

12 August 2016

Mark Scarano  
Federal Co-Chair  
Northern Border Regional Commission  
James Cleveland Federal Building, Suite 3602  
53 Pleasant Street  
Concord, New Hampshire 03301

RE: Kennebec Regional Development Authority Comments on Northern Border Regional Commission Draft 2017-2021 Strategic Plan

Dear Mr. Scarano:

I recommend that the Northern Border Regional Commission support, over its next five years as part of its 2017-2021 strategic plan, program development (i.e. organizational capacity building) vs. project development (i.e. bricks and mortar projects). Recently, the Maine congressional delegation requested that the federal government send an Economic Development Assessment Team (EDAT) in response to the market crisis occurring in the pulp and paper industry in the Maine NBRC service area. This was prompted when it became apparent that the state of Maine (and the municipalities in the region) were incapable of providing an effective response. I posit that building greater organizational capacity with the actors in the northern border region will provide a force multiplier that could accelerate development.

Thus the staff of the Kennebec Regional Development Authority requests that the Northern Border Regional Commission incorporate regional organizational capacity building as a core strategy for developing the forest economy and attracting foreign direct investment. In this it is requested that the federal commission:

- Shifts from project management (bricks and mortar) to program management (skills development) and capacity building.
- Supports commonweal organizations in service to a region as a priority over membership based organizations in service to special interests.

I intend to share this recommendation with the Economic Development Assessment Team as part of a formal submission submitted through the Regional Economic Development Administration representative.

## The Case for Organizational Capacity Building

I watched with keen interest the early discussions on the emergence of the NBRC when I was running a County Public Authority in Franklin County, New York (2002-2010). The early reference was that the NBRC would mirror the Appalachian Regional Commission (ARC) in terms of mission and objectives. The early intent of the commission was to leverage “cross-border activities” in the region as well as the forest economy. Given that I was attempting to connect the forest economy in the Adirondack’s with the value added prospects occurring in the Beauce region of Canada – I saw the commission as an opportunity to address the needed capacity in my organization to exploit this development. As it is the goal of the ARC to build organizational capacity, I anticipated the NBRC to focus its resources on this objective. It remains one of five goals of the ARC to provide such capacity building and I would welcome the NBRC mirroring such an objective:

### **Goal 5: Leadership and Community Capacity**

Build the capacity and skills of current and next-generation leaders and organizations to innovate, collaborate, and advance community and economic development.

My current academic and professional interest (and this stems from my nation building experiences beginning with the Coalition Provisional Authority in Iraq in 2003) is the relationship between institutional capacity and economic development outcomes. Western Institutions (i.e. UN, USAID, etc.) have shifted their attention from resourcing large infrastructure projects to resourcing capacity building.

Capacity building, also referred to as capacity development, is a conceptual approach to development that focuses on understanding the obstacles that inhibit people, governments, international organizations and non-governmental organizations from realizing their development goals while enhancing the abilities that will allow them to achieve measurable and sustainable results. In Maine, I find the level of capacity, with respect to economic development (as compared to other states) wanting. A significant portion of its institutional economic development capacity is outsourced to private organizations.

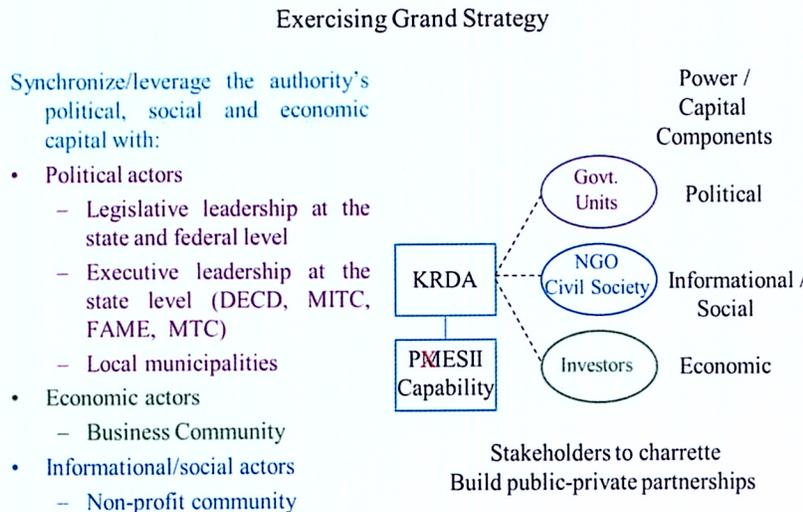
Napoleon’s quip, “Institutions alone fix the destiny of nations,” finds support in research published over a decade ago. The lesson learned from this – reinforced by my nation building experience – is that policies (such as trade liberalization or privatization of industry) matter less than the institutions that stand behind those policies. Cross-country empirical analyses, in combination with micro-level studies, provide strong support for the overwhelming importance of institutions in predicting the level of development in countries around the world (Hall and Jones, 1999; Acemoglu, Johnson and Robinson, 2001). In a landmark study of new institutional economics, (Rodrik, Subramanian and Trebbi, 2002) the authors assess the relative importance of institutions, geography and integration (trade) in determining the differences in incomes between the world’s most developed countries and the poorest ones. They find that institutional determinants “trump” all others.

So when I hear others lament that Maine has a geographic problem or a demographic problem. I disagree. I would like to suggest we have an institutional problem – we have not created effective institutions to accomplish what we need to do. The development discussion in Maine needs to shift from policy development to capacity development. From, “What should we do?” to, “how should we do it?” We know what we need to do. We lack the institutional capacity to carry it through. The recent resignation of the director of the Maine Center for Entrepreneurial Development (Dan Gooding) reflects this problem. So too the absence of a state-wide economic development strategy.

Preparing an Effective Response to the Crisis in the Maine Pulp and Paper Industry

In Maine the dominant narrative is that economic development will proceed from sound data and entrepreneurial ability. I offer an alternative narrative which outlines that economic development will proceed from sound principles and investment. This requires building the appropriate organizational structures that can conduct routine economic development tasks and respond to market opportunities and threats.

My international/post conflict development experiences have changed my perspective on the business – the definition - of economic development. In sum, development is the implementation of grand strategy



in which its elements: the military, economic, political and social / informational components of power; contain actors at the national/sub-national level each of which possesses a form of capital. Synchronizing and leveraging these actors and their capital to achieve particular ends is what the profession of development is all about. In the case of the Kennebec Regional Development Authority this requires leveraging its political, economic, social, informational and infrastructural

capabilities with the actors and components of power in its service territory. Key is the capacity building or capacity development necessary to obtain the institutional capital to synchronize and leverage the various actors. This is necessary to negotiate (not just coordinate) outcomes.

The importance of negotiating (vs. coordinating) outcomes is due to the differing perspectives and values of the various actors. Key to understanding this is to visualize the actors/component of powers in the human geography/battlespace. Each of these actors will have their own:

- Foundations
- Outcomes
- Principles
- Integration Logic
- Ideals

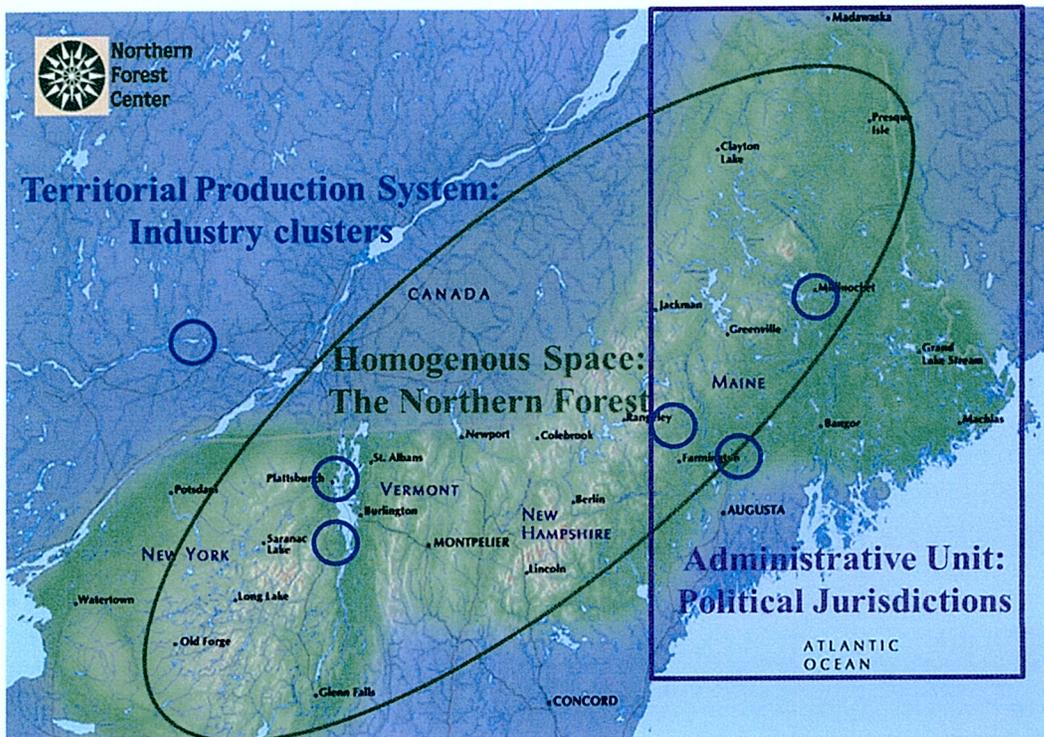
Incorporating all of these elements will require achieving unity of effort by a lead organization with immense clout.

**SPATIAL ORGANIZATIONAL MODELS**

	Forms of Institutional Organization		
	MARKET MODEL	CENTRALIST MODEL	FEDERALIST MODEL
<b>GEOGRAPHICAL FRAMEWORK</b>	homogenous space	administrative units	territorial production systems
<b>ACTORS</b>	investors	government officials	NGO/civil society
<b>POWER COMPONENT</b>	economic laissez faire	political national sovereignty	informational subsidiary function
<b>FOUNDATION</b>	liberalism	zero-sum	win-win
<b>OUTCOMES</b>	growth	authority, legal rights, economies of scale	self government, synergy, flexibility
<b>ORGANIZATION PRINCIPLES</b>	initiative, responsibility, X inefficiency	control/dependence	equality
<b>INTEGRATION LOGIC</b>	interdependence	equality	complementarity
<b>POLITICAL IDEALS</b>	liberty	bureaucracy	assemblearism
<b>NEGATIVE EFFECTS &amp; DEVELOPMENTS</b>	economicism, economic and political disequilibrium	nationalism/separatism	m confusion impotence

In Maine much of the development effort is organized around and limited to the Centralist Model. Thus I find the prevailing paradigm one dimensional. The key to achieving effective development is that no one model should necessarily predominate - or you will limit your development options or ability to effectively respond to such crisis as we find in Maine's Northern Forest. The intent (and a significant lesson learned from my nation building experiences in Iraq and Afghanistan) is to establish an equilibrium condition among the actors and components of power to set the conditions for long term development. This was not the doctrinal focus in the battlespace of Iraq and Afghanistan.

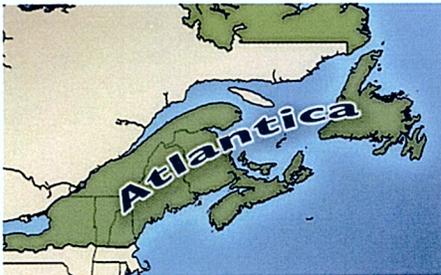
The other element to appreciate is the competing perspectives among the actors of the economic/human geography. Economic actors, or the business community, tend to visualize activity occurring within the homogenous space of the market place (i.e. there is no physical or administrative boundary or limits). This geographic feature is the prevailing trait of the landscape: The corn-belt, the wheat belt, the rust belt, the Western Desert, the Hindu Kush, the Northern Forest, the urban agglomeration of the Boston-Washington corridor. Political actors tend to see the landscape along the administrative boundaries or limits of their jurisdictions. Were the business community may see that the world is their oyster,



governmental actors see their world ending at the frontier. The nongovernmental/non-profit community tend to look at the landscape from a systems perspective. Thus Doctors Without Borders tend to view the health systems in place and the World Food Program tend to view the distribution systems in place. Economic development professionals operating outside of municipal jurisdictions tend to view the landscape in terms of territorial production systems assessing the specialization and the complementarity in place. Creating effective responses to the crisis occurring in the pulp and paper industry in Maine's Northern Forest will effectively require operating in all three dimensions and synchronizing and leveraging the capital associated with each of these dimensions – or we will limit our outcomes. However, In Maine, cultural mindsets limits Maine's orientation of the economic geography to one dimension. Within the state's administrative units there is no organizational capacity that can leverage opportunities in all three dimensions.

One of KRDA's recommendation to the federal EDAT is to utilize the resources of the NBRC to replicate the Manufactures Association of Maine (MAMe) program design currently addressing the defense industry adjustment in the state for the forest industry. This response was supported by the Department of Defense, Office of Economic Adjustment, who are concerned about the impacts of budget cuts and sequestration on the defense department's supply chain. The response developed by MAMe (working in conjunction with the KRDA) operates in all three dimensions and leverages and synchronizes the various forms of capital associated with these dimensions.

The project connects the area of operations (Maine) with an area of interest that consists of the homogenous space defined as Atlantica and the Southern New England Metropolitan Statistical Areas of Boston, Massachusetts and Hartford, Connecticut. In both areas there is a meaningful aerospace sector



(i.e. Hartford, Montreal) and maritime heritage (shipyards in Bath and Halifax). Thus the administrative unit – Maine – links the homogenous space – Atlantica/Boston-Washington corridor – with the territorial production systems associated with the Maine Manufacturers Association members and the larger New England defense industry members via the Regional Center for Advanced Technologies. The MAMe's Business Growth Services consultant group assess negatively impacted defense firms and

identifies new commercial markets/opportunities and process improvements. The MAMe's Business to Business Development Services (currently under subcontract with the KRDA) utilizes its network capabilities to identify foreign firms to link with Maine firms (contractual, joint venture, merger or acquisition, etc.) (OEA requested KRDA's capabilities over the alternatives in the State). Thus as the US defense budget is shrinking, the Canadian government is poised to build its first naval fleet in over two generations. Linking Maine's supply chain to these market opportunities is an example of the development options available when capacity exists to operate in all three dimensions.

#### The Kennebec Regional Development Authority's Opportunities in the Northern Forest

The Kennebec region is serviced by the Kennebec Regional Development Authority – an "operational" entity (as distinct from a planning entity such as a Council of Government) that services Kennebec, Somerset and Western Waldo Counties. It is the only quasi-municipal regional authority conducting economic development in the state. On behalf of those businesses investing in the region - it coordinates the state's economic development services along its four administrative pillars and private non-profit organizations. Given its mandate it has demonstrated a capacity in investment attraction and real estate development unique from state or local capabilities. Given its economies of scale it provides capabilities not found in other regions of the state. It has recently secured the investment of a New Brunswick wood compost manufacturer and distributor (announcement forthcoming) that will be locating outside of FirstPark. A significant portion of the state's pulp & paper infrastructure is in the Kennebec Region. Somerset County led the state for the highest concentration of paper mill employment.



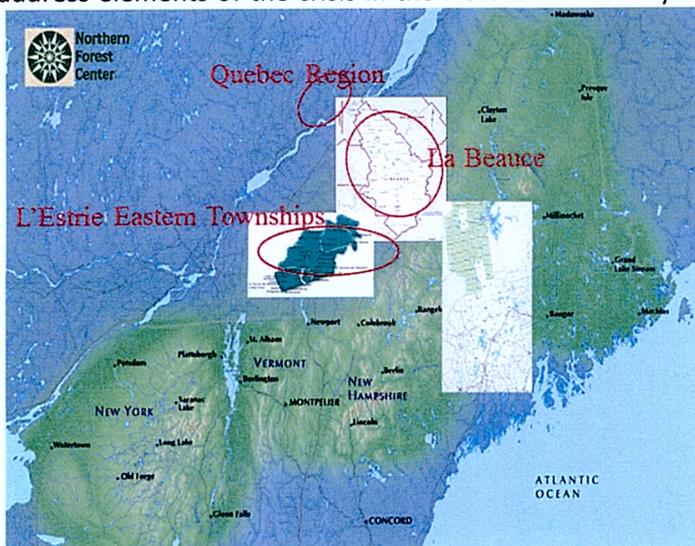
Maine has a polycentric economic geography and the Kennebec Valley watershed is at the nexus of its four economic geographies:

- An urban centric economic / human geography based on the Boston-Washington corridor / urban hierarchy that extends into York and Cumberland Counties
- A coastal / maritime economic / human geography based on the Gulf of Maine
- A forest/extraction based economic / human geography based on the Northern Forest
- An extensive (N & E) and intensive (S & Central) agricultural economic / human geography based on the state's river sheds

This lack of homogeneity makes a statewide economic development planning effort problematical. Any statewide initiative should respect regional approaches and solutions - thus the importance of building capacity at the regional level in Maine as distinct from state and municipal levels.

The Kennebec Valley is situated along the state's paramount development corridor. The State's transportation (road/rail), communication and energy infrastructure parallel in the Kennebec region resulting in a robust multi-modal corridor. It is equidistant to the state's largest urban centers: Portland and Bangor and benefits from agglomeration forces. It contains industry agglomerations in forest products, composite materials products, metal fabrication products, food products and medical/educational services.

The Kennebec Regional Development Authority is demonstrating a capacity to secure foreign direct investment – whether it is in the defense industry (as it was selected by OEA among the alternatives for its defense adjustment/investment project) or in the wood products sector. The KRDA can potentially address elements of the crisis in the Northern Forest by utilizing its capabilities to pursue the following opportunities:

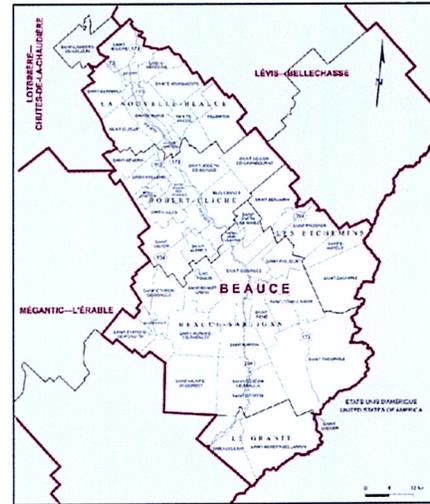


- Exploiting the Kennebec region's economic geography:
  - Development corridor
  - Agglomeration effects
- Linking the area of operations to a wider area of interest (as in the OEA project):
  - Northern Forest
  - Atlantica:
    - The Beauce
    - The Maritimes
  - NAFTA Corridor
- Securing further foreign direct investment from the Atlantica Region to benefit the Northern Forest economy.

This foreign direct investment could benefit the Kennebec Region such as the to be announced wood composting firm or other regions in the Northern Forest such as further Irving Investments.

The KRDA would also recommend that the NBRC and the federal EDAT resource opportunities to assess and leverage the uniqueness of the Beauce region to the benefit of Maine. This recommendation is based on the following qualities:

- Reputation as Canada’s entrepreneurial heartland.
  - Consistent with Maine’s economic development focus
  - Demonstration of ability for its firms to scale
- Unique pastoral and industrial landscape:
  - Wood products/Agricultural products
  - Composite materials products
  - Transportation products
  - Metal fabrication products
- Small-to-medium sized enterprises dominate the landscape (unemployment has not risen above 3.5% over the past 10 years) and resistant to downturns
- Its forest products industry (literally hundreds of firms) lacks the presence of the pulp and paper industry (which dominate New Brunswick’s economic geography)



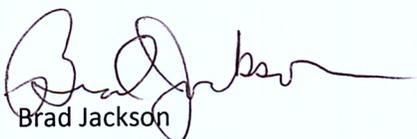
These observations suggest that there is the potential to find (substantial) lessons learned for Maine’s forest products industry rejuvenation. Currently the KRDA is in conversation with seven firms in the region (one of which is an up stream supplier to the forest products industry). The KRDA suggested to the EDAT that it explore the Beauce for lessons learned and to recommend federal funding resource the KRDA’s networking and attraction efforts for the forest products industry in a focused effort. Neither state-wide business attraction effort (Maine and Company [focused on the Boston Metropolitan Statistical Area] and Maine International Trade Center [focused on diplomacy and protocol]) is as engaged in networking with the business community in the Beauce, Maritime or Atlantica regions. Ideally the effort should link the administrative region (The Kennebec Valley) with the homogenous space (the northern forest region plus Atlantica) and with the territorial production system (the industry associations on both sides of the border) as part of the capacity building effort for the forest products industry and the region.

### Conclusion

The KRDA recommends that the NBRC incorporate capacity building in its organization’s strategic objectives. That the NBRC mirror the ARC to build the capacity and skills of current and next-generation leaders and organizations to innovate, collaborate, and advance community and economic development. In addition, that the NBRC prioritize its capacity building to commonweal organizations in service to a region vs. the membership based organizations in service to particular interests. That the NBRC assist the KRDA with building the capacity to strengthen the forest economy in its service territory as a model for other regions in Maine and the NBRC four state region. The capacity building that the KRDA envisions is to effectively operate its business attraction, expansion and retention mission in the forest products industry across the three dimensions identified by the administrative, federalist and market models.

Thank you for your consideration to this particular attention of mine.

Very Respectfully,

  
 Brad Jackson  
 Executive Director