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Managing Canada's Rural Regions in a Knowledge-Based Economy

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Abstract

This paper analyzes rural economic development policy governance in Canada in the context of a globally integrated economy and the attendant structural shifts in industrialized economies. Alongside globalization, there has also been a trend towards institutional decentralization in Canada and other industrialized countries as various sub-national regions employ disparate means for adapting to the threats and opportunities of global economic change. The implications of these transitions suggest the need for certain institutional capacities for horizontal collaboration in rural economic development between policy stakeholders as well as among agencies across various levels of government. The cases of New Brunswick and Manitoba over the past two decades illustrate some of the complexities and challenges of rural economic development policy governance as non-metropolitan regions struggle to carve their niche in the global economy.

Keywords: Rural economic development; Globalization; Governance; Regional innovation; Public policy

1.0 Introduction

Recent global trends have created an apparent paradox whereby an increasingly globalized world with integrated markets has witnessed a shift in policy emphasis towards local economic development in which rural and metropolitan regions alike scramble to find their niche within the global economy. The traditional focus on national economies along with the classical tools of the central state in managing such economies are proving inadequate to deal with the complex economic needs and challenges of sub-regions (especially rural regions). Rural economic development is, therefore, taking centre-stage in public policy governance around the world as each country seeks to leverage the full potential of its disparate regions in exploiting new opportunities and adapting to the challenges that the global economy presents (OECD, 2009). In this regard, the notion of “prosperity of place” has become a key terminology among rural and regional development scholars and policy actors (Blake, 2003).

This discussion focuses on rural economic development policy in Canada over the past two decades, with a particular attention paid to the rural and northern regions of New Brunswick and Manitoba. Over the past two decades, rural economic development policy governance in Canada has been moving in the direction of decentralized institutional arrangements in which local communities are taking greater control of their own economic development strategies. Decentralized institutions of regional economic development, however, still raise critical

questions about how federal, provincial and local policy-makers are addressing the issue of institutional support and facilitation of community-led rural economic development initiatives.

Given the strategically important role of rural regions in Canada's resource-based economy at a period marked by radical reconfiguration of institutions, markets and communities around the world, the significance of the proposed discussion can hardly be overestimated. Moreover, while regional differences in Canada's national economy have been noted, the peculiarities of rural regions and a comparative understanding of the implications for governance of these regions have not been given enough attention in the public policy literature. Moreover, the case of rural economic development policy governance in Canada serves to illustrate a global challenge of policy governance in non-metropolitan regions seeking to reach sustainable levels of economic development in a fast-changing world.

2.0 Conceptual Framework

While it has become more urgent and prominent in recent years, rural economic development policy is not new in Canada. It has witnessed a rise, demise and re-birth over the past six decades (Blake, 2003; Polese, 1999; Savoie, 1992, 2003). Economic development policy initiatives aimed at rural regions in the country have included a wide range and mixture of strategies such as the modernization of traditional industries (like forestry, fishing, agri-business, etc), the diversification of the rural economies through service industries and tourism, the development of small business and entrepreneurship, the exploitation of the potentials for research and development, and selective infrastructure development, among others (McGee, 1995).

More recently, in the context of the current knowledge-based economy, the discourse of rural economic development is increasingly shifting towards the ability of non-metropolitan regions to innovate by creating value-added industrial and commercial activities built upon their existing comparative advantages in natural resources (OECD, 2009). Innovation policy as the touchstone of clusters of economic development has thus come to reflect the new context of community and local economic development created by global trends in which regions within a nation's economy integrate (or find their niche) differently within the global economy. What distinguishes the new emphasis on innovation from earlier strategies is its focus on the capacity of local economic clusters to learn continuously and adapt to rapidly changing conditions that determine their economic performance and even survival (Cooke & Shyarts 2007; Florida, 1995). The concept of innovation, in this sense, has a broader application beyond the activities of highly developed metropolitan regions (Holbrook & Wolfe, 2003). It also applies to rural regions.

Research on innovation systems has been gradually shifting from the national to the regional level (Holbrook et al., 2003; Mackenzie, Sheldrick, & Silver, 2007; OECD, 1997). Governance of the new economy is characterised by the building of a complex and intricate fabric of regional innovation systems (RIS). A key element of regional innovation systems is the technical, financial, commercial and social linkages and the informal interactions between these institutions that make up a system of innovation. This trend has given rise to the growing importance of 'places' (including rural regions) as distinct jurisdictions in their own right with governance systems involving networks of government, business, community and civic actors (Council of Canadian Academies, 2009). Regional innovation systems

require clusters of companies, specialized suppliers, service providers, firms in related industries, and associated institutions within a particular field of competition and cooperation (Mackenzie et al., 2007).

Several studies in the literature on regional development have pointed to social capital and knowledge cluster development in “learning regions” as essential ingredients of success in a knowledge-based economy. Competitive economic advantage is increasingly as much about the strength of social and institutional capital as it is the acquisition of financial capital. It is social capital that fosters the acquisition, utilization and commercialization of knowledge. Given the predominant focus on urban regions in the academic literature, their relevance for, and application to, rural economies have not been given sufficient attention. A key question that emerges is what policy initiatives and institutional requisites within rural and peripheral regions are most conducive to supporting and facilitating the successful adaptation of rural economies. This paper attempts to answer this question by exploring the dynamic relationships between innovation clusters and the supporting infrastructure of economic, social and political institutions in rural regions.

3.0 Institutional Framework of Rural Development in Canada

Some of the challenges of Canada’s rural communities often include the following: geographic isolation; poor transportation; dispersed population; out-migration of the young; limited communication; weaker institutions of governance; constrained access to basic essential services; depressed employment opportunities; poor infrastructure; negative social pathologies; and lower access to education. These challenges tend to be interrelated as well as reinforce each other.

Rural economic development has proven to be a persistent feature of Canada’s policy landscape since the 1960s. Since the late 1960s, there has been a gradual melding of rural and regional development policies in Canada. Although both policies can be distinct, the rationale for integrating them at least in theory is that there is a correlation between disadvantaged regions and rural regions (Savoie, 1997).

Administrative reforms introduced in the late 1980s resulted in the creation of three regional development agencies to manage and deliver rural and regional development policies in regions classified under Canada’s official regional development policy as socioeconomically disadvantaged in relation to the rest of the country. During this time, however, rural development policy governance in Canada has undergone some noticeable changes that coincided with movements towards a highly integrated global economy, the new discourse of innovation, and the decentralization of governance institutions. The discussion analyzes the mandates and strategies of two federal agencies tasked with the responsibility of managing regional economic development in the provinces of New Brunswick and Manitoba.

The present institutional configuration of rural economic development policy governance within the framework of regional development in Canada dates back to the 1987 restructuring. With this restructuring came the creation of three regional development agencies for Western Canada, Atlantic Canada and Northern Ontario, namely, the Western Economic Diversification (WD), the Atlantic Canada Opportunities Agency (ACOA) and the Federal Economic Initiative for Northern Ontario (FedNor), respectively. The agency, FORD-Q was eventually created in 1991 for Northern Quebec. The mission of the four agencies mentioned above is to promote economic growth, diversification, job creation and sustainable, self-reliant

communities by working with community partners and other organizations (Goldenberg, 2008). The agencies' programs and services have the goal of addressing some of the structural, sectoral and community economic development challenges facing Canada's socioeconomically disadvantaged regions.

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

ACOA's mandate since its birth in 1987 has been to support and promote opportunities for the economic development of Atlantic Canada, with particular emphasis on small and medium-sized enterprises, through policy, program and project development and implementation. The agency's mandate also involves advocating for the interests of Atlantic Canada in national economic policy, program and project development and implementation (Government of Canada, 1987). ACOA's main program activity areas are Enterprise Development, Community Development, and Policy, Advocacy and Coordination.

The primary tool of the Western Economic Diversification Agency (WD) is an institutionalized series of five-year Economic Partnership Agreements (EPAs) by which the Canadian government enters into a form of contractual commitments with the western provinces. In Manitoba, the bipartite framework agreement is referred to as the Canada-Manitoba Economic Partnership Agreement (or MEPA) (Government of Canada, 2003). Using contractual documents to set expectations for and commitment to intergovernmental collaboration provides a mechanism for managing a complex policy field involving several jurisdictions (Government of Canada, 2009; OECD 2007). The contractual arrangements between the federal and Manitoba governments acknowledge the complexity of interdependence between national and sub-national jurisdictions in a policy area as highly contingent and nebulous as rural and regional economic development. Both the WD and the provincial government view the contracts as geared towards clarifying responsibilities among actors.

4.0 Transition in Canada's Rural Development Policy

But by the latter part of the 1990s, certain developments were taking place that would provide opportunities for some transformation in the policy and institutional configuration of rural economic development. In particular, ideational shifts in thinking about local government were changing policy perspectives on rural and regional development in Canada and around the world. By the close of the 1990s, global trends had moved towards an almost complete integration of economies around the world (OECD, 2009). These trends created an apparent paradox in Canada wherein the country witnessed the emergence of a greater desire on the part of provincial governments and, even, local communities to exercise more control over their socioeconomic destinies. Rural and regional development policy and politics in Canada metamorphosed into a preoccupation with local development.

The result of the seismic shift towards globalization and the emergence of ideas sympathetic to international market forces was the rising importance of subnational

jurisdictions as the centres of economic policy intervention, and innovation as the underlying philosophy (OECD, 2009). Subnational market governance and innovation policy seem to complement each other. Innovations leading to economic growth and development are considered to thrive in systems where high levels of interaction and collaboration take place among economic and community stakeholders. At the centre of such a policy environment are social clusters of knowledge production, dissemination and utilization facilitated by interaction through knowledge networks and relationships at the local level. Thus the shift in emphasis towards innovation means more decentralized governance frameworks as the most conducive mechanisms for economic success.

Moreover, perennial controversies about the effectiveness of rural economic development have cast a shadow over the legitimacy of the federal agencies' policies and their instruments. This was further exacerbated by the emergence of new ideas about economic development in the late 1990s. A major shift in thinking during this time was the resurgence of neoliberal economics and its displeasure with interventionist policies using subsidies and grants directed at particular firms or industries (Mintz & Smart, 2003). Such policies were increasingly viewed as intrinsically distortionary to natural market forces, and potentially damaging to full economic growth. Although generally uncomfortable with interventionist policies, neoliberalism made a major concession to the role of the state in a knowledge economy. The state could systematically use policy instruments to encourage the development and application of knowledge across sectors in ways that could encourage the adaptation or improvements of products, processes and services. This generally became known as innovation policy (Holbrook et al., 2002). The rest of the discussion examines specific developments in the two provinces and the role of the two federal regional development agencies in adapting to, and supporting, the initiatives of rural economic development in these provinces.

5.0 Rural Development in New Brunswick and Manitoba

A key development in Canada (including New Brunswick and Manitoba) during the latter part of the 1990s and the millennium was the expression of discontent in the rural and northern regions about the constraints of community or grassroots participation in the market governance processes in the province (Blake, 2003). Local communities became increasingly articulate about their desire to take responsibility for their own economic development. That desire was in part fuelled by the emergent focus on nurturing “innovative communities” in non-metropolitan areas (Goldenberg, 2008). For instance, the region of the Acadian Peninsula in New Brunswick adopted a joint-action approach, bringing together various stakeholders, with the aim of achieving more effective strategic planning and local participation in the governance of economic development (Desjardins, Hobson, & Savoie, 2009).

Another development in Canada's rural regions at this time was the growth of the desire of the private sector within these regions to be part of a more inclusive and strategic governance framework that focuses on longer-term planning (McNiven & Plumstead, 1998). For rural entrepreneurs in Manitoba, Northern Ontario and New Brunswick, for instance, this shift in mindsets meant greater participation by residents in partnership with a dedicated innovative approach by a government willing and able to make brave decisions to transform rural regions and facilitate their adaptation to the new economy. Thus innovation as the thrust of rural economic development began to shift the private sector's focus away from

individual firm subsidies and complacency with exploiting existing comparative advantages, and towards longer-term, cross-sectoral accumulation of strategic resources in terms of leveraging technology and innovation to carve a niche in a highly fluid and fast-changing global economy. By the turn of the millennium, rural economic actors in rural New Brunswick and Manitoba, for instance, had consolidated their appreciation for and advocacy of moving beyond applying for individual firm grants or subsidies. Their priority became, rather, entering into joint governance arrangements with the provincial and federal governments for a longer-term economic diversification strategy.

The emergent discourse of rural and regional development in the two provinces began to manifest itself in provincial governments increasingly willing and desirous to take on more active leadership in directing the future course of their economies. By the turn of the millennium, the New Brunswick and Manitoba governments, for instance, were defining their rural policy visions in bolder terms with longer-range planning. The centrepiece of these governments' rural economic development strategies became innovation through the use of knowledge, technology and skills. The substantive plans and programmes that emerge from these processes, however, are not without some controversy with regards to their tenability and impact. As noted later in the discussion, the apparent lack of systematic performance evaluation of some of the programs casts a shadow over the credibility of some of the programs or their suitability for rural regions. Thus, although the focus of this paper is to examine emerging governance arrangements, some critique of the substantive programmes will be provided as the analysis progresses. The discussion below examines the rural development strategies of each of the two provinces.

5.1 New Brunswick

The rural economy of New Brunswick is dominated by forestry, mining, mixed farming, and fishing. Forestry is important in all areas of the province, but especially in the heavily forested central regions (Government of New Brunswick, 2010). There are many sawmills in the smaller towns and large pulp and paper mills located in Saint John, Miramichi, Nackawic, and Edmundston. Heavy metals, including lead and zinc, are mined in the north around Bathurst. Oil and natural gas deposits are also being developed in non-metropolitan regions of the province. Farming is concentrated in the upper Saint John River valley (in the northwest portion of the province), where the most valuable crop is potatoes. Mixed and dairy farms are found elsewhere, but especially in the southeast, concentrated in the Kennebecasis and Petitcodiac river valleys.

Several challenges confront distant rural and northern communities in the province, among which is higher costs of living and limited access to health, education, and other social services. Out-migration of the younger generation also poses a threat to the sustainability of rural and northern New Brunswick. A particularly interesting irony accentuated by the greater assertiveness of rural communities since the late 1990s was the absence of effective local governance institutions for most of New Brunswick's rural regions (Desjardins, 2002). For instance, to mitigate the institutional deficiencies of the local jurisdictions, the region of the Acadian Peninsula adopted a joint-action approach earlier this decade, bringing together various stakeholders, with the aim of achieving more

effective strategic planning and local participation in fostering local community innovation and economic development (Desjardins, Hobson & Savoie, 2000).

Since the 1960s, the government of New Brunswick had been exploring initiatives that eventually became known as the Programme of Equal Opportunity (Government of New Brunswick, 2002). The aim of the initiatives was to provide rural residents access to basic standards of services regardless of the fiscal capacity of rural regions or jurisdictions. Ironically, those initiatives were pursued through the centralization of a number of key government apparatuses, with the stated aim of reducing regional disparities. That centralization, however, led to the elimination of the county councils and the creation of a new level of local administration by cities, towns, villages and local service districts. This meant that although the government was trying to establish greater equity among the regions, a large portion of New Brunswick's rural population and land mass were left as unincorporated areas with no local government. About 40% of the province's population live in unincorporated areas.

The result of the centralization efforts dating back to the 1960s was that rural regions lacked the institutional capacity for self-governance. Thus, under the new paradigm of rural economic development since the turn of the millennium, the lack of certain institutional requisites to facilitate coordination becomes an obstacle to development as local communities find it difficult to take responsibility for their own development. This institutional deficiency, for instance, renders the community economic development (CED) model impractical.

Recently, the provincial government initiated a process of local governance reform in New Brunswick to correct the above-mentioned historic oversight that rendered rural municipalities and regions incapable of effective self-governance. Part of the provincial government's response was to create community economic development agencies (CEDAs) in order to stimulate greater local participation in economic development (Government of New Brunswick 2002). The provincial government also initiated a process that eventually led to some reform of local governance in New Brunswick. This initiative was designed to stimulate greater local (especially rural) participation in economic development. Each CEDA will have an advisory board, providing a permanent forum for local stakeholders to take part in decision making.

Moreover, the government of New Brunswick began to manifest a growing desire and willingness to take on more active leadership in directing the future course of rural economic development in its 'provincial backyard'. In 2002, the New Brunswick government released its "Prosperity Plan" for the province (Government of New Brunswick, 2002). The Plan set out a 10-year comprehensive strategic path to economic and social prosperity in the province. Ten years later, however, it is still difficult to see any convincing evidence that the Plan has worked out as projected by the government. The key elements of the strategy focus on innovation, productivity, and export orientation—perceived determinants of success for rural and urban regions alike in a globally-integrated knowledge-based economy. But projections in the Plan, like making New Brunswick join the top four provinces in research and development expenditures per capita by 2012, is still a dream ten years later. This failure has critical significance because a stronger innovation capacity is central to the thrust of the plan. Moreover, by adopting a longer-term plan, the provincial government hoped to strengthen its control of the direction and pace of economic development in the province. But the implication is

somewhat confusing given that it contradicts the logic of giving local governments and agencies more autonomy over economic development strategy.

Other evaluative indicators raise legitimate grounds for some degree of scepticism. For instance, the government's promise to increase New Brunswick's real GDP per capita by 10 percentage points by 2012 has not materialized. The disappointment extends to other critical dimensions of the Plan. For example, the Prosperity Plan also offers to increase the province's employment per working age population ratio by five percentage points as well as to increase its real personal income per capita by seven percentage points. Moreover, the Plan is projected to enable New Brunswick to increase its percentage of exporting firms from 45% to 55% and the proportion of its non-resource-based exports from 29% to 40% of total exports by 2012, with the indication that New Brunswick will become a more diversified and export-oriented economy. But again, the reality is the province still falls short of the projections made ten years ago.

In 2003 the government of New Brunswick launched the New Brunswick Innovation Foundation (NBIF). The NBIF has become a key instrument for stimulating the province's knowledge community and private sector as well as fostering a self-conscious knowledge network across these sectors. The significance of the NBIF for rural communities is that it supports activities in value-added natural resource products and business processes in agriculture, forestry, minerals, aquaculture and fisheries. The Foundation has also been capitalizing on making investments in energy and environmental technologies geared towards the generation of energy from alternate sources such as wind, solar, hydro/marine, bio-fuel, geothermal; energy storage; energy infrastructure; water and waste water management.

For instance, the NBIF support innovation and entrepreneurship by making venture capital investments in start-up companies as well as funding applied research in the development of new intellectual property. Established as an independent corporation, the Foundation manages about \$45 million and has been able to leverage more than \$177 million more from other sources (including ACOA) (Government of New Brunswick, 2009). The NBIF focuses on what it considers "strategic industries", some of which are important to rural regions. In particular, industries in the life sciences (in areas like biotechnology, marine science and wood science) are proving critical to the future of rural New Brunswick. While the concept of provinces being responsible for their economic development is not new in Canada, the urgency of this imperative and the degree of assertiveness on the part of the provinces such as New Brunswick has taken on a new intensity.

By the middle of the current decade, the momentum towards provincial leadership in regional economic development was becoming consolidated. In 2006, a new Development Plan for New Brunswick, titled "Achieving Self-Sufficiency," was unveiled under a new government (Government of New Brunswick, 2009). The substance of the 2006 Plan was similar in many respects to the 2002 Plan, except that the 2006 Plan has a longer time frame and greater attention to the inclusion of local and rural regions in the institutional infrastructure of innovation governance. The one concern that stands out for any careful observer is the lack of consistency in the concept of planning as each government seems eager to publish their own plan, even if it means duplicating the previous Plan and creating confusion for its non-governmental partners. The ten-year projections of the 2002 Prosperity Plan is now all of a sudden thrust away for something new—although there is hardly any

evidence to justify that it provides a substantive addition to the previous Plan. Politicking, it seems, may be getting in the way of sound strategic, long-term policy governance.

The 2006 Plan prioritizes working more closely with the resource-based sectors to enhance their competitiveness through productivity improvements and greater diversification. It also identifies the needs to target new markets and use new approaches to promote tourism and cultural sectors, and to create a competitive business environment that will encourage entrepreneurial activity, investment, innovation and growth in rural and northern areas while managing the environmental resources for sustainability. It also seeks to invest in strategic infrastructure that will more closely integrate rural and northern regions into the provincial economy. Furthermore, local government and non-state actors are considered essential participants in the governance arrangements of a knowledge economy. Like the previous Plan discussed earlier, however, there has been no systematic evaluation of the outcomes of this Plan. There is no overwhelming evidence, at least, that New Brunswick shines as a beacon of innovation and growth in rural and northern areas.

Governments, it seems, are more content with publishing new plans than actually consistently following through (even if it is the Plan of their political adversaries) and systematically evaluating its outcomes. Just recently, in 2010, the New Brunswick government published yet another strategic plan, titled “Action Plan for self-Sufficiency in Northern New Brunswick 2010-13” (Government of New Brunswick, 2010). As the title of the document indicates, the plan is solely dedicated to the economy of the northern region of the province. The Action Plan for Northern New Brunswick, it should be noted, follows a 2009 introduction by the New Brunswick government of a \$50 million Northern Economic Development Fund (NEDF) over a three-year period from 2009 to 2012, as well as a \$100 million Northern New Brunswick Infrastructure Initiative to help develop, diversify and expand the economy and communities of the region. The purpose of these initiatives is to develop, diversify and grow the economy and communities of rural and northern New Brunswick.

The NEDF, for instance, invests in projects that support the development of the economy and the building of community capacity in Northern New Brunswick. Rather than merely subsidizing resource-dependent firms, it is designed to attract people and businesses and encourage investment in new activities and employment. The NEDF focuses on a cross-sectoral strategy to assist community-driven initiatives in economic development and diversification through programs such as small and medium-sized businesses, entrepreneurship, skills and training, and innovation. (It should be noted that this mirrors the shift in ACOA’s development focus and priorities dating back to the 1990s).

It is still too early to evaluate the outcomes of this recent Plan, but judging by the experience of previous Plans, some degree of scepticism about consistency of implementation is warranted. Also, some reservations about the potential lack of systematic evaluation of program outcomes would be legitimate in light of previous experience. Achieving a balance between the rhetoric of policy visions for rural economic adaptation and the reality of government action and policy outcomes in New Brunswick, it seems, is still a challenge.

On a positive note, the Action Plan for self-Sufficiency in Northern New Brunswick, along with the NEDF dedicated to rural and northern regions are further indicators of the dawn of a new paradigm that envisages a more strategic approach to rural economic development in a knowledge-based economy. The Plan envisages new global opportunities for Northern New Brunswick in three targeted areas, namely modular fabrication and component construction industries; industrial development; and resource-based industries. The new three-year Plan and other related initiatives are indicative of the recognition by the New Brunswick government of the existing vulnerabilities of its resource-dependent regions that have been a severe victim of seismic shift in global resource markets

5.2 Manitoba

Manitoba's heavy reliance on agriculture, tourism, energy, oil, mining, and forestry makes the rural sector a critical component of public policy governance in the province. The abundant natural resources of Manitoba provide considerable opportunities for economic diversification and development that could sustain a successful adaptation of the province's rural regions to the forces of global economic change. Eco-tourism, fishing, hydroelectric development, and value-added forestry are key examples of major sectors and potential drivers of economic diversification in rural and northern Manitoba (Government of Manitoba, 2009). However, there are many challenges as well that need to be addressed. As in the case of rural New Brunswick, the challenges are physical as well as institutional. For instance, distant rural and northern communities in Manitoba rely on winter ice roads and air transportation for shipping. As a result, food, clothing, lumber and fuel costs are much higher. Access to health, education, and other social services often require costly travel. Many young people have to leave home for educational opportunities (and most never return).

By the late 1990s, as the discourse of rural development became infused with the paradigms of locally-driven processes in a knowledge based economy, the Manitoba government began to view its rural regions and their governance structures somewhat differently. Rural municipalities and other jurisdictions were gradually viewed less as residual institutions for performing rudimentary tasks, and more as indispensable partners in the search for local innovation and adaptation (Government of Manitoba, 2003).

One of the examples of a positive response by the Manitoba government to the demand for new rural governance arrangements in the late 1990s was the Aboriginal Summit in 2000. The Summit highlighted the many ways in which Manitoba's growing Aboriginal and non-metropolitan population represents an important part of the province's economic future. 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 1970s and 1980s witnessed an increased emphasis on rural and regional development, resulting in federal/provincial cost sharing agreements to support development in Manitoba's north. However, over the past decade in particular, the Manitoba government appears keen to work in partnership with rural communities to add value to the natural, cultural and physical resources of the province as well as to provide the infrastructure to help rural communities grow and prosper. A

significant development indicative of this new approach is the province's adoption of a strategic plan titled "Creating Opportunities Action Plan". The Plan identifies rural economic development initiatives in six areas: alternative energy, tourism, agriculture, natural resources, industry services and manufacturing, and Aboriginal and northern initiatives.

A number of other initiatives have been developed within the past decade. One of them is the Manitoba Community Enterprise Development Tax Credit, which provides community-based enterprises with access to needed equity capital. A similar initiative is the Rural Entrepreneur Assistance Program, which as of 2011 has provided 437 loan guarantees totalling \$23.2 million (Government of Manitoba, 2009). In 2007, for instance, thirty-three loan guarantees were approved totalling \$2.0 million. The province has also been offering grants to rural development corporations to promote business development and support regional initiatives. Moreover, there has been an increased focus on trade issues to simplify and strengthen the inter-provincial as well as international trade process for Manitoba's agri-food companies.

Manitoba's Agriculture, Food and Rural Initiatives Department can be seen as an increasingly significant player in the province's effort at enhancing the economic capacities of rural communities. For example, their programs include assistance for farm and rural families with the goal of enhancing their knowledge and skills in leadership and management, marketing, sustainable production, adding value, diversification and economic development options within the agricultural sector. Another significant initiative is the Rural Economic Development Initiatives (REDI) program, which promotes economic development for diversification and long term sustainability. REDI funds enhance business and co-operative development, create opportunities for youth, support industry and help rural communities and organizations to address priorities and needs. REDI programming includes the Community Works Loan Program, Rural Entrepreneur Assistance, the CED Tax Credit Program, and the Community Adjustment Assistance programs, among others.

There also has been a noticeable increasing emphasis on nurturing productive innovation clusters in the rural economy of Manitoba. For example, the Economy and Rural Development Branch fosters the development of co-operative enterprises among rural, northern and urban Manitobans. This is considered by the Branch as critical to the social capital and network linkages of adaptable rural regions in the knowledge-driven economy. In pursuit of the concept of innovation clusters and social capital within rural economies, Manitoba's Agriculture, Food and Rural Initiatives Department recently organized a conference titled "Capturing Opportunities 2011". The conference was designed to create knowledge exchange among entrepreneurs and researchers about new ideas and resources within the bio-based economy. The conference focused on four key areas of which Manitoba is a leader within the bio-economy: food and health, bio-products, energy, and agriculture.

Moreover, in 2003, the Manitoba government released the "Action Strategy for Economic Growth," which became the official document that lays out the province's vision for future economic development, including rural economic development (Government of Manitoba, 2003). The Action Strategy contains a 'Six-Point Action Plan' that involves, among other things, leveraging the increasing strategic importance of rural regions in a knowledge-driven global economy. The Plan also identifies the need to equip non-metropolitan regions and municipalities with a certain coordinative authority and the legitimacy to provide

more active and strategic leadership. Even more important, the Plan, in essence, indicates an appreciation for the fact that coordination of knowledge clusters is viewed as best handled at the local level.

From a more critical standpoint of performance evaluation, after about two decades of an increased emphasis on rural development and almost ten years after the publication of the Action Strategy, the tide of rural-urban migration continues—a key indicator of persistently insufficient or nonexistent career opportunities in rural region. Rural and Northern Manitoba still carries the weight of boom/bust extractive communities, debilitated rural communities and regions seeking value added industries but not finding them. A counterpoint to this critique might be that the material transformation that often follows a paradigmatic policy shift is slow, usually lasting a generation or two.

A particularly significant initiative reflective of the new paradigm of rural economic development in a knowledge-based economy is the development of an assistance program for Brandon University's Rural Development Institute to support rural research and development projects. Furthermore, through the Northern Development Strategy of the Manitoba Aboriginal and Northern Affairs department, the province has committed about \$45 million in capital funding for the University College of the North to support expansion of services at the two main campuses in The Pas and Thompson, as well as offering a northern community economic development diploma through Red River College in partnership with the University College of the North. Also, the province's Broadband Communications North program has been increasing the potential for economic development, health and education services. Out of 67 northern communities, 52 are now connected to a broadband network.

Another policy initiative of crucial importance to rural economic development in Manitoba is the Northern Development Strategy (NDS). The NDS is a long-term plan that identifies opportunities to develop the human and natural resources in the North—social and economic changes which will benefit the people of the region. The NDS was initiated by the northern MLAs in April, 2000 responding to pressure from their constituencies for a more proactive and collaborative approach to rural and northern economic development. It is also based on previous consultations including the Northern Mayors and Chiefs Conference and the Report of the Northern Manitoba Economic Development Commission.

As noted earlier, however, despite the litany of Plans and programs for rural Manitoba over the past two decades, the urbanization trend continues apace and rural areas do not seem (yet) to be benefiting from the globalized, knowledge-based economy. In fact, in some cases, it can be quite the opposite. Nevertheless, the shift in emphasis and the increasing level of joint action among public agencies are indicative of a new framework of policy engagement, one where local communities increasing influence the processes that shape their collective destinies. One of the most critical tests of the new paradigm of rural and northern economic development in Manitoba, however, will be the extent to which the NDS's implementation provides opportunities for collaborative and bottom-up processes in the pursuit of rural economic development in the province. One encouraging sign along this line is that the NDS envisages the pursuit of economic development through public and private partnerships. In this regard, if implemented according to its stated priorities and instruments, the NDS may serve to correct the historic tendency of provincial governments to pursue uncoordinated

initiatives in the rural and northern regions. What would make the NDS even more different from previous northern and rural initiatives is the extent to which it provides the institutional requisites for co-ordination and support for communities in rural and northern Manitoba to pursue economic development.

6.0 The Imperatives of the New Context of Rural Policy Governance

By the turn of the millennium, in the face of the aforementioned developments in New Brunswick and Manitoba, the focus of ACOA and WD turned toward overcoming administrative boundaries and facilitating better networks with the provincial and municipal governments, as well as with non-state actors such as the private sector and community actors. In particular, ACOA and WD were beginning to adjust their programs and service delivery models to the changing discourse of rural development in New Brunswick and Manitoba (ACOA's Report on Plans and Priorities, 2001-02; WD's Departmental Performance Reports, 2004-2005). The agencies' program instruments and delivery models shifted towards encouraging disadvantaged rural regions to seek ways to maximize their potential for global competitiveness.

The new approach of the federal agencies, in turn, had significant administrative implications, since it requires different kinds of governing institutions and capacities that lend themselves to principles of collaborative and horizontal management. It also requires the capacity to facilitate joint action at the subnational level. From a public management standpoint, ACOA and WD became focused on multilevel governance arrangements that could maximize the use of local assets, foster the interaction of local and international stakeholders and nurture synergies across various sectors of the economy.

For ACOA and WD, the successful implementation of their policies was no longer merely a technical task of program design and delivery (as was the case in the 1990s), but also political negotiation, since they now seek to synchronize their activities with emerging actors and ideas within their operating environment. Successful regional development policy governance in New Brunswick and Manitoba became a matter of how well ACOA and WD could frame their policy interventions as consistent with and supportive of local joint action under provincial leadership.

For instance, the Community Adjustment Fund (CAF) (a part of the national Economic Action Plan that was introduced after the major 2007- 2009 global recession),¹ which is administered by ACOA and WD, has undergone a radical redesign of the agencies' evolving governance model. Rather than disbursing funds to deserving beneficiaries as was prevalent before the turn of the millennium, each agency works closely with the provincial and municipal governments as well as the private sector and community groups in identifying and overseeing projects that will create jobs and employment opportunities in communities needing economic adjustment to the forces of globalization.

¹ Please see the following websites for more details on the CAF as administered by the two agencies:
<http://www.acoa-apeca.gc.ca/eng/ImLookingFor/ProgramInformation/CAF/Pages/Home.aspx>;
<http://www.wd.gc.ca/eng/11269.asp>

ACOA in particular appears to be keen to make the necessary adjustments to synchronize its programs and activities with provincial and local initiatives. A good example of this can be found in the agency's Regional Economic Development Organizations (REDOs). The REDOs play a leadership role by bringing communities together to plan, develop, and implement economic development efforts. ACOA works with, and provides funding to, fifty-two REDOs located throughout Atlantic Canada, including fifteen in New Brunswick. The REDOs in New Brunswick are referred to as the Enterprise Network. The Enterprise Network is jointly supported by a number of federal, provincial and municipal government agencies. They provide the framework, policy direction, support programs and funding for each of the 15 Enterprise agencies across New Brunswick.

What the new approach of the two federal agencies share in common is a program delivery mechanism that emphasizes collaborative policy governance that transcends institutional boundaries. The focus is on jointly working across institutional levels and sectors to increase the number of exporting firms, diversify the market base and sector product lines, and raise the level of international investment and innovation activities in the regions.

Two concerns, however, remain. First, as noted earlier in the sections on New Brunswick and Manitoba, some of the regional programs have been around long enough to warrant some measure of performance evaluation. In particular, older programs need to be scrutinized in systematic ways for innovations, impacts, performance, effectiveness, and the like. ACOA and WD provide annual Performance Reports to parliament but these Reports are mostly lists of funded programs as well as generic claims about macroeconomic indicators of change in the provinces of their operations. The reports do not contain substantive information that may help the reader ascertain whether the agencies' annual program expenditures actually support, refute or address in measurable ways the question of the knowledge economy in the rural regions of their respective operating environments. Such a thorough evaluation should be the subject of future research.

The second concern is more germane to the objective of this paper. The challenge of managing rural economic development policies (and most other policies) in the new context of a globally integrated but locally-driven economy is to configure Canada's institutions for a more logical consistency with the imperatives of regionalized, bottom-up and horizontal governance. Some federal agencies adapt better than others. For instance, while the evidence suggests that WD and ACOA are mindful of the new imperatives of rural economic development, ACOA seems more willing and able to navigate the maze of intergovernmental complexity and directly engage rural and local communities. This means that the absence of coordinated institutional reform to facilitate the bottom-up governance arrangements will leave some agencies (and regions) faring better than others.

Given the history of periodic intergovernmental tensions in Canada, the question becomes whether the recent emergence of provincial activism and the adaptation of federal agencies as observed in New Brunswick and Manitoba can translate into long-term collaborative governance. The history and politics of federalism in Canada has been known to vacillate considerably between cooperation and contestation, with outcomes often weighed in favour of centralized, top-down public management (Krasnick, 1986). ACOA and WD's challenge is to institutionalize their new mechanisms of policy engagement in ways that leverage

the potential strengths of multilevel governance, while at the same time navigating its political “wetlands”.

7.0 Discussion and Conclusion

The complexity of modern political and economic environments means that managing rural economic development could be better viewed as a process of navigating the crossing of institutional boundaries rather than simply optimizing program output (Klijn, 1996; O’Toole, 2000). The effectiveness of policy governance in such settings requires the ability of public managers to make connections across levels of government and outside government, and to gather and share ideas, resources and power with public and non-state actors (Brooks & Miljan, 2006; Gow, 2009).

This paper has analyzed the transitions in rural economic development policy in Canada with a focus on developments in the provinces of New Brunswick and Manitoba. The present context of rural economic development in these two provinces can be referred to as moving towards collaborative governance of innovation policy involving various levels of jurisdiction, along with the inclusion of local non-governmental stakeholders. The two cases illustrate how rural development policy governance in a globally integrated and knowledge-based economy can be increasingly viewed as strategic rather than merely operational.

The analysis of the two cases illustrate that the emergent threads of rural economic development policy governance weave through a wider fabric of innovation policy. Innovation refers to economic, social and political processes rather than merely science and engineering activities. It refers to new or better ways of doing things that have the potential to create or add value. It extends beyond products to include improved processes and novel forms of organization. Innovation is considered to be strongly related to the international competitiveness and commercial dynamism on which sustainable employment and secure jobs ultimately depend (Council of Canadian Academies, 2009). It is thus considered to be the bedrock of economic development in the knowledge-based economy or “new economy”. These shifting trends towards the “new economy” are further accelerated by structural and institutional changes brought about by the phenomena of globalization.

One of the fundamental limitations of the prevalent discourse of innovation, however, is the tendency to ignore or overlook its applicability to or relevance for rural regions. Several challenges confront rural development in knowledge-driven economies. The most significant of these challenges are institutional and demographic, and they generally include weak political clout, fragile technological infrastructure and demographic decline. In fact, these factors are interrelated. For instance, rural economies tend to be lacking in “community capital” such as the physical, financial, human, cultural and social assets for effective participation in the new economy (Mackenzie et al., 2007).

The increasing recognition of the role and relevance of local regions within the new economy does not necessarily translate into greater governance capacity; as such capacities are a function of the institutional structures of multilevel governance especially in federal systems such as Canada. The most pivotal challenge that has been facing rural and other local regions is the centralized nature of Canada’s policy governance architecture. One of the institutional costs of such rural policy architecture, for instance, is the impeding of the potentials for effective local

responses within the communities most at risk. Despite the de-facto adjustments observed in the cases of New Brunswick and Manitoba, the Canadian system is out of step with the institutional requisites of rural economic development in knowledge-driven societies. Canada has a national framework of top-down direction on the one hand and bottom-up localized processes and energies on the other, with the former disproportionately weighing over the latter (Roy, 2007).

Some of the key factors that influence the success of adaptive regions include the presence of local champions, institutional intermediaries, equitable participation, a creative civic culture, and financial and technical resources (Bradford, 2010). Positioning rural regions for successful adaptation to a knowledge-driven economy would mean supporting local institutional capacities to nurture these dynamics. In this regard, the public policy requisites of rural economic development in knowledge-driven economies systems are reflective of strategic governance approaches that fundamentally seek to restructure the relationships between state actors and citizens of rural communities (MacNeil, 1994). This approach rejects top-down social engineering, and emphasizes local participation and local self-governance processes (Mackenzie et al., 2007). From this perspective, rural communities are seen less as the objects of economic development and more as the agents and masters of their own socioeconomic destinies.

Although the objective of this paper is to analyze the question of changing governance arrangements to better respond to new economic realities and challenges for rural regions, nevertheless, a brief note about program performance evaluation is also in order. The agencies mentioned in this discussion all recognize that too many rural regions are outside the new global knowledge economy, and are trying to do something about it. The Plans and programs discussed in this paper, however, are merely indicative of the shifting paradigms, with policy instruments expressly directed at facilitating the adaptation of rural regions to the knowledge economy. The litmus test of the tenability of this emergent paradigm shift will be concrete evaluative measurements aimed at scrutinizing the various programs for innovations, impacts, performance, effectiveness, and the like. The results of such performance measurements (largely lacking at the moment) will lend greater credibility to the prospects of the knowledge economy in rural regions. Future research will do well to address these concerns about program performance evaluation.

Finally, the institutional framework most conducive to rural economic development in the modern economy is devolved and networked systems of economic development policy management that can empower communities with the resources and tools to investigate, assess, and prioritize development opportunities. The imperatives of the new economy, therefore, require a rethink of the architecture of rural policy governance that gives a central importance to rural “places” not only as a geographical construct but also an institutional construct. Rural economic development policy governance is increasingly about synchronizing the activities of public agencies, not only with those of agencies from other levels of government but also with non-state actors as well as local community groups. The governance of rural economies, therefore, requires a governance architecture that transcends and integrates the various levels of government. This would institutionalize a network governance framework that could leverage the nexus between innovation, adaptation and prosperity in rural regions.

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