considered to embody a relevant mission of attending to the needs of the region's economy. The programs of these agencies are well-intentioned intervention by the federal and provincial governments to 'do something' for socioeconomically disadvantaged regions. FedNor and NOHFC have, in fact, had some success. For instance, through their many programs, they have contributed to the development of new businesses and the retention of existing businesses. These agencies have also invested in the increased use of technology and in the development of innovation in the region. One of their most notable areas of success is in increasing the number of rural and remote communities with access to high speed Internet and cellular telephone service. The successful strides made by these agencies, however, should not blind one to their untapped potential to structurally transform the region's economy.

FedNor and NOHF have some deep institutional weaknesses that have undermined their legitimacy and effectiveness in the region. The two agencies are microcosms of a much broader tension in federal-provincial relations in Canada. Since the 1960s, regional economic development policy has reflected a fundamental disagreement between the two orders of government not only about the right approach but also the proper role of each government. FedNor is the latest institutional expression of a long struggle over a legitimate role of Ottawa in regional economic development. For their part, provincial governments have shown little enthusiasm for the idea of federal strategies or plans in their provincial 'backyards'. In general, provincial governments have seen regional economic development as their responsibility, on the grounds that they are closer to the problem areas than any national agency and have a better understanding of regional needs and priorities (Webster, 1992). NOHFC almost seems like a provincial response based on Ontario's perception of federal showmanship in an area viewed as a provincial jurisdiction.

As maintained in the theoretical framework, the degree of coordination among public agencies with similar mandates will enhance the strategic impact of their policy intervention. This often depends on the coordinative ability of public agencies in brokering power and resources, as well as negotiating conflicting interests among multiple players towards collaborative action. Unfortunately, both FedNor and NOHFC inherit a long heritage of intergovernmental tension over the conduct of regional economic development policy.

The first thing that stands out in reviewing the mandates and programs of NOHFC and FedNor is the incredible overlaps that exist between them. There is no coordinated approach to regional economic development in the region between these agencies. FedNor and NOHFC's

capacity to make a strategic impact on the region's economy is weakened by the fragmentation and duplication in their program delivery. As early as 1995, a Report of the Auditor General of Canada advised that both agencies could streamline their programs to move from disparate short-term projects to more strategic investment in regionally designed and intersectoral programs (Auditor General's Report, 1995). As the multi-actor governance framework suggests, success at coordination transforms potentially conflicting, short-term and fragmentary sets of development projects offered by similar agencies in silos into complementary and coherent programs with a more strategic, sectorally comprehensive and longer-term orientation that leads to structural transformation in the local economy. There is no evidence that the advice of the Auditor General given over a decade ago has been heeded as the agencies' programs continue to be a disparate set of multidimensional, fragmented, inconsistent projects mostly aimed at job creation, without any clear long-term plan.

Moreover, while the mandate of each agency call for partnership with communities and the private sector, in practice, the claims to partnership by FedNor and NOHFC are mostly restricted to tacit understanding between these agencies about each other's monitoring of funding initiatives brought forward by clients. In the multi-actor governance framework, the perception, organization, articulation and influence of economic development agencies' key clientele within the local environment could reinforce or undermine their legitimacy and strategy. The greater the structure of support and established feedback loops these agencies maintain with the local constellation of organized actors (public and private) the better their chances at effecting enduring policy changes in the region. A collaborative partnership would imply mechanisms of joint action involving networks of actors in the private and community sectors engaged in strategic planning. It would also mean jointly determining the strengths and weaknesses of the regional economy, and collaboratively seeking mechanisms for comprehensive policy and programs targeted to actualize its potentials.

The implication of the above observations would suggest that economic development policy in Northern Ontario Canada requires an institutional and organizational rationalization along the line of a more coordinated and proactive approach to regional development. FedNor and NOHFC are products of traditional bureaucratic departments with a bias towards passive approval of loan applications for silo projects rather than a strategic engagement in a regionally comprehensive and long-term planning.

One of the solutions to the existing duplication, rivalry and waste existing between FedNor and NOHFC is to form a multi-level intergovernmental partnership that would allow for the de-concentration and devolution of actual delivery of regional economic development to lower levels of government – municipalities. Devolving economic development policy delivery to local government could provide the institutional mechanism for interagency coordination among agencies. It could provide a break for these organizations from unfortunate pedigree of deep intergovernmental rivalry that make them less institutionally inclined to develop the sort of partnership that their mandates envisage. Moreover, it could also allow for an implementation approach that focuses on partnership with local actors for the purpose of discovering and tapping local entrepreneurship and resources.

The next section examines the possibility of building the institutional infrastructure to support a regionally comprehensive and integrated approach to economic development in Northern Ontario. While the analysis focuses on examining such initiatives already underway in Northwestern Ontario, the implications of the discussion hold true as well for Northeastern Ontario. In fact, the ultimate goal would be to establish an institutional infrastructure for tapping

the economies of scale that a wider regional focus provides. In as much as FedNor and NOHFC's jurisdiction covers the whole of Northern Ontario, the prospect for a region-wide collaborative institutional infrastructure is a potent possibility.

## **A Collaborative Approach to Regional Economic Development**

From the above discussion, it is clear that what has been lacking in the regional of Northern Ontario is the institutional capacity for a truly regional economic development initiative. It is, therefore, worth addressing the second question raised in the introduction: how can existing mechanisms of regional economic development policy in Northern Ontario be altered to improve partnerships between the various levels of governments and organized community interests in Northern Ontario? Initiatives are already being taken in Northwestern Ontario to address the institutional lacunae that exist in the region. While new initiatives in the Northwest need to be aligned with provincial objectives, innovation in delivery of programs to break away from the existing approach is critical (Rosehart, 2007).

The alternative institutional infrastructure could still maintain the centrality of the state in whatever form of state-society arrangement that is proposed (Pierre and Peter, 2000). The ideals of democracy, they argue, necessitate some form of public authority (wielded by the state) to maintain the goals of accountability, coherence, steering, and a common set of priorities for the collective good of society. The significance of such a counterweight to society-centric perspectives is that the emergence of governance does not necessarily presuppose the decline of the state but rather presents an analytical framework for assessing the state's ability to adapt to changes in the external policy environment as the late twenty-first century unfolds.

A key leading organization championing new institutional infrastructure for regional economic development is the Northwestern Ontario Municipal Association (NOMA). The organization was incorporated in 2001, and made up of four components, namely, the Kenora District Municipal Association, the Rainy River District Municipal Association, the Thunder Bay District Municipal League and the City of Thunder Bay (NOMA website). The objectives of the Association are to consider matters of general interest to the municipalities and to procure policies that may be of advantage to the municipalities in Northwestern Ontario. NOMA also seeks to engage in more strategic local governance by taking united action on matters where the economy and sustainability of the region may be affected. NOMA and the Federation of Northern Ontario Municipalities (FONOM) form the Northern Caucus of the Association of Municipalities of Ontario (AMO). Thus, NOMA also has extensive networking among municipalities that spread beyond Northwestern Ontario to include the whole of the province's northern region.

Even more significantly, NOMA also is forming increasingly strong strategic relationships with First Nations communities in the region. Aboriginal communities represented through their Treaty Organizations within Northwestern Ontario are increasingly being factored into the strategic vision of economic adjustment and transition. Indeed, Aboriginals are taking advantage of their much greater role in the economy of the region (Abele, 2009). Significant numbers of Aboriginal individuals and families are relocating to the urban centres of Kenora, Sioux Lookout and Thunder Bay as they seek further education and employment opportunities. Their participation is thus deemed crucial to any forward thinking approach to the economy and health of the region (Abele, 2006).

As a recent report sponsored by the Ontario government concludes, there is a strong recognition within the region that all future efforts by municipalities, businesses, industries and

other stakeholders must be done in concert with the First Nations (Rosehart, 2007). Thus, one of the most encouraging signs of change in attitude towards governance in Northwestern Ontario is the cooperation and collaboration that is taking place between First Nations and non-Aboriginal communities across the region. Central to these changes is the leadership that municipalities are taking to combat the seismic shifts in their economy.

In the face of the worsening economic crisis in the region, NOMA has embarked upon building a policy infrastructure for more strategic economic intervention in the region. The organization's economic development strategy has two key components to: economic development investment incentive; and economic development population and business regeneration. The first incentive is aimed at attracting businesses to the region primarily through tax concessions and other subsidies that could be coordinated with upper levels of government. The second initiative has two dimensions; first, to the reverse the tide of population decline by attracting and keeping industrious immigrants to the region. Second, to engage in some form of intersectoral planning aimed at supporting existing businesses as well as stimulating new local entrepreneurship.

The intersectoral planning being embarked upon under NOMA's leadership is an ambitious and innovative undertaking for municipal governments. It goes beyond the traditional domain of municipal governments. Some of the areas of focused identified as priorities for coordinated strategic action are the following: Energy; Regional Health and Education; Transportation; Tourism; and Destination Marketing. A significant characteristic of NOMA's coordinated regional policy initiative was the recognition of the need to shift from advocacy for more handouts from upper levels of government. Local governments do have a strategic role to play in regional economic development. Rather than passively delivering services, as have been the conventional wisdom about local governments, they can engage in more proactive transitioning of their economies.

Even more important is the recognition by NOMA members that in order to overcome the structural disadvantages of geographically dispersed regional with widely scattered rural enclaves and single industry town, local municipalities will need to think beyond their immediate jurisdiction and towards a more region-wide perspective. The dictates of economic development necessitate a re-think of Northwestern Ontario as one regional economy, and thus the need for municipalities to establish a policy and institutional arena that could pave the way for such an economy to truly emerge.

Another feature of NOMA's initiative is the change in their discourse of engagement with upper levels of government. Although municipalities are constitutionally the creatures of provinces in Canada, there is a powerful shift in political activism towards local and grassroots spaces. Citizens are often more directly involved with macroprocesses of governance within the local communities. The concept of collective or shared interest is most tangibly felt within communities and regions. Against this backdrop of increasing grassroots activism, local municipalities have the political legitimacy (even if not the constitutional authority) to engage other levels of government more strategically as partners. The goal of such engagement could move beyond the mere request for more funds for roads and sewage facilities, and more towards collaborative formulation and implementation of regional economic development policies.

FedNor and NOHFC have two options in responding to the above initiatives. They could extend the impulse of intergovernmental rivalry to the municipalities' initiatives and seek to frustrate or ignore them. Or, they could see the opportunity to build a truly bottom-up institutional infrastructure that could allow for intergovernmental partnership and state-society

collaboration. In as much as the most visible presence of government in the region is actually through NOHFC and FedNor, these agencies are positioned to take a leadership role in overcoming the practical limitations on how strategic their funds can be. No doubt, as Bowen notes, these alternative institutions will constitute processes that evince “the complexity of joint action.” These processes may go against the impulse of public agencies to engage in symbolic politics in which public recognition is a strong motivation for policy intervention. NOMA’s initiative, however, should not be seen as a replacement for the involvement of higher levels of government. Rather, it can be viewed as a node of coordination among the key actors across the various levels of government and from within the community. Success at coordination transforms potentially conflicting, short-term and fragmentary sets of development projects offered by similar agencies in silos into complementary and coherent programs with a more strategic, sectorally comprehensive and longer-term orientation that leads to structural transformation in the local economy.

A key recommendation by the provincial government-sponsored report of 2007 for improved policy vision and governance in the region recommended that the senior governments encourage and support the current NOMA-led initiative to bring the economic players in Northwestern Ontario into a coalition that can identify and take action on key economic issues and opportunities. A partnership involving the provincial, federal and integrated body of municipalities in the region could form a tripartite roundtable-working group to embark on a coordinated and collaborative economic adjustment and development policy and plan for Northwestern Ontario. It should be added that participants within this intergovernmental and regionally integrated economic development policy formulation and implementation framework should include the community and non-governmental organizations in a truly strategic intervention to combat the structural forces of regional economic decline. FedNor and NOHF, as the key federal and provincial development agencies in the region could provide a coordinated presence for each level of government within this collaborative policy framework.

The significance of such an institutional framework is that regional economic development policy development policy could take on a regional and strategic scope rather than the current silos of community economic development initiatives that often have little or no prospect of success. Several things emerge from this suggestion: first, it will involve less direct transfer of funds by government agencies to randomly selected private enterprises and a more strategic investment of funds following comprehensive planning and deliberation. Second, it will involve close collaboration between government agencies and local community organizations in which the latter will play a greater role in identifying local economic and entrepreneurial potentials and investing in them. Third, with the primary mechanisms of delivery involving community organizations, federal and provincial agencies will have less incentive for competition and more need to channel their resources through existing frameworks of policy collaboration. Fourth, it will reduce the false juxtaposition of sectoral and spatial planning at the local level since local policy stakeholders tend to have a more intersectoral view of their local economy.

## **Conclusion**

In conclusion, the multi-actor governance framework views collaborative partnerships as encompassing a more hybrid and diverse expression of interorganization cooperation between state agencies and organized societal interests. These interorganizational co-operations are mostly formal as well as informal strategic networks of complex relationships involving

cooperation among agencies of similar mandates among the three orders of government, and state-society partnerships incorporating community development organizations and business groups.

FedNor and NOHF are performing a role that is relevant to the needs to Northern Ontario. However, their current framework of policy delivery constitutes a great waste of resources in highly unrelated projects, vague or confused policy direction, intergovernmental rivalry, unclear mechanisms of policy or program evaluation, and dubious legitimacy from an economic and political standpoint. The multi-actor governance framework emphasizes key themes such as partnerships among governments, the private sector, communities, voluntary organizations and others. It values greater devolution to the regional and local level. This framework also seeks not to do away with the role of the state in governing and steering policy but rather a new vision for the state as an “enabler” and “convenor”. Such a role would require the sharing of power and authority with the community itself. Administratively, the multi-actor governance framework entails an approach to regional development policy implementation that will be guided by a proactive orientation as opposed to the characteristic responsive regional incentive programs currently in existence. This will mean organizational capacities for more strategic development planning and program implementation involving collaborative partnership with non-state actors and economic development agencies from all three levels of government.

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