

“From Words to Work”

Implementing the
Nunavut Economic Development Strategy

A Discussion Paper

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Introduction

It will be our task in the months ahead to review each of these objectives and to develop specific action plans to bring our organizations and resources together to achieve them.

Nunavut Economic Development Strategy, page 34

The purpose of this discussion paper is to propose an implementation process by which the commitment to act on the “specific measurable objectives” made in the *Nunavut Economic Development Strategy* (NEDS), can be carried out. It is hoped that this proposal, and the information included in the appendices, will be of use in discussions to be held during the first AGM of the Nunavut Economic Forum, May 3-4, 2004.

NEDS lists 172 of these objectives, and commits the Nunavut Economic Forum (the NEF)¹ to act on 92 of them “by 2005.” An additional 58 objectives are described as requiring “Ongoing” action.

Most of these objectives are organized within the thirteen “Priority Areas for Development, 2003-2013,” (see table on page 7), but some are broad policy objectives affecting all aspects of economic development in Nunavut; for example: the negotiation of an Economic Development Agreement with the Federal Government by 2005.²

Six months after the public release of NEDS the NEF has yet to develop an implementation plan. Significant political changes in this period within the Federal and Territorial Governments, and at Nunavut Tunngavik Inc., have had effected the implementation effort, and much of the time since the release of the Strategy has been spent in the establishment of a legal footing for the NEF.

But now the Forum is about to hold its first AGM. Both the Premier and the NTI President have publicly re-committed to the implementation of NEDS. In the recent Federal Budget Plan, significant new funding for “Northern economic development” has been announced. The time to prepare an implementation plan for NEDS is now.

¹ “With the completion of this Strategy, the NEF will coordinate implementation.” See NEDS, pages 66ff. This section of NEDS is included in this discussion paper as Appendix A.

² See NEDS page 74.

This discussion paper makes one principal argument: **the process that was used to prepare the *Nunavut Economic Development Strategy* should be used to implement the *Nunavut Economic Development Strategy*.**

The strong collaboration that was developed within the Sivummut Group in 2003 must be maintained through the ten-year implementation period anticipated for NEDS. This will be a challenge. Implementation will require that Nunavut's various economic development agencies share their work and adapt their plans to accommodate the participation of others. This is a much more difficult task than the preparation of NEDS, which up to now, has been merely words on paper.

In coming to this conclusion about the necessity for continuing collaboration, the paper has responded to three questions:

1. What areas should be the focus of implementation efforts?
2. How should implementation proceed?
3. What principles should guide the implementation process?

The answers lead back to one of the final statements in NEDS:

Only after all of Nunavut's development organizations come together, decide on common goals, and determine to work collaboratively, can we build the foundation we need for sustainable economic growth in the future.³

³ NEDS, page 78.

1. Focusing Our Implementation Efforts

Priorities for Development in NEDS

NEDS identifies thirteen priority areas for development. Although these areas were determined almost a year ago, they remain relevant to the development agenda for the Territory.

As a result, as a public policy document shared by a wide range of development agencies, NEDS has been a valuable reference for specific projects whose proponents have been able to use the document to leverage their arguments for support, whether the project involves infrastructure development, adult education and training, or programs for youth. This indicates that NEDS succeeds in being inclusive. There have been no criticisms that the plan has ignored important areas of the economy or left out key action items.

NEDS has been criticized for its emphasis, however. Some have said that there should be more in the Strategy on private sector development and the creation of opportunity within specific economic sectors. The recommendations listed under “The Land” have provoked little interest, even among agencies who are directly implicated.

As a general framework for activity to promote the development of Nunavut’s economy, however, NEDS must still be judged a success. But this assessment is conditional. The plan will live and be made relevant to current economic development efforts only through implementation. Unless implementation proceeds now NEDS will begin to be viewed primarily for its limitations, and within a short time, will be ignored.

Activities since the Release of NEDS

Through the fall of 2003 and the winter of 2004, several significant economic development initiatives have been brought forward. Most have referenced NEDS, and may be regarded as actions that address the implementation agenda in the Strategy.

These include:

- the establishment of a Community Economic Development Policy Framework for the Government of Nunavut;
- the creation of the Nunavut Film Commission;

- the release of a discussion paper on adult learning by the Department of Education;
- the creation of a mining training committee;
- the adoption of changes to the Nunavummi Nangminiqaqtunik Ikajuuti (NNI) policy;
- the implementation of the broadband strategy;
- development of an implementation plan for a community financial institution;
- preparation of a policy for training of community economic development officers; and,
- the development of sector plans for fishing, mining, and the arts economy.

This is only a partial list, provided here to make two points. First, each of these initiatives has been made on a collaborative basis, involving two or more economic development agencies. Secondly, the list shows that NEDS is not a necessary precondition for action on economic development. Development will proceed, with or without the coordination and more effective collaboration that the NEF might be able to provide.

Responses to INAC's "Northern strategy"

In March it was announced that the Department of Indian Affairs and Northern Development (INAC) would receive increases to its Main Estimates to allow for expenditures in "Northern economic development" in Nunavut of \$3 million in 2004-2005, and at least double this amount in each of the next four years.

This budget increase will provide much-needed funding for the implementation of NEDS. The response to the announcement will also test the relevance of the plan. Will NEDS and the NEF be used to determine the priorities to which these development funds will be directed, or will they be determined by INAC program managers and policy advisors, according to national priorities? Will the funding decisions be made in response to a competitive, proponent-driven process, or will the existence of a made-in-Nunavut economic plan determine the investment choices?

In his recent visit to Nunavut INAC Minister Mitchell delivered several encouraging messages. One was that he regarded the preparation of a plan as an essential precondition to development, and that, in Nunavut, he recognized NEDS as being that plan.

Another principal message from the Minister was that expenditure of the new INAC funds for Northern development would be made “in accordance with the priorities put forward in your plan.” INAC, he said, “will operate in a manner that is in accordance with local priorities.”⁴

In preparing for the meetings with Minister Mitchell, the NEF issued a call for economic development project proposals. The responses were summarized in a NEDS *update* distributed at the time of the Mitchell Roundtable (included here as Appendix C).

Like the responses to INAC requests for “project proposals” in 2003, there has been little difficulty providing a listing of legitimate development activities that will produce immediate economic benefits. Implementation, however, requires more: the determination of priorities, and a method for how this will be done. A priority listing produced on the basis of a “call for project proposals” invariably leaves the collection of the information for the list and its final preparation in the hands of a central agency. Whether the list is fully inclusive, or truly reflects the priorities as agreed by all economic development agencies, remains a question.

Using the Implementation Matrix

In October 2003, a matrix was prepared by the Government of Nunavut that listed (in rows) all the action items from NEDS (see Appendix B). The matrix was distributed to all GN Departments, which were asked to indicate (in columns) those actions they would be prepared to undertake to help implement the Strategy. The reaction to this first effort to develop an implementation plan was mixed, with only two departments providing a detailed response.

Several reasons can be suggested for this response. Most relate to the process by which the matrix was to be completed: it was not collaborative. The request implied that the NEDS agenda had precedence over a department or agency’s existing mandate. Responding to the matrix might reasonably be expected to result in the assignment of a greater priority to a NEDS action item over one that the department or agency might consider more important to its own agenda. Until a consensus is developed, department by

⁴ Quotations are taken from Minister Mitchell’s statement to the Economic Roundtable Iqaluit, April 23, 2004.

department, agency by agency, it is not realistic to expect unquestioning commitment to the NEDS action items.

Both the Nunavut regional office of INAC and the Nunavut Economic Developers Association have used the matrix in an attempt to work toward implementation of some of the NEDS objectives. Both efforts have demonstrated the relevance of NEDS to the development agenda in Nunavut, but have brought us no closer to implementation. It's possible for a single agency to identify those action items from NEDS that should be implemented, but implementation itself requires mores – it requires the collaboration of others.

The mixed reaction to the matrix approach returns us to the necessity for collaboration. A matrix is entirely outcome oriented. Collaboration, on the other hand, is not an outcome, but a process. It depends on buy-in, consensus, cooperation and a willingness on each party to work with the other. Unless this is in place first, the matrix approach won't work

NEDS “Priority Areas For Development 2003-2013”

| | PRIORITY AREA | NEDS Reference | Action Items | | | | |
|--------------------------------|---|----------------|--------------|-----------|-----------|-----------|------------|
| | | | “By 2005” | “By 2008” | “By 2013” | “Ongoing” | |
| The Land | 1. Respecting The Land | Pages 34-35 | 4 | 5 | 2 | 1 | 12 |
| | 2. Maintaining Our Mixed Economy | Pages 35-36 | 4 | | 1 | 5 | 10 |
| | 3. Building on the Knowledge of Our Elders | Pages 37-38 | 3 | | | 2 | 5 |
| Our People | 4. Economic Development For Our Youth | Pages 39-40 | 5 | | | 8 | 13 |
| | 5. Education & Training | Pages 41-43 | 8 | 2 | | 11 | 21 |
| | 6. Basic Needs - Housing, Hospitals & Schools | Pages 43-45 | 5 | | | 2 | 7 |
| Our Community Economies | 7. Community Capacity Building and Organizational Development | Pages 46-49 | 9 | 2 | | 6 | 17 |
| | 8. Small and Inuit Business Development | Pages 49-51 | 6 | 2 | | 5 | 13 |
| | 9. Building the Knowledge Base in Our Communities | Pages 52-54 | 6 | | | 8 | 14 |
| Our Territorial Economy | 10. Putting the Nunavut Land Claims Agreement to Work | Pages 55-57 | 5 | 2 | | | 7 |
| | 11. Sector Development & Support Systems | Pages 57-60 | 8 | | | 1 | 9 |
| | 12. Infrastructure - From Buildings to Broadband | Pages 60-62 | 6 | 1 | | 1 | 8 |
| | 13. Accessing the Global Marketplace | Pages 62-64 | 4 | 1 | | 3 | 8 |
| | | | 73 | 15 | 3 | 53 | 144 |

2. Implementation Through Collaboration

The Collaborative Approach

Why was the collaborative approach selected as the means to prepare the *Nunavut Economic Development Strategy*?

The initial collaboration on economic development planning in Nunavut began in 1998 with the *first* Nunavut Economic Forum, and a partnership that included the Nunavut secretariat (INAC), NTI, the OIC (for the GN) and the Nunavut Association of Municipalities. Although the Forum lost its initial purpose when the Federal commitment to provide new funding for economic development could not be fulfilled, the partnership continued. With the addition of the GN Departments of Sustainable Development, Finance, Education, and Executive & Intergovernmental Affairs, and Kakivak Association from the Inuit organizations, the group collaborated on the preparation of the *Nunavut Economic Outlook* by the Conference Board of Canada, which was published in May 2001.

One of the principal observations the Conference Board made in their report was the need for Nunavut's economic development agencies to work together.

...there is a lack of clarity and, at times, a lack of consensus on the role of each of the major players related to economic development... Further collaboration will be required that involves setting specific objectives for action and moving beyond general agreement on common principles.⁵

This was echoed by the Government of Nunavut a year later, when it was announced that it would commit to the preparation of an economic development strategy for the Territory later that year. The theme chosen for the process was “working together.”

In Naujaat, Cabinet determined to lead a process to develop an economic plan... we recognized that we cannot work alone. Many others, in government, the Inuit Organizations, and the private sector, also are working to build a strong Nunavut economy. Any plan that is

⁵ *Nunavut Economic Outlook: An Examination of the Nunavut Economy May 2001*, page 65.

*developed must include and value the efforts of all of those working in economic development today.*⁶

Premier Okalik in *The Naujaat Challenge*

During the preparation of the Strategy, a study was commissioned to explore optional approaches to the implementation of economic policy in Nunavut. The analysis, provided by Brian MacDougall, a social scientist with the University of Ottawa, argued that in Nunavut, collaboration was essential for economic development.

To enhance the degree of Territory-wide economic cooperation and coordination, and to ensure success in realizing its goals, the GN should adopt a neo-corporatist⁷ economic strategy. That is the best way to draw all the main economic interest groups – employers, labour, DIOs, and IPGs – into Territory-wide social and economic partnership. (While the DIOs and IPGs represent the economic and political strengths of the Inuit past, business organizations and trade unions represent the hope for economic success in the future.)⁸

MacDougall's point that Nunavut was "naturally-predisposed" to a collaborative approach for the preparation and implementation of an economic development strategy was incorporated into the final text of the NEDS (see "Building Capacity Through Consensus" pp. 65-66).

One final point on collaboration and strategic planning can usefully be made here. In an important recent analysis of economic development policy in Nova Scotia, three "styles" of economic development policies are explained.

The *market-oriented* style attempts to allow the free market to provide for economic growth and employment. The *reactive* strategy provides "short and medium term remedies for the

⁶ *The Naujaat Challenge: Working Together*, Government of Nunavut, page 2.

⁷ "In the 'neo-corporatist' model of capitalism, the state seeks to build a consensus for certain economic policies by having the two most powerful interest groups (i.e., capital and labour) participate fully in the formulation and implementation of those policies.⁷ As a result, the market is heavily shaped by policies determined by groups collaborating with each other." Brian MacDougall, *Vision, Strategy and Reality in the Economic Development of Nunavut: Lessons from the European and Canadian Experience with Neo-Corporatist Arrangements* (November 2002) p. 9.

⁸ MacDougall, p. 48.

political and social costs of underdevelopment,” usually through the provision of subsidies for failing enterprises. Finally, *anticipatory* policies try to transform the economy, by providing support for areas of the economy that are anticipated to become, in time, highly competitive, and by improving general productivity “by disseminating strategic technologies or by stimulating research and development.”

At this stage in its development, Nunavut needs economic policy that is anticipatory.

There are pitfalls in this approach, however. Anticipatory policies are difficult to coordinate over time. They usually require a strong central agency in government for implementation, and a large and well-organized private sector to partner with government. They also require considerable financial resources for implementation.

There is a way, however, to use the anticipatory style even where these preconditions are lacking or inadequate. The key is collaboration or, implementation in “an associative manner.”

In recent years, proponents of the active government development policies (whether anticipative or reactive) have become increasingly interested in developing and delivering them in an associative manner. Rather than relying on government putting incentives, tax breaks or infrastructure in place and hoping for a positive reaction from the private sector, the associative approach implies “a greater degree of self-regulation by autonomous groups... This in turn involves the transfer of authority and responsibility of some critical aspects of economic policy to... local organizations capable of providing the required services and programs.” In embryonic forms, such as ‘community economic development,’ the associative approach has had its advocates since the 1960s; but a particularly ambitious variant has become popular during the past decade. One advantage of the associative model is that it might succeed even where the three preconditions of an anticipatory strategy identified above do not apply, because it does not rely on bureaucratic direction, peak-level

*negotiation with business or labour, or on the expenditure of large sums of money.*⁹

The approach taken to the preparation and implementation of NEDS has been very much in this associative or collaborative style. Study of the experience of others who have used this style in other jurisdictions will help to develop an appropriate and effective implementation model for Nunavut's economic policy.

Innovation-led Planning

In recent years a number of studies have been published that elaborate on the theme of innovation-led development and the processes that allow for effective strategic planning in the 'new' knowledge-based economy. They emphasize the importance of collaboration as a foundation for economic planning and for economic growth – indeed the “cluster” theory of economic development, which is so often used now to explain the existence of areas of dynamic economic growth in the knowledge economy, offers that it is the “systemic relationships” among companies operating in close proximity to one another that spurs this growth.

Some aspects of innovation-led development have obvious connections to our circumstances in Nunavut. A few examples of innovation precepts show why:

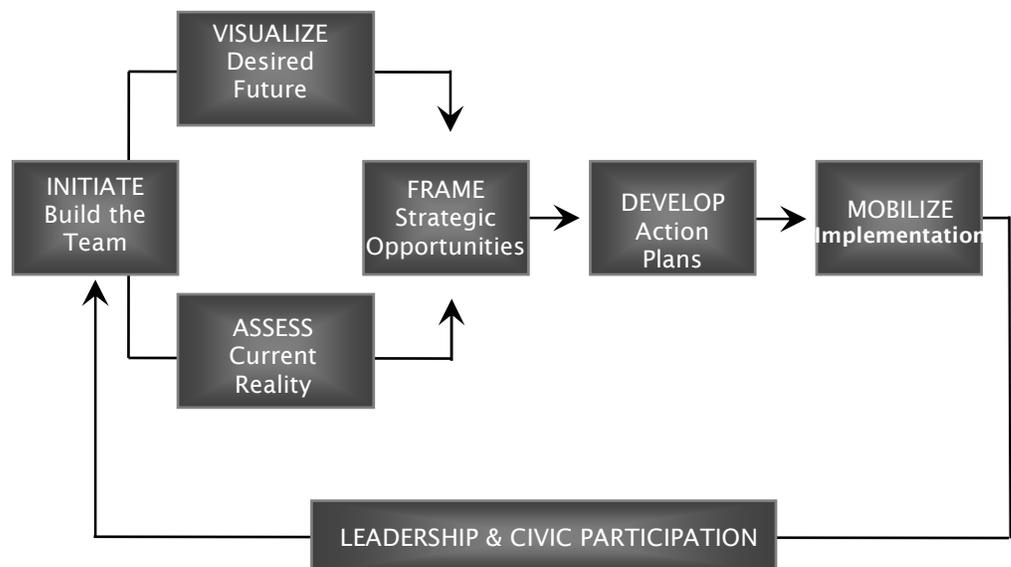
- Innovation is fundamentally a social process, emphasizing partnerships, strategic alliances and joint ventures.
- Economic development is not “government's job” the product of partnerships between government, business and NGOs.
- Learning is the principal development strategy for the new economy.
- Innovation focuses on the productive use of knowledge assets.
- The technology that drives innovation defies distance and reduces inefficiencies associated with a remote location.
- Community is the setting for economic development.
- Quality of life is a principal factor in creating clusters.

⁹ “Economic Development Policy: In Search of A Strategy,” by Rodney Haddow, in *The Savage Years: The Perils of reinventing Government in Nova Scotia*, Peter Clancy, James Bickerton, Rodney Haddow and Ian Stewart (Halifax 2000) pp. 80-114. Quote is from page 82.

- Innovation-led development emphasizes people and the improvement of people.
- Clusters provide the framework for economic development.
- Entrepreneurialism is the outcome of relationships, rather than being associated with the individual and a single small business.
- Innovation represents a shift from a material-based economy (what you have) to a value-led economy (what you know).
- Every region has knowledge economy assets.

The innovation-led approach to economic development has an obvious attraction for us here in Nunavut. Not the least aspect of this appeal is the thought that the application of knowledge to create an economy is hardly alien to Inuit, for whom survival and maintenance of livelihood has traditionally been dependent on the ability to know the land and its resources, and to apply this knowledge effectively. Moreover, many of the traditional values of Inuit – sharing, working in collaboration, etc. – are easily transferred to the collaborative process advocated for achieving growth in the modern knowledge economy.

The Elements of an Innovation-led Planning Process



This schematic (previous page) illustrates an innovation-led planning process advocated in a recent publication commissioned by the Economic Development Administration in the U.S. Department of Commerce.¹⁰ (This process has also been used in innovation-based analysis of Canadian development issues.¹¹)

No one involved in the preparation of NEDS set out to put into practice a model of innovation-led planning. Yet the process used to date can be explained using this theoretical model, and it can provide a useful guide for the next steps needed for successful implementation.

“Initiate: Build the Team”

The creation of a team to prepare an implement an economic development strategy for Nunavut began, as has been described, six years ago, in the quest for increased Federal investment. It continued with the coordination of the *Nunavut Economic Outlook*, and the formation of the Sivummut Group, which prepared NEDS.

In the innovation-led model, the team is sustained throughout the planning process, including the implementation stage.

Visualize the Desired Future

Without a vision, there can be no plan. Economic planning in Nunavut can draw on a number of sources for a sense of how the citizens of the Territory would like the future to be, beginning with the Nunavut Land Claims Agreement. The Government of Nunavut began with a clear vision statement in *The Bathurst Mandate*, which was applied to economic policy by Cabinet in a retreat held in Naujaat in 2001, and described in *The Naujaat Challenge*, published the following year.

The vision was further refined through extensive public consultation, and was expressed in NEDS in the form of a rhetorical question: “Can we develop our economy in a way that is consistent with our culture, values, and traditions, while at the same time

¹⁰ Strategic Planning in the Technology-Driven World: A Guidebook for Innovation-Led Development. (2001) See page 37.

¹¹ See Sherri Torjman and Eric Leviton-Reid, “Innovation and Poverty Reduction,” Caledon Institute of Social Policy (November, 2003).

enabling us to participate more actively in the national and global economy?"¹²

Assess Current Reality

The response to this question, and the achievement of the vision, can only be made after a critical assessment has been undertaken of the foundations for economic growth: the natural resources; the health, security, and capacities of people; the state of physical infrastructure; and, the degree of organizational development in the Territory. Current indicators of economic development need to be measured, and the contributions of the economic sectors, both current and potential, must be described.

This analysis was provided for Nunavut's economy primarily through the preparation of the *Nunavut Economic Outlook*. In addition, extensive consultation with the major actors in the economy – for example, the various Nunavut chambers of commerce – provided reliable anecdotal information about how the “real world” compared to the vision of the future.

Frame Strategic Opportunities

This stage in innovation-led planning is the determination of a development agenda. For Nunavut, this agenda is found in NEDS. In its essence, the Nunavut economic development agenda is represented by the thirteen strategic priorities, organized within the four theme areas.

Develop Action Plans

The next stage in the innovation-led planning process requires the development and prioritization of action plans. For this purpose, collaboration is essential; innovation theory posits that no single enterprise can achieve for itself on its own, what it can achieve by working in relationship with others.

Some of this work has been accomplished in the NEDS: objectives have been set, and indications provided about short and long-term priorities. But more work needs to be done first to establish a workable number of priorities for the short-term – in this connection, the Federal Budget announcement of immediate

¹² NEDS, page 1.

increases in funding for economic development in Nunavut are forcing the issue – and to determine who will act on them. Long-term priorities will need the same approach.

Mobilize Implementation

The work accomplished over the past six months to establish the NEF as a legal entity, and to secure for it the leadership of a board and a chief executive officer, contributes directly to the implementation of the plan within the innovation-led development model. If collaboration is essential to implementation, then it is critical that organizational capacity be strengthened, and that relationships are formalized to provide a foundation for commitments to joint action.

Leadership & Civic Participation

In the innovation-led model, the planning process turns on these two elements: leadership; and, civic (public) participation. This also has been true in the preparation of NEDS, and the implementation stage also will depend on the presence of strong leadership and a continuing commitment to public involvement in the planning – including implementation – process.

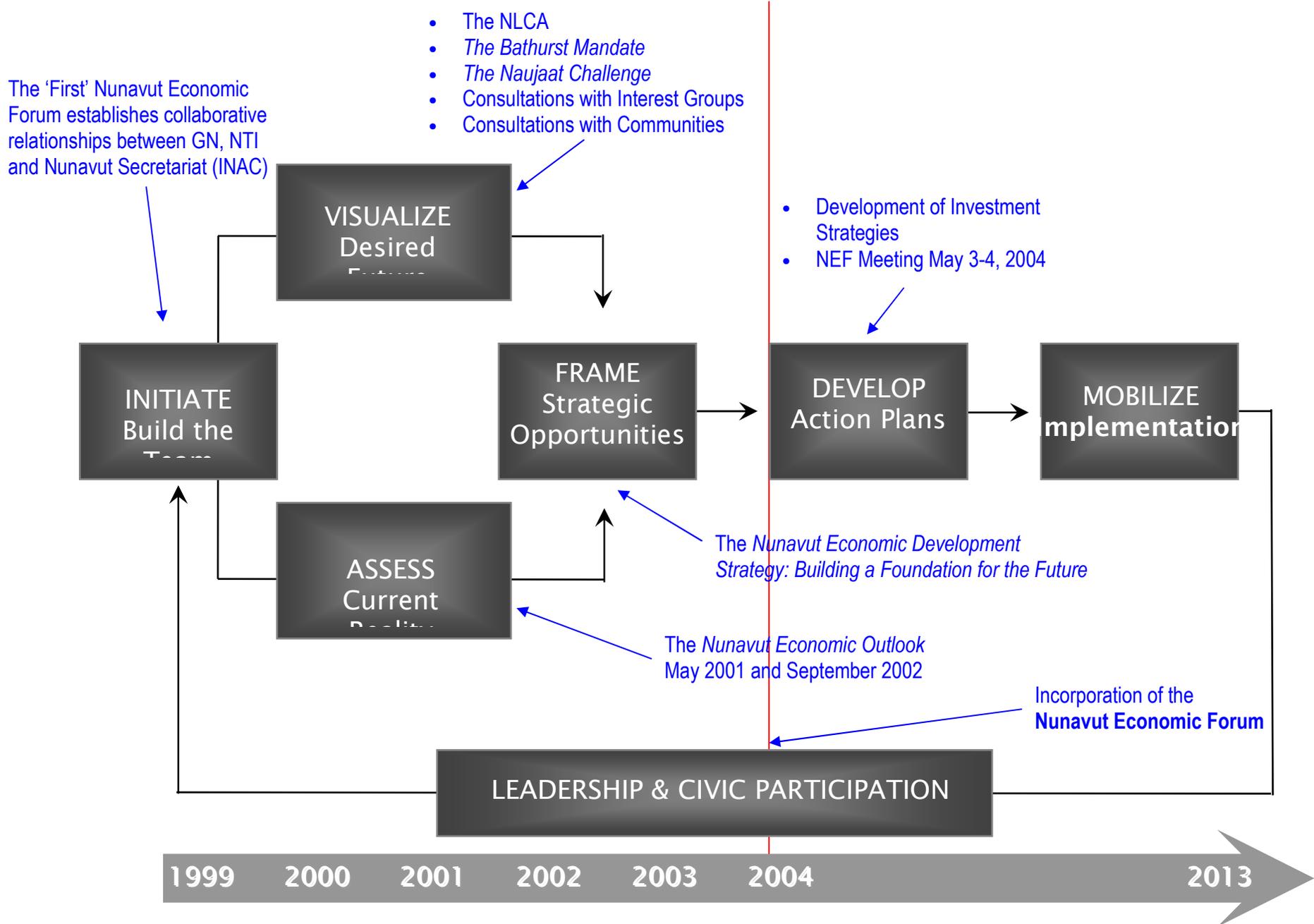
NEDS signaled this commitment by including an objective to convene a “Sivummut III” economic development strategy conference within five years.¹³ Public response to the priorities selected for implementation in the Strategy must be encouraged in the short-term, however, and used to routinely refine and adjust the NEDS agenda from year to year. This communications function will be a major part of the role of the NEF and its new executive director.

The principal message about innovation-led planning is that it emphasizes process versus product: that is, the ongoing association and collaboration of those who have produced an economic plan, rather than the document itself.

Strategic planning is the means by which an innovative region takes charge of its future. It is a process through which a region comes to

¹³ NEDS, page 76.

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understand what it is and what it can be. It is an effort out of which leaders emerge to guide the region to achieving its potential.

The product of strategic planning is not only a plan. Strategic planning provides the forum in which those who care about their communities build relationships with each other, and these relationships form the foundation for a process that generates regional successes. In this way, strategic planning is also fundamentally a relationship-building process that generates a mechanism for a sustainable commitment to change. This is a breakthrough process, which in many ways turns the tenets of traditional planning on its head.¹⁴

Forming Implementation Teams

At this stage in the planning process, it is essential that the NEF move quickly to establish a collaborative process for implementation of NEDS – to establish immediate priorities, create action plans, and implement these across all sectors of the economy.

There is considerable pressure to do this now. Even before the Federal Budget announcements, several important economic development initiatives have been set in motion outside the framework of NEDS and the NEF.

This is not to suggest that unless an economic development initiative is one of those included in NEDS and sanctioned by the NEF it should not proceed. This would only result in the paralysis of the development process, and throw up a major barrier to economic growth in the Territory.

But if the premise of NEDS is true – that “Only after all of Nunavut’s development organizations come together, decide on common goals, and determine to work collaboratively, can we build the foundation we need for sustainable economic growth in the future.” – then the NEF cannot continue to be a silent bystander, but must actively work to promote these initiatives, and to coordinate their activities for the general good.

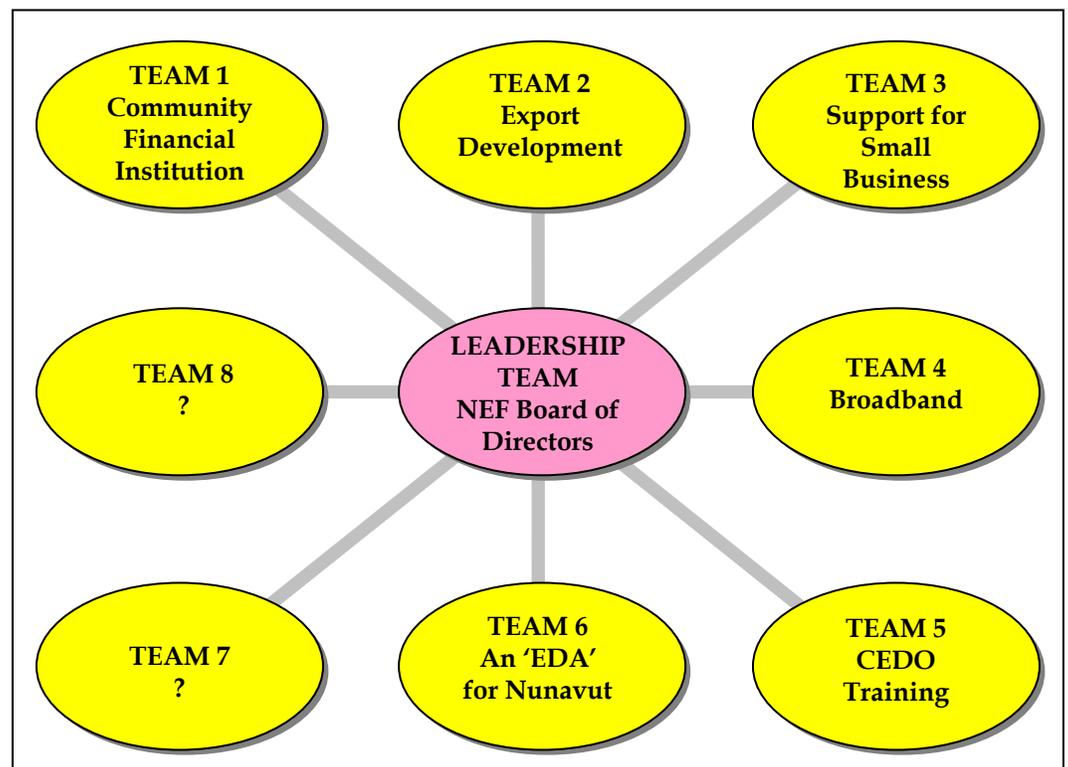
¹⁴ Strategic Planning in the Technology-Driven World: A Guidebook for Innovation-Led Development. (2001) See page 48.

The initial implementation step that should be taken by the NEF is to establish “implementation teams” for selected NEDS priorities. This can be done in the following stages:

1. Undertake a survey of the NEF membership to identify five or six priority areas from NEDS for coordinated implementation.
2. Form teams around each of the agreed priority areas to work on joint responses to the opportunities and challenges associated with these priority areas.
3. Identify a credible “champion” for each of these priority areas - a leader for each team.
4. Use the NEF board as provide overall leadership, to ensure support for the teams, and to provide the discipline needed to produce results on time.

The result will be a network of implementation teams, linked to the NEF, as illustrated below.

NEDS Work Teams



3. Principles to Guide the Implementation Process

A successful collaboration requires that the parties who work together agree on the principles that will govern their relationship. They must also understand one another's assumptions about the conditions that are needed to produce economic growth. This is essential to the preparation of shared action plans, to establishing priorities, timelines and effective program design, and to measuring outcomes.

Too often collaboration is attempted without prior agreement on principles. The assumptions behind the approaches taken by each economic development agency remain unquestioned, with the result that partnerships become battles for control and eventually break down.

A further causality can be the public participation needed to keep the planning process alive. Without a clear statement of agreed principles and development assumptions, accountability and transparency are not possible, and the public cannot be an effective partner in the planning process.

Public dissatisfaction with the performance of initiatives by the senior levels of government usually is the result of a failure to acknowledge and reflect in program delivery a few basic development principles. For example: program design must involve the people expected to use the program; program control must be shared; programs must be integrated and holistic in nature, reflecting the challenges and opportunities they are intended to address, rather than the limited mandate of government departments; and, programs should be long-term, and allow projects to extend over more than one fiscal year.

Perhaps the most important principle that should be observed in collaboration is that the larger partner should never be permitted to absorb the functions of the smaller partner. This principle is regularly ignored by senior levels of government and central agencies, perhaps because of a mistaken assumption that in order to be accountable for resources allocated from the centre, they need to control local outcomes. In addition, there is sometimes the assumption that central control is needed because local capacity is inadequate. In some cases, of course, local capacity is limited, but

the maintenance of central control is never a solution to this problem and may be, in fact, its principal cause.

To avoid these problems in the allocation of Federal funding in Nunavut under an economic development agreement, the Nunavut Economic Forum, in March 2004, discussed applying the following principles:

1. Negotiate any funding deal through the NEF.
2. Funds must be used to address the strategic priorities identified in NEDS.
3. The NEF must sign off on program design.
4. Funding must not take the place of funding that is available to other Canadians through other programs, but for some reason, has not been made fully accessible to Nunavummiut.
5. While “matching” funds from the GN may not be avoidable, any matching formula should be heavily weighted disproportionately on the federal side and not be permitted to weaken the already fragile GN programming base.
6. NEF (of which INAC/Nunavut is a member) will establish the terms of reference and criteria for the evaluation of applications for funding, through an investment committee that will be established by the NEF board.
7. The NEF will stay out of the management and administration of any funding. There are numerous agencies that could deliver the funds and account for them; there’s no need to create another.

With the March 23, 2004 Federal Budget announcements of significant increases to the Main Estimates for INAC for the delivery of Northern economic development programming, the need for the NEF to agree on such principles to support a collaboration has become an urgent practical necessity.

While INAC officials have stressed that the new funding “is not an EDA,” and that “existing [INAC] authorities” must govern the use of the funds at least for 2004-2005, they have also echoed their Minister’s commitment to work in collaboration with the NEF to allocate the funds to NEDS priorities. For this partnership to succeed, funding principles will have to be agreed.

Principles for Successful Federal-Territorial Partnering

Recently, representatives of the Government of Nunavut, the Government of the Northwest Territories, and the Yukon Territorial Government, have initiated discussions on the principles that might be developed to support a partnership with the Federal Government for future investments in Northern economies.

Although each territory has adopted a different approach to development, and different strategies in their respective relationships with the Federal Government, a number of shared principles for effective partnership can be listed.

Federal-Territorial Investment Partnership Principles

1. The Federal government must respect the functions of the Territorial governments, and recognize their capacity to design and implement economic development funding programs.
2. The respective priorities and distinct approaches to economic development of each Territory must be recognized in the development of investment funding plans for Northern economic development.
3. Once the general parameters of new Federal investment funds are established, program delivery and expenditure decisions must be made within each Territory.
4. Policies guiding the management of economic development investments must support the participation of Inuit organizations, First Nations, Municipal, Territorial and Federal governments, and the private sector.
5. Investment funding must be flexible, cost-effective and innovative, recognizing and providing support for Territorial development priorities, beginning with the program design stage.
6. Federal investments in economic development should recognize the fiscal constraints of the Territories. Where cost-sharing is required, other sources in addition to the Territorial governments must be recognized (for example: Inuit and First Nations, municipalities, foundations, etc.)

7. Investments must be directed at strategic economic development initiatives and not used for short-term, “one-off” projects or loan programs.
8. Economic development investments cannot take a “one-size-fits-all” funding approach. The Yukon, The Northwest Territories, and Nunavut are not identical, and any investment program must reflect this while encouraging cooperation on joint initiatives where this is practical.
9. Accountability and transparency are core principles for successful Federal-Territorial investments in economic development.
10. Economic development investments must provide for multi-year projects.
11. Northern Federal economic development investment in the Territorial economies must not limit the obligations of the Federal Government to provide access to and allow the participation of the residents of the Territories in existing federal programs.

These principles have been derived, in part, from those developed informally by the Nunavut Economic Forum working group in discussions about how increased federal investment in the Nunavut economy might be allocated. Members of the Nunavut Economic Forum will need to adapt these principles, or develop new ones, to support collaboration on the implementation of NEDS.

Assumptions about Development

Another area in which a common understanding must be developed concerns the nature of development itself. NEDS makes an emphatic statement on this question, with the assertion that the aspect of development that we call economic growth, can only occur through the attainment of basic thresholds in capital formation. (See pages 31-32.) It seems reasonable to assume, therefore, that the NEF would not sanction a project unless it contributes in some significant way to the achievement of these thresholds.

In making its proposal for the most effective use of new federal funding for economic growth in Nunavut, representatives of

Kakivak Association has proposed several assumptions about what they believe promotes economic development (see Appendix E). They also point out that “the NEF has yet to articulate the criteria by which development opportunities are to be identified.” Without this information, the planning process stalls, and cannot be shared.

Project Evaluation Criteria

Project evaluation criteria must be established early in the planning process. They help us to answer key questions about our priorities.

For example: Are projects to be limited to specific economic growth sectors? Are proposed investments to be market driven? How will success in a project be defined - by profitability alone?

The U.S Department of Commerce has established seven investment criteria to help determine whether their Economic Development Administration should support a project, as follows:

1. The proposed investments are market driven.
2. The proposed investments are proactive in nature and scope.
3. The proposed investments look beyond the immediate horizon, anticipate economic changes and diversify the local and regional economy.
4. The proposed investments maximize the attraction of private sector investment and would not otherwise come to fruition in the absence of EDA's investment.
5. The proposed investments have a high probability of success.
6. The proposed investments result in an environment where higher skill, higher wage jobs are created.
7. The proposed projects maximize "Return on Taxpayer Investment."

The appropriateness of some of these criteria for application to projects in Nunavut will be questioned. What, then, are the alternatives?

Conclusion: A Nunavut Growth Fund

During discussions by the NEF working group on the allocation of new Federal investments in the Nunavut economy in 2004-2005, it was noted that the immediate process of selecting projects for funding this year should not be permitted to set a precedent for or limit in any way the collaborative approach that might be used long term.

It is argued in this discussion paper that one way to avoid this problem is to agree now on the basic principles that will govern the NEF partnership over the next five years. Further to this, on the assumption that new funds will be invested in the Nunavut economy on a partnership basis, a specific allocation process has been proposed for 2004-2005.¹⁵

At this stage in the NEF's brief history as an incorporated body, only a few preliminary ideas have been suggested about the kind of corporate governance structure that must be in place to ensure the Forum can play a responsible role in the allocation of public (and potentially, private) funds for the development of the Nunavut economy. (One of the ideas proposed has been the creation of an investment committee at the NEF.)

For more than ten years, the Territorial governments have pursued the re-instatement of a Federal-Territorial economic development agreement (EDA). The effort has met with no success, and while Northern economic development funding is still being sought by the Territories from the Federal Government, the EDA model is being reconsidered.

One alternative that the NEF (including INAC) could consider is the "economic adjustment fund." The concept has had mixed success: the best-known fund of this type was created under the umbrella of the The Atlantic Groundfish Strategy (TAGS) in 1994, and there is no general agreement on its effectiveness.

Five years later, with the failure of the coal-producing industry in Cape Breton, another economic adjustment fund was proposed. The establishment of the Cape Breton Growth Fund (CBGF) as a

¹⁵ See Appendix E.

Federal crown corporation in 2000 was undertaken as an attempt to apply the highest standards in corporate governance and accountability to a regional economic development agency, to create an effective partnership structure for economic development, to introduce innovation to the delivery of program funding, and to produce consistent measurable results. Given the controversy about TAGS and the effectiveness of regional economic development programming in Canada in general, the founders of the CBGF were determined to demonstrate “best practice” in the implementation of their economic adjustment fund.¹⁶

The recent experience in economic development in Cape Breton – and in other selected jurisdictions in Canada and worldwide – should be studied by the NEF. The result might be that a new governance model for the delivery of economic development programming through partnership will emerge.

Nunavut needs an EDA with the Federal Government, but as long as the governance structure for such an agreement remains the joint secretariat model used in the past, it will have little appeal. (The same general issue has prevented the Federal Regional Development Agency model from being applied to Nunavut.)

The growth fund model may be a viable alternative.

¹⁶ See www.cbgf.ca

Developing Action Plans & Mobilizing for NEDS Implementation:
A Proposed Process for the NEF

