
Connecting the Local: Linking Local Employment and Economic Development into National and Regional Governance Systems



The Sixth Thematic Report of the IDELE Project

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1.0 INTRODUCTION

The focus for IDELE is local employment and economic development policy and action. The importance of *partnership approaches* for this policy domain as far as the European Commission is concerned is illustrated in the Integrated Guidelines for Growth and Jobs (2005-2008). These state that:

*“In taking action (on the European Employment Strategy) Member States should pay special attention to ensuring good governance of employment policies. They should establish a broad partnership for change by involving parliamentary bodies and stakeholders, including those at regional and local levels”.*¹

The further implication of the Guidelines is that local actions supported by partnership arrangements are regarded as good practice to be adopted across the EU. The IDELE programme is trying to explore in detail how far this proposition is true and how the aspiration to implement local partnerships adds value to employment and economic development actions in the variety of differing economic, social and political contexts found in Europe. Our purpose is to get behind what is often “agreement in principle” – paying lip service to the local partnership objective - and to reveal what actually takes place on the ground in a given political, social and economic context through case examples. This problem has been highlighted by the Wim Kok's High Level Group examining the implementation of the Lisbon Strategy which found that when Member States fail to fully commit to policy implementation "little or nothing happens".²

1.1 The Theme

In this paper our focus is on the way local government and partnership actions are “wired into” mainstream systems of governance. We aim to examine how a given local association, partnership or government agency is connected *vertically* with those elements that lie above it in the hierarchy of power and resources and *horizontally* with other stakeholders, players and partners. In doing so, we will consider the huge range of localised contextual factors that have to be taken into account by policy-makers. In particular, we will be examining where national or regional policy initiatives have incorporated scope for flexibility at local level and where local actors have exploited policy gaps and instigated local initiatives.

In the wider literature this area of interest is part of a major debate around what is often termed *multi-level governance* (MLG). This concept is helpful to us because in addition to considering the technical structure of local and regional politics and administration, it also incorporates the rich contextual factors, such as power relationships and resource availability that we are considering in IDELE. Most commentators agree that there appear to be four components to any definition of what this means.

¹ Commission of the European Communities (2005), *Integrated Guidelines for Growth and Jobs (2005-2008)*, COM (2005) 141 Final.

² Commission of the European Communities (2004), p 42.

- Firstly, that decision-making at various territorial levels is characterized by the increased participation of *non-state actors*.
- Secondly, that mapping the different territorial levels of decision-making is more difficult in the face of *complex systems of overlapping networks* involving these varying sets of players.
- Thirdly, that under these circumstances *the role of the state is being transformed* as state actors become engaged more in strategies of coordination, steering and networking than in direct and accountable administration.
- Fourthly, that in this changing context, the whole nature of *democratic accountability* is being challenged with lines of representative versus participative democracy becoming increasingly blurred.

While we are seeking to make a small contribution to this debate, we also need to maintain a focus that helps steer clear of the wider complications of what is an extremely large and fast expanding area of academic enquiry. Our focus in IDELE is the *role of the local* and this will be the main focus of the paper.

1.2 Local Employment and Economic Development: The Key Components

In 2004 IDELE examined issues of local employment development in specific, geographically defined areas. In 2005 IDELE has taken a more *thematic* perspective.³ This paper will be looking primarily at the place of the local in the fast-moving complexity of evolving multi-level governance systems and will still need to colour each case with a clear exposition of how geography, history and political culture have conspired to produce particular and context-specific outcomes from State to State and even region to region.

Any aspiration even to talk intelligently about, let alone *transfer*, good practice from place to place across the EU must capture these key contextual variables within its scope. Having taken the key question of context on board, the more limited objective is to see where the local sits in this changing process of government and civic society as the organisation and management of MLG becomes more intricate. This is no simple proposition and one way to make practical sense of the question is to try to be very clear about what we are and are not looking at. While issues of representation, citizenship and public service efficiency will pervade much of what we shall be discussing, our brief is to look specifically at *local employment and economic development* as an area of policy practice. Even within this tight frame of reference, however, the complexity can escalate quickly as the different types of practical local policy actions are explored.

³ For details of the Year 1 IDELE papers and seminars and the Year 2 themes see <http://www.ecotec.com/idele/>

We are looking at three distinct (but naturally co-related) areas of activity where local action may be subject to very different criteria within the system of governance. These are:

- *Helping people into jobs and improving skills*: supply side actions where the subjects are people both working and unemployed or in some form of education or training.
- *Economic Development and the creation of more and better jobs*: demand side actions where the subjects are businesses or public employers whose activities produce the “job slots” that wage earners can fill.
- *Helping disadvantaged groups to access the labour market*: social and economic inclusion where the subjects are people and groups at some distance from the labour market and where a diverse portfolio of measures is deemed to be needed to address their disadvantage.

It is easy to see that policy designed to facilitate positive outcomes in each of these three constituent areas of local employment development will probably have a very different shape in terms of actions, territorial levels of decision-making, beneficiaries, cost structures, scale considerations and so on. There is clearly no one-size-fits-all governance framework that looks the same for all three.

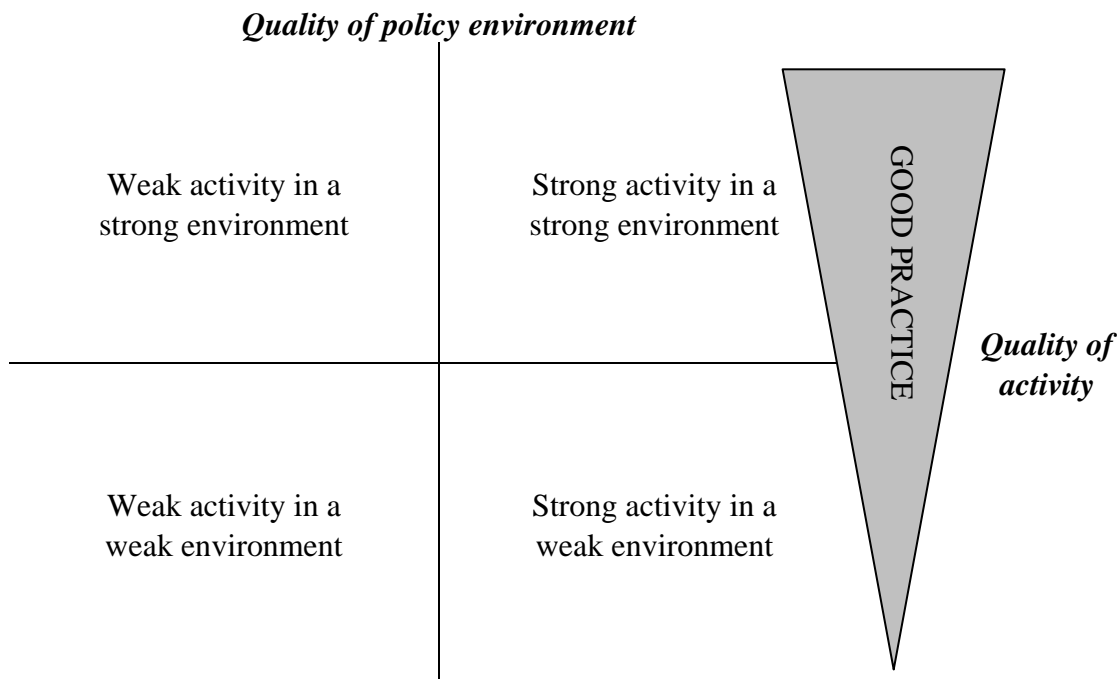
For example, for social and economic inclusion, the specific in-depth knowledge gained by empowering actors in a real “close to the locality” context would seem to offer vital added value. On the supply-side, when helping people into jobs and building skills more generally, efficient policy might demand a minimum scale of operations that is perhaps managed regionally or sub-regionally but which incorporates local delivery outlets. In the creation of new jobs national, regional and local level actions to support business will each have a role to play.

But, in order to be successful it is necessary for these actors to work together *within and across* policy domains to ensure joined-up activities and policies in order to help create a *supportive policy environment*. The difficulty of ensuring this takes place and the potential ramifications for effective policy implementation have been recognised by the European Commission: "there is ... a risk, that the Luxembourg process [the European Employment Strategy] is considered to be an agenda driven solely by the ministries of labour, whereas the strategy is an integrated one, committing the whole government".⁴

Figure 1.1 below illustrates the importance of a supportive policy environment in facilitating effective local employment development activity. The value of this conceptualisation is to emphasise that each activity or project (in addition to a geographical, economic and governance setting) has a policy context setting the opportunities and constraints within which it has to operate.

⁴ Commission of the European Communities (2000), p 89.

Figure 1.1: Local Employment Development Activities and Projects in context: the key scales



Source: ECOTEC Research and Consulting Ltd

The Figure is segmented into four quadrants. The top right-hand quadrant represents the best condition – good activity operating in a supportive policy environment. The lower right-hand quadrant identifies good quality local activities that manage to operate in a less supportive policy environment. The top left-hand quadrant identifies low quality activities despite there being a high quality policy environment potentially available to support them. The lower left-hand quadrant would shows poor quality activities in a poor policy environment.

Clearly the aim for policy-makers and practitioners is to maximise the population of local actions for employment development that inhabit the top right-hand quadrant that is strong local activities operating in a strongly supportive environment.

1.3 Unpacking Policy Actions

But we have to add yet another layer of complication by unpacking what is really meant by “local action”. Different levels or components in a programme of policy action, whatever its objective purpose, may require different supporting or organisational structures. Previously in IDELE we have suggested that policy actions may be usefully segmented into three significantly different components. We distinguish between actions that are predominantly:

- Conceived (C);
- Managed (M) and/or;
- Implemented (I)

locally.

This concept is highlighted in Figure 1.2 below.

Figure 1.2: Combinations of Actions with a Local Component

	A: Local	B: Regional	C: National
CONCEIVED Initiated & Designed			
MANAGED Programmed & Facilitated			
IMPLEMENTED Activated & Delivered			

Source: ECOTEC Research and Consulting Ltd

Column A of Figure 1 shows the case where all three actions are carried out simultaneously at the local level. Column B of the diagram shows a situation where the action is conceived and managed regionally but handed down to local actors for implementation. The last column (C) sets out a third possibility where the actions are conceived and managed at national level and then handed down directly for local implementation. Many other combinations involving a local dimension for one or other of the (M) or (C) activities are clearly possible. Looked at through this window local actions are endowed with a wide range of possibilities.

A significant point for policy is that *simultaneously local* conception, management and implementation, as depicted in column A, is not the only interesting possibility for local policy development – though it may, of course, be the best one for particular actions in

specific contexts. In the best cases of multi-level governance, mainstream programmes would be designed in such a way as to allow maximum flexibility for the local level to make a positive contribution. This may well be in strategy development or programme management, as well as in direct implementation. There is, for example, considerable scope for partnerships formed at the local level to have a strong input to the way policies located at the national or regional level are initiated, designed and evolved. Similarly for management, local influence on the operations of national or regional systems may be a source of added value where there is a strong element of monitoring and feedback from the way activities really work on the ground. The overall proposition is that the more that (C) and (M) are done locally or at least influenced by local sensitivity the better policy will be. Issues of scale efficiency and transaction costs mean, of course, that what can and cannot be done at local level is subject to other kinds of economic and political considerations. We are then simply exploring the well-known European concept of subsidiarity but from a viewpoint that takes it down a level to the role of the local within a national governance system. Table 1.1 below explores what might be involved in a little more detail and, consistent with our theme, lets us see how these integrated actions can be played out singly or in combination at different levels within MLG. From this we can build a template to guide us across the complex terrain of seeing how they are “wired up” in different contexts and addressing different problems.

Table 1.1: Policy Stages: Definition of Terms

Policy Stage	Definition
Conception	The determination of overall policy aims and objectives and the setting of an overall strategy within a broadly agreed budget line or package of supporting resources.
Management	<p>Designing the operational programme for the detailed allocation of spend. This involves:</p> <ul style="list-style-type: none"> • the setting of an operational strategy containing defined objectives and expected target outcomes ; • the allocation of designated resources to the measures and activities needed to deliver the target outcomes ; • the setting of rules and regulations for drawing down and accounting for spend in accordance with the programme; • establishing the principles for monitoring and performance evaluation both for the programme as a whole and for its component activities.
Implementation	Carrying out the measures necessary to produce the target outcomes by means of a managed set of delivery actions on the ground

Source: ECOTEC Research & Consulting

2.0 GOVERNANCE FORMS IN TRANSITION

2.1 Flexible Partnership Forms

The EU Member States have been adapting to the challenges of global economic competition for several decades. Increasing competition from developing countries has forced a shift away from traditional industries towards a high technology, knowledge based manufacturing and service based economy. In the European Union this resulted in the original Lisbon Strategy, a strategic package of European and national reforms aiming to make the European Union "the most competitive and dynamic knowledge-based economy in the world".⁵

These pressures have produced significant challenges for national administrations - requiring changes in the approach to policy-making across a whole range of policy fields including employment, education, welfare, agriculture and industrial policy. In tandem with these policy changes, there has also been increasing demand and need for a system of government that is more flexible and responsive to the needs of economy and society. In attempting to provide this flexibility and responsiveness, central government hierarchies are being broken down and are giving way to decentralised and multi-layered government institutions. Additionally, partnerships have been heavily promoted within the European Union as devices for improving governance at all levels by coordinating policy conception, programming and implementation. Indeed, these partnerships are seen as essential for the "successful implementation of employment policies".⁶

The EU focus on partnerships as a mechanism for improved and efficient governance is also consistent with other EU policies aimed at the promotion of a common European identity and the concept of European citizenship. There has long been a view that the individual citizen feels few, if any, ties to the activities of the European institutions and likewise does not perceive they are deriving any substantial benefits from these activities.⁷ In its 2001 White Paper, the Commission recognised the need to connect European policy with the citizens and proposed a variety of changes to include more non-governmental actors in decision-making, improved interaction between regional and local governments and civil society, and the promotion of partnership working.⁸

Partnerships of various kinds are seen as crucial ways in which European policy and activities can connect better with the citizen and be more accurately tailored to specific local needs or the needs of distinct target groups (e.g. young people). It has been recognised that European and national policies cannot succeed without the active, meaningful engagement of regional

⁵ See: http://europa.eu.int/growthandjobs/index_en.htm

⁶ **Official Journal of the European Union (2003)**, paragraph 21 and **Commission of the European Communities (2005)**, **Integrated Guidelines for Growth and Jobs (2005-2008)**, COM (2005) 141 Final.

⁷ **Monar, J. and Bieber, R. (1995)**, pp 6-10.

⁸ **Commission of the European Communities (2001)**, pp 2-4.

and local actors who are essential for policy implementation and who can provide crucial input into policy programming.⁹ This viewpoint is integral to the design of many national and European Programmes such as EQUAL where partnerships are considered to “increase effectiveness of policy development and implementation... [and] ... to enhance and improve governance of the process”¹⁰. In this context, partnerships can be seen as an important element of the subsidiarity principle whereby decisions are taken at the lowest effective level. Overall, multi-level partnerships involving local actors are seen as being able to:

- promote political and social engagement among communities;
- improve the effectiveness of public policy and activities by ensuring a closer alignment with local needs; and
- improve public policy and activity by utilising the skills, competencies, capacity and creativity of the local level.

2.2 Multi-Level Governance (MLG)

The challenges and changes highlighted above are driving governments to distribute roles and responsibilities more widely between departments and non-departmental public bodies (NDPBs). In effect, levels of government are becoming increasingly *horizontally diverse*. There is a tendency to move from administration by a single body - such as a central ministry – to governance by multiple bodies. At the same time the pressures of decentralisation are creating a more diverse web of government structures at sub-national levels and also increasing the relative importance of these structures. Government is also becoming more *vertically diverse* as new institutions and NDPBs are created. The forms these new bodies take vary significantly with Member States adopting different approaches: many of the new organisations are public sector, or quasi-public sector, but the private and the NGO, voluntary and community sectors have all formed parts of the solutions. An example of this increasing vertical and horizontal diversity is shown in Figure 2.1 below.¹¹

The concept of MLG not only illustrates the way in which EU operates but also reflects the situation within many Member States.¹² In EU terms, MLG is particularly associated with the reform of the Structural Funds delivery mechanism in 1998 which saw Member States commit finally to a process of partnerships of EU, national, regional and local actors and the social partners. A key feature of the EU approach was to see *partnership* as a means of effective governance able to counter the disadvantages of classic policy 'silos'. The crucial factor ensuring the success of this approach was to bring a complex mix of public, private and third sector organisations into play at local level. Partnership working is seen generally as

⁹ Commission of the European Communities (2003a), p 3.

¹⁰ Commission of the European Communities (2003b), p 4.

¹¹ Carmichael, P (2002), p2.

¹² Marks, G. (1992) and Marks, G. et al (1996).

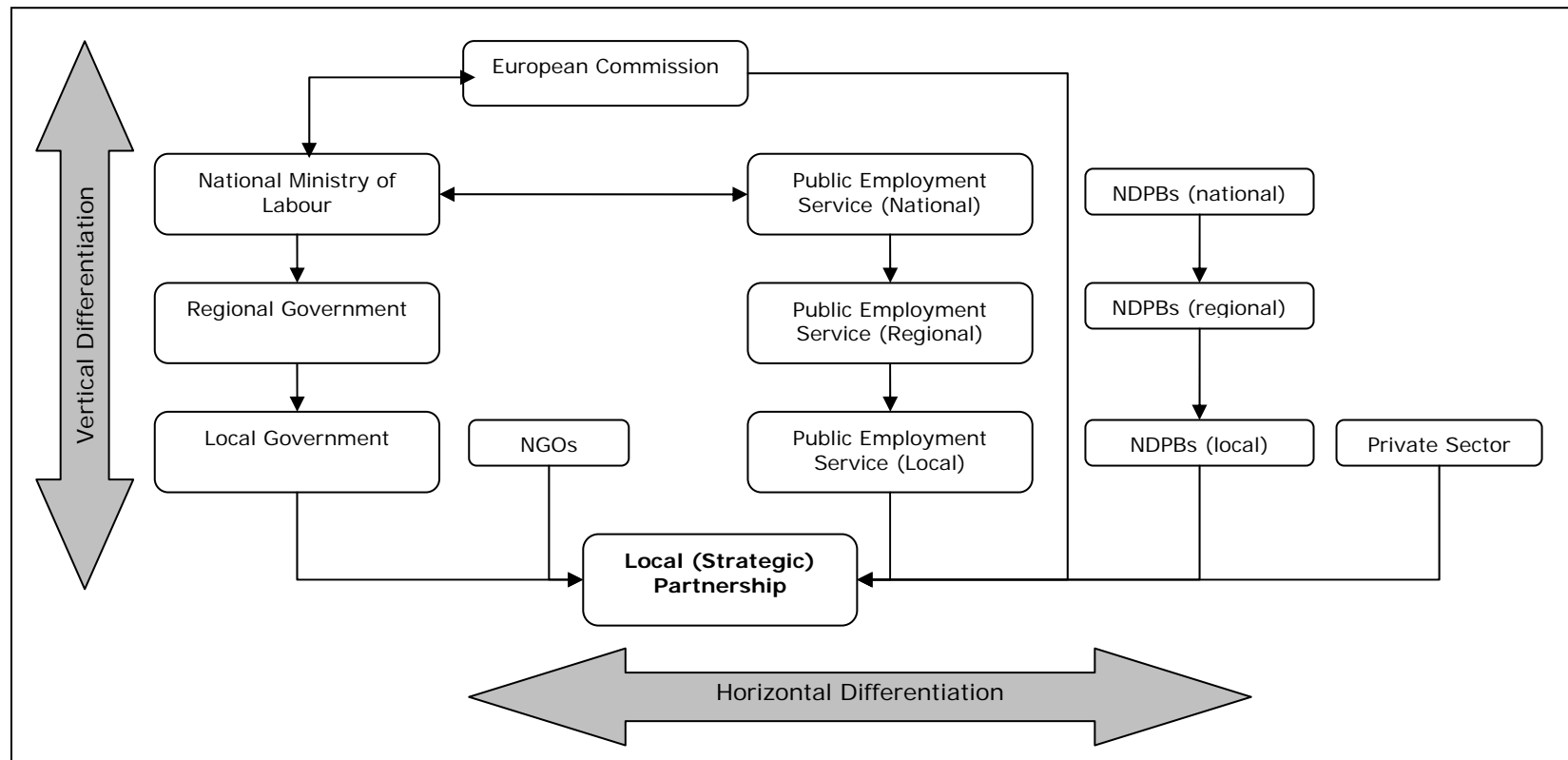
providing the means effectively to manage this variety by exploiting synergies and improving the co-ordination of policy-making and delivery at all levels. Of course, making partnerships work properly is a challenge in itself but, where this can be successfully achieved, the results can be considerable as the growing list of IDELE good practice examples demonstrates.

In those receptive places where the move to engage local partnerships has been carried out with creativity and commitment this tends to be associated with those key changes toward general decentralisation and multi-level governance forms where there has been a measurable increase in:

- the numbers of non-state actors taking an increased role in decision making;
- the scale and scope of participative democracy as representative community bodies become involved in the decision-making process; and
- the growth of networks as platforms for mutual learning in the conception, programming and implementation of policy.

In general terms, then, local partnership development goes very much with the grain of evolving multi-level governance and is a distinctive feature of the European model.

Figure 2.1: Example of a Multi-Level Governance System



2.3 Multi-level Governance, Globalisation and the Local

The local level is not just the instrument of government policies coming from higher levels. Ultimately, the local is where the pressures for change as a product of globalisation and economic and social transformation are played out in practice and in response to these pressures a clear trend is also emerging for local people to come together on their own initiative to influence responses. Indeed, one of the paradoxes of globalisation lies in its tendency not only to penetrate every corner of the globe with its competitive pressures but also to enhance the search for local and group identity as people seek to restore some control to their daily lives. In doing this some groups and places have more voice and economic power than others but such movements can also sponsor a new sense of mutualism and new forms of solidarity. Thus, despite globalisation, there is evidence that the popular desire for action at the local level is becoming relatively more important. Formal powers are being more widely devolved and funding is being made more available for local initiatives (through national or EU sources) in the majority of Member States. The value added that can accrue from this in return is to allow local actors and partnerships the space and resources to effect flexible responses to change and as a result to meet needs more effectively.

But, governments are responding differentially to these sorts of challenges. Most are taking steps to actively facilitate local partnerships and activity but some are, as yet, still to be fully persuaded of the power of the local to make things happen. For example, all Member States were recommended to provide “adequate financial resources” for local and partnership actions under the 2003 European Employment Guidelines but the variation in practice was wide and some have entered the current stage of more widely drawn guidelines better equipped than others.¹³ Good governance demands *multi-level governance* and in the context of subsidiarity that which is most effectively and efficiently carried out locally should be assigned to local players. What is vital is that the levels be properly “wired up” with the local playing no more and no less than its most effective part in the process.

The proposition emerging from IDELE is that by unbundling the ways in which policy actions are conceived, managed and implemented we can begin to understand the system and the wide scope that exists for different, perhaps more efficient and effective, ways “wiring up” the levels to get the best (local) results. Strengthening the process of local engagement across the board can provide significant value added. It can help to influence the policy process, set the right objectives and offer a means to improve judgments about efficiency and effectiveness from a local perspective.

¹³ Official Journal of the European Union (2003), paragraph 21.

2.4 Local Employment Development Actions: From path dependency to creative action

The European Commission drive over almost two decades to promote bottom-up and local approaches through a series of funded Community Initiatives has done much to enhance the local component of MLG but in many cases it has been the opportunity to draw down funds that has driven the process of partnership formation rather than a full home country understanding of the mainstream value added that can come from acting locally. Too often under these circumstances partnerships have been brought into place locally as *a solution looking for a problem*. What often emerges in practice from the “we must have a partnership first before we can get the funding” approach tends to be an engine for the production of compromise. Often regardless of their (often sound) strategic aims, operational practice sees players in these cases driven to find only those part-solutions that can meet the aims of their own organisations as well as that of the broad mission of the partnership. In these cases, *path dependency* tends to be the norm with a track laid out and followed more because it can be done under the prevailing circumstances than because it is the one that can make a real difference.

To break free from path dependency requires group action that involves *a high level of agreement, commitment and energy* and it is only under special circumstances (exceptional leadership, absolute shared conviction, full support from government etc) that this can be achieved. Local development at its best, and as the IDELE case examples show, is above all an exercise in *creativity*. Simple rule following may produce the structures necessary for local partnerships to be initiated and sustained in the short run. Long run sustainability, however, demands innovation and the flexibility to respond to fast moving change. From the perspective of this report we would also add that it is only where local action is taken in close concert with actions at other levels that a *sustainable* local dimension for policy can successfully emerge.

As we turn in the next section to the case examples, the objective is to explore how some particularly successful local organisations have been able to bed themselves in and draw the attention of other governance levels to the support of the venture. In each case both the motivation for their actions and the legitimacy that gives them the right to represent a local constituency is different. It is our proposition that, while in detail each case is different in accordance with its context, there are some common threads to be seen in terms of the kinds of legitimacy that can sustain them and the drivers that motivate their coming together as a local partnership. The format for IDELE means that we cannot be comprehensive from a small selection of cases but that we can show the way to some generic principles that can be evolved as other cases are explored using the framework.

3.0 THE CASE EXAMPLES: A TYPOLOGICAL FRAMEWORK

In what follows we set out a typology and use it to examine how our series of case study examples is vertically linked into the different *territorial tiers* in governance. The aim is to reveal, but also to try to control for, some of the complex realities that exist when we attempt to see how the local *fits in* under different conditions across Europe. The typology is structured across two primary components – i) *the sources of legitimacy for partnership action* and ii) *the rationale for the action*. In the first case, local organisations or partnerships are defined in terms of the form of the legitimacy that justifies their activities and endows them with the powers to act. In the second case, the definition is by the particular kinds of triggers and motivations that local partnerships respond to in carrying out their roles. These parameters are of course closely inter-related and interacting. In some cases, for example, it might well be a prior legal requirement that produces the space for a partnership to enter. In others, it might be local triggers to action (poor local services or high youth unemployment perhaps) that encouraged a partnership to form with the need to seek a legitimate place in governance coming later. To avoid confusion we discuss each parameter in turn pulling in the case examples that illustrate it. We then attempt to explore the complex matrix that arises when the two components are brought together.

3.1 Sources of Legitimacy for Local Partnership

Looking at the case examples through the lens of legitimacy allows us to see one way in which local partnerships “fit in” to wider governance. Legitimacy is particularly important to local partnership where it has implications for an organisation’s access to resources, the extent to which stakeholders and higher levels of governance take it seriously, the limits on its mandate to act across a range of policy areas and the prospect that it can ensure a sustainable future for itself and its activities. The categories are not discrete. They blur at the edges and a single partnership may appear in more than one but they offer us a logical way to discuss the way the local bodies can be “wired into” governance. We will explore each in turn, giving examples from the case studies under each of the following four headings:

1. mandatory / legal legitimacy;
2. administrative (non-legal) government appointed legitimacy;
3. voluntary/community legitimacy; and
4. functional legitimacy.

3.1.1 Mandatory / legal legitimacy

In this case we are talking about powers held by local public agencies or bodies that are drawn from statutory responsibilities and are enshrined in law. This form of legitimacy is normally held directly by a public body but in some cases can be vested in NDPBs, agencies, associations, cooperatives or other NGOs and so on. The basis for the relationship lies in the realm of public law with the bodies acting on behalf of the state by legal mandate and having their own legal standing in the relationship. LASA Brandenburg from Germany is set out in Box 3.1 as an illustrative example.

Box 3.1: *LASA Brandenburg*

LASA Brandenburg is the State Agency for Structure and Labour, working on behalf of the Brandenburg Ministry of Labour to implement the labour market policy of the Land government. The role includes consulting with stakeholders and local partners, the management and administration of the regional ESF Objective 1 programme and supporting the sustainability of local actions and partnerships.

3.1.2 Administrative (non-legal) government appointed legitimacy

The basis for this classification is where powers are allocated by administrative order to non-departmental bodies without legal standing being ascribed to this relationship. This is the sort of arrangement typically found in the UK but that is also a feature of Irish and some Swedish partnership arrangements. The Local Strategic Partnerships in England are a representative example see box 3.2).

Box 3.2: *Local Strategic Partnerships (LSPs)*

LSPs are non-statutory, non-executive organisations without earmarked funding of their own. They are established by administrative instrument to bring together local authorities, health services, the public employment service (PES), community groups, businesses and other stakeholders to coordinate and facilitate the “joined-up” delivery of services and to promote economic and social development. They form a system of sub-regional partnership bodies focused on the 88 most deprived districts in England and acting under the auspices of the Government Offices of the Regions. Their assigned role carries no direct legal standing though the individual bodies are not prevented from adopting an appropriate legal form in their own right.

3.1.3 Voluntary/community legitimacy

This form of legitimacy relies on powers drawn upwards (bottom-up) from a local community (though it may also be a community of faith or interest) actively endorsing an organisation to act and perform certain functions on their behalf. Inevitably, these organisations have to develop a rapport with and work in concert with the public authorities and they will normally also be members of other sorts of local partnership arrangements. Their primary legal responsibility is, however, to their members/subscribers and secondarily to the wider governance partnerships of which they form part. An illustrative case example is provided by Trångsviksbolaget AB from Sweden (see Box 3.3).

Box 3.3: Trångsviksbolaget AB

Trångsviksbolaget AB is a community owned joint-stock company (company limited by shares) in a rural area of Sweden. It was constituted by local residents to address what were perceived as gaps in the provision of public services – in particular the lack of a high quality village hall. It subsequently widened its brief to provide business support services (advice, training and finance) and community facilities. The company's legal status gives it powers to acquire assets and to borrow and it has been able to use its relative independence to develop a powerful and persuasive voice in negotiations with the public authorities.

3.1.4 Functional Legitimacy:

The legitimacy in this case is seen not to come from some formal position in the governance structure or from being in a true sense locally-owned. It arises from being accepted as the organisation with the right competency and being the best placed to deliver a cost-effective service. This may come from market-based contract procurement but the sense of this category as we see it here is that the organisations that inhabit it are in some sense part of the local institutional “furniture” though they are neither formal government bodies or agencies nor are they necessarily representative membership bodies. This category generally requires the organisation to be constituted as a trading company as well as a partnership body and to hold special competencies that enable it to be reflective of its particular place or locality. The key relationship is normally a relatively stable contractual one between the organisation and the public authorities. The case example set out below is SEP Ltd from Scotland (see Box 3.4).

Box 3.4: Strathclyde European Partnership (SEP) Ltd

SEP Ltd was established as a company limited by guarantee in 1996. The organisation's main function over this long period has been to manage the implementation of European Funds in the Strathclyde (central Scotland) region on behalf of the designated public authorities. It currently operates under powers delegated to it by the Scottish Executive under a framework contract. SEP provides a brokering service - relieving the public authorities of the burdens associated with the administration, allocation and coordination of European funds in Strathclyde.

The categories set out above represent a "first-cut" attempt to group local partnership bodies in relation to the issues of governance that we are here to explore. As we have pointed out, the categories are not discrete and exclusive. Each representative in a particular list probably has some elements that might assign it to one of the other categories. In effect, we have been assigning cases to a particular class by the most dominant feature. What we would expect to be the case is not that the categorisation should be discrete but, on the contrary, that it might demonstrate some broad shapes within an increasingly "*hybridising*" population. Over time it may be possible, for example, to see more of the first two forms (legal/statutory and administrative/government appointed) giving way in some countries to the second two (voluntary/community and functional) as governance structures de-integrate in the search for the "requisite variety" needed in an ever more complicated world. It may also be possible to see over time a more general rise of the *functional* category as governments in a number of countries move toward the purchaser-provider model for public services. We can do no more here than to speculate on such trends but one value of the four-way categorisation of legitimacy for local partnership actions is to provide a "governance window" through which to look at the change as it takes place. What we can also see from the set of cases available to us is the way external tensions from changes in governance are working their way through organisations on the ground (see Box 3.5)

Box 3.5: *Dynamic change and tensions within and between legitimacy forms*

1) *Administration of labour market policy in Poland*

Until June 2000 the Polish central government provided funding for regional labour offices (organised at Voivodship level) that handed over funds to local labour offices according to different regional priorities. Since July 2000 the national government has decentralised some of the new responsibilities (e.g. handling ESF projects, funding etc.) to the Voivodships themselves but appropriate funding and other resources have not always followed. In addition, the national Ministry of Labour now provides funds *directly* to the local labour offices instead of through the regional labour offices at the Voivodship level. These changes have altered relationships between the national, regional and local labour institutions. The Voivodship holds ultimate responsibility for regional labour market policy and performance and apparently has relatively lower internal resources and a decreasing level of control over funding allocation and priority setting at the local level. It is argued that this change has significantly altered the platform on which local bodies in the field of employment have to operate – allocating strategy to Voivodship level but looking to local labour offices as the government actors on the ground. It will be the task of local partnerships to navigate their way through this as they seek to secure a stable position for themselves.

2) *Administration of the European Structural Funds in Scotland*

In pre-devolution western Scotland the availability of EU structural funds led to the establishment of SEP Ltd to offer management and co-ordination services for local stakeholders who saw the benefits of a shared pool of expertise. SEP grew up to fill the gap between national (UK) and local public institutions. Devolution and the establishment of the new Scottish Executive in 1999 changed the institutional landscape. In part, the Scottish Executive has begun to absorb roles and responsibilities that were formerly the stable preserve of the local authorities or of intermediate support bodies such as SEP Ltd. In response, SEP Ltd has had actively to find ways to re-position itself and to adopt new strategies for its long run survival.

3) *Business creation and support in Sweden*

An inevitable difficulty for administrations dealing with dispersed rural communities is to spread resources and support structures as widely as possible while still trying to respond effectively to local needs. In the case of Trångsviken a local view was taken that local authority business support services were not proving effective in assisting existing businesses or generating new businesses. As we have seen, the local residents eventually formed their own company. The company, Trångsviksbolaget AB, proved successful in addressing what local people saw as the issue of under provision in business support services and, although relations with the local authority were generally good, some tensions did arise.

With Trångsviksbolaget AB effectively replacing local authority provision, there have been calls for the local authority's business support funding and resources to be transferred or contracted more generally to the company. *Functional* success (doing a good job of public service provision) has thus provoked a debate within the local authority about how far it would be appropriate to cede more sovereignty (*mandatory legitimacy*) to *membership based* and commercially managed organisations like Trångsviksbolaget AB.

3.2 The rationale for local partnership

We have looked across our set of case example partnerships using legitimacy as a basis for distinguishing between them. This gives us a view of where they and partnerships like them might fit into the power structures of governance and what endows them with their positioning within that system. What we now turn to is what might be seen as the *rationale* for their existence. Put another way, what are they *actually doing* that gives them their claim on local people, government or other agencies? It is this, of course, that underpins any legitimacy they have. In looking for some broad groupings to facilitate our discussion we can identify three types (with one of them sub-divided) as follows:

1. Filling local gaps (services, representation etc.) by bottom up action;
2. Delivering co-ordination and integration among agencies acting locally
 - Top-down by government initiative;
 - Bottom up by concertation among local stakeholders;
3. Delivering vertical integration and brokering activities across the different levels for a given space or locality;

3.2.1 Filling local gaps (services, representation etc) by bottom up action

The drive for local people to capture a stake for themselves in the system of governance normally comes from the recognition that some community need is not addressed or is inadequately addressed by public services and that self-determined action may be the answer. There are, of course, other less “self-motivated” drivers for bottom up action – for example where a European or national initiative decides that giving local people a stake in their own future provides experimental funding as a stimulus to get the process going. We discussed this earlier under legitimacy in the case of the “we must have a partnership first before we can get the funding” approach. The feature of this category of local action is that it would normally be community led and, where possible, community¹⁴ owned. This form of partnership consists of individual members of a community working together as individuals or creating a representative organisation legitimately to engage other stakeholders on their behalf. This is a classic case where, for a particular issue, C, M and I from our earlier model come together from an act of local sponsorship. The Trångsviksbolaget AB case study offers us an illustrative example.

¹⁴ In this context a community is broadly defined. It could mean the inhabitants of a geographically defined area, members of faith communities or refer to age or gender.

Box 3.6: Trångsviksbolaget AB, Trångsviken, Sweden

In response to difficult local economic and social conditions in the mid-1980s the local community started to pull together to find solutions to their problems. After many years of work, these efforts resulted in the construction of a new community building that provided new premises for existing public facilities and the environment for new cooperative activities.

At the same time the local Trade Association was reformed as a new joint-stock company, Trångsviksbolaget AB, to help provide long-term support for community development. The company is wholly owned by the Trångsviken community whose individuals and businesses invested 1.5 million crowns in initial share-capital followed by a further 1.2 million crowns in 2003. The major shareholder is the Community Folk Association of which all inhabitants of Trångsviken are automatically members.

3.2.2 Delivering co-ordination and integration among agencies acting locally

This broad rationale for local partnership derives from the need to coordinate together the actions of the many agencies that have “footprints” in a given local area. These may be the delivery arms of national or regional bodies (such as, for example, the Ministry of Labour or the Public Employment Service) acting alongside the local authorities, Chambers of Commerce or social partner organisations and so on. As we have pointed out earlier, responses to local needs are placing increasing demands for governance structures to be both more flexible and more joined up. The traditional model that saw the local dimension as a simple delivery platform (I in our CMI model of policy functions) has widely given way to one where *local* strategy development (C) and programme management (M) have become recognised as essential. The broad rationale that underpins this category is the need to co-ordinate public action at a local level in order to increase the efficiency and effectiveness of local delivery.

We can divide this category into two components that reflect the way the action was sponsored:

- *Top-down by government initiative;*
- *Bottom up by concertation among local stakeholders;*

In some cases the driver has come from higher tiers of government seeking to improve the efficiency of policy. In others, the stimulus has come more from the agencies themselves taking the initiative as a means to work better together to break down the 'silo mentality'. Once again the categories are not discrete but both overlapping and interactive. They do, however, enable us to force some structure onto a complex reality.

We have a number of case examples that match the criteria for this broad group as follows: Hyndburn First Ltd LSP (and LSPs in general) in the UK; the INNOPUNKT programme of LASA Brandenburg, Germany, the Swedish Regional Growth Agreements / County Boards and the Asturias Region in Spain (see Boxes 3.7, 3.8, 3.9 and 3.10).

Box 3.7: *Hyndburn First Ltd, Local Strategic Partnership, England, UK*

Public service delivery in England involves many different public agencies operating at different spatial levels and across different, but linked, policy areas. This complex situation has led to a perception that local policy and governance was disconnected and under-performing. To counter this problem the government introduced Local Strategic Partnerships (LSPs) in 2001.

The LSPs aimed to bring together local authorities, health services, the public employment service (PES), community groups, businesses and other stakeholders to coordinate and facilitate the “joined-up” delivery of services to promote economic and social development. The LSPs were non-statutory, non-executive organisations without earmarked funding of their own. Their activity was focussed on the 88 most deprived English districts – these areas are often relatively small, comprising a small portion of a local authority's territory

While the LSP programme as a whole clearly falls under the sub-heading of a top-down venture from central government (see box 3.2), the Hyndburn example offers another dimension. Hyndburn First Ltd was created independently by the local authority in concert with a broad range of local partners some time before the national LSP Programme came into operation. The organisation was created as a company with an arms-length relationship to the local authority and with powers to engage with commercial ventures to achieve development in the local area. With the advent of the national LSP programme, Hyndburn First was already in place and able to take on the role – though as an example of those tensions that we discussed earlier as institutional structures change - Hyndburn First's status as a company brought about the need for both company and LSP programme to adjust to each other.

Box 3.8: *INNOPUNKT Programme and Projects, LASA Brandenburg GmbH, Germany*

As we saw in box 3.1, the implementation of the labour market policy of the Land Brandenburg is the responsibility of LASA Brandenburg, the State Agency for Structure and Labour, working under contract to the Brandenburg Ministry of Labour. In 2000 the INNOPUNKT initiative was established to try directly to tackle the region's persistent problem of high and sustained unemployment. This was as much about achieving more coordinated action between the many players as it was about delivering direct actions to tackle the unemployment problem.

A key part of the project requirement is the establishment of a network of actors across the Land. At the end of the first three years INNOPUNKT had assembled approximately 40 regional networks linking business and labour market service providers with other stakeholders. The rationale in this case seems to belong more clearly to the top-down actions of Land Brandenburg - faced with a highly challenging problem of intractable unemployment and needing to bring a variety of players together in an integrated action programme.

INNOPUNKT conducts competitive project selection campaigns three times a year focusing on a different topic of regional importance. This is decided after collaborative discussions between the key stakeholders and social partners.

Box 3.9: *Regional Growth Agreements and County Administrative Boards, Sweden*

A governance device for achieving multi-agency and local stakeholder co-ordination in the case of Sweden is the Regional Growth Agreement (RGA). This mandates the regional authorities with the creation of a Regional Development Strategy. Consistent with this, the County Administrative Boards bring together partnership bodies made up of county labour boards, county councils, municipalities, universities, chambers of commerce and other private sector partners. The rationale here is to achieve integration across all the governance levels from national (mandating the regions) to County (integrating the partners) to the municipal and the local (working in partnership) in an effort to achieve strong coordination. Similar to the LSPs in England there are no direct funding streams to support the RGAs. Their task is to ensure more efficient co-ordination between actors and to ensure that resources are used more flexibly.

Box 3.10: *Asturias Autonomous Region, Spain*

As part of the decentralisation process in Spain, the responsibility for employment services was transferred to the regions (Autonomous Communities) in 2002 is to try to provide a better and more efficient service. As a result, regional governments are *politically responsible* for setting up the necessary mechanisms to implement local employment services and to ensure that they are linked to other related policy fields such as economic development, training and education, social integration and territorial cohesion. In order to ensure that this responsibility is carried out effectively, the Asturias regional government and the Local Government Association representatives are in the process of establishing local partnerships where all levels of government and stakeholders are involved. This is a contemporary example of the working through of the rationale for government bodies to “drill down” to engage local players.

The Local Government Association and its members, the municipalities, also took the view that employment projects and services required a “supra-municipality” approach ('supramunicipalidad de los proyectos de empleo') in order to be successful. The size of the municipalities was recognised as being too small effectively to deliver services. Only by voluntarily agglomerating their competencies in the field could efficient services and activities be delivered.

3.2.3 Delivering vertical integration and brokering activities across the different levels for a given space or locality

One of the problems that needs to be addressed in dealing with local development is the sheer complexity of what is to be confronted in some contexts (major cities for example) and the parallel need for some kind of body that can respond flexibly and appropriately to make things work better. For government bodies where accountability and regulation are central to the culture there is a structural tendency to be insufficiently “light footed” enough to cope with the dynamics of local policy. At another level (and we saw this in the case of Hyndburn First) there is often a pragmatic need for the public authorities to be able to act at arms-length from some aspects of the development process. It is this sort of rationale that has brought into play organisations that can take the role of *development engineer* - pulling together complex bundles of funds and competencies from a variety of sources and packaging and brokering them to make them useful to organisations at local level.

In this case, the rationale for the partnership or locally based organisation is to fill the gap created by the need for a *broker* to act between the public authorities and the complex population represented by the potential beneficiaries of funding programmes. In terms of our conceptual framework, the task in this case is to build links between C M and I by appointing an arms-length agency to do it. A special ability of the best of these organisations is that they can “read” the world as it changes and act to offer solutions to local people and places that meet their needs.

We have three well found case examples in our set that fit this category. These are SEP Ltd in central Scotland, GSuB mbH in Berlin and ADM Ltd in Ireland (see Boxes 3.11, 3.12 and 3.13).

Box 3.11: Strathclyde European Partnership Ltd (SEP Ltd), Scotland

SEP Ltd (which we encountered earlier in box 3.4) provides a brokering service for the administration, allocation and coordination of European funds in Strathclyde. Its key position is as an *interface* between the regional government (Scottish Executive), local actors and the European Commission. As a private company SEP Ltd is able to make decisions quicker and more cost-effectively than public bodies who are obliged to ensure higher levels of transparency and democracy in their decisions. Around 200 agencies work in partnership with SEP Ltd including the Scottish Executive, local authorities, local enterprise companies, further and higher education, voluntary and community organisations and the environmental and equality agencies. Its particular value is comes from a combination of the fact that it is deeply embedded in the Strathclyde Region and that through its company format it can “make things happen” more quickly than the public authorities and representative bodies.

Box 3.12: GSub mbH, Germany

GSuB was set up in 1991 as an agency for implementing employment policy programmes, on behalf of the Land of Berlin with a key principle being "to reliably administer public funds and to transfer these to third parties". Functionally, it has a close parallel with SEP Ltd. GSuB is a privately owned company but its corporate mission requires it to act in the public interest. It is essentially market-driven, providing services for a mix of organisations, including private companies, social enterprises and the national and Lander public authorities. For example, GSuB implements programmes and "model projects" funded by the Land Berlin, Federal Ministries, the European Commission and the Federal Employment Agency (Bundesagentur für Arbeit).

Box 3.13: ADM Ltd, Republic of Ireland

Area Development Management Ltd is long established feature of the local partnership scene in Ireland. Unlike SEP and GSuB its remit is a national one within the context of a small country. Functionally, ADM carries out those sorts of brokering and engineering functions we discussed in the previous section. It occupies an important intermediary position between the Irish government and the area and community partnerships across the country. Like SEP it has a primary role as an intermediary in the allocation of European funds to local partnership bodies – handling the process through an arms length framework contract. Under its wing there are currently 72 Area and Community Partnership Companies in Ireland funded under the Local Development Social Inclusion Programme (LDSIP) of the National Development Plan. These vary considerably in size from county-based structures to smaller local bodies. They were originally supported by EU funds but are now funded by the national government. ADM also supports local activity by providing advice, guidance and research to partnerships and assists them in their attempts to influence the development of national policy.

3.3 Mapping Sources of Legitimacy and Partnership / Organisational Drivers

The process of assigning sources of legitimacy and rationale to the case examples is far from simple. Many of them have multiple sources of legitimacy and multiple rationales behind them. For example, GSuB mbH, a brokering organisation, draws its legitimacy partly from its market position as an efficient provider of public services, but also from a mandate to act on behalf of the public administration. In the Asturias case example, the public sector organisations involved clearly possess mandatory legitimacy but the partnership forum they participate in has two drivers – delivering public employment policy but at the same time taking on board the need to facilitate multi-agency partnership bodies to help with this task.

Table 3.1 below shows how the case examples might be distributed across the typologies.

Table 3.1: Mapping Sources of Legitimacy and Drivers

Driver	Legitimacy			
	Mandatory / legal legitimacy	Administrative legitimacy	Voluntary / community legitimacy	Functional legitimacy
Filling local gaps by partnership action			<ul style="list-style-type: none"> ▪ Trångsviksbolaget AB (SE) 	<ul style="list-style-type: none"> ▪ Trångsviksbolaget AB (SE)
Delivering coordination and integration amongst agencies	<ul style="list-style-type: none"> ▪ Asturias (ES) ▪ LASA / Innopunkt (DE) ▪ RGAs (SE) 	<ul style="list-style-type: none"> ▪ LSPs (UK) ▪ ADM (IE) ▪ Hyndburn First UK ▪ RGAs (SE) 		<ul style="list-style-type: none"> ▪ Hyndburn First UK
Delivering vertical integration and brokering				<ul style="list-style-type: none"> ▪ SEP Ltd (UK) ▪ GSuB mbH (DE) ▪ ADM (IE)

What we have been able to do in this section of the report is to shed some light on the complexities and shapes that emerge as local organisations and partnerships operate within the system of governance. Rather than simply accepting that things are complex, we have sought to “array” our small number of case examples across a frame of reference that emphasises some of the dimensions of governance. The results are indicative rather than designed for strict accuracy. What comes out of the picture in general terms is that “acting locally” over time inevitably brings into play a set of complex connections with the central state and with other levels in the hierarchy. In practice, as the examples show, every organisation is necessarily *embedded* within the system as a whole. For some, this embedding comes in the form of a legal mandate that sets down the specificities of the statutory function they are to perform (and therefore also the limits to that function). For others, their role is administratively assigned with legitimacy coming more from a set of assigned rules from government than from formally enacted “black letter” law.

The distinction between these two categories is important, since in the sort of fast moving world we have been exploring, rules are easier to negotiate and change than formal laws. This tells us something about the differences that might be observed in how “acting locally” plays out differentially between those Member States whose legal systems owe their roots to the

Napoleonic code and those that have emerged from the Anglo Saxon legal tradition. Put crudely, in the first, the task in local partnership creation is often “to find a law that enables it to be done” while, in the second, the only requirement is “to be sure that there is no law to prevent us doing it”¹⁵. Taking this argument more generally means that in designing policy for Local Employment Development there needs to be a recognition that the models of practice that emerge will be profoundly influenced by the broad political-legal system into which local partnerships and similar organisations will need to be inserted. For example, the presence of the Italian Law on Cooperatives or the complex body of law on Associations in France has had a significant impact on the way local activities have emerged in the two countries.

In the UK also a legal model that is quite different has produced very different outcomes for local partnership action. In the UK partnership appears to be everywhere. There is even a concern in some contexts that that things have “gone too far” producing an over complicated and even chaotic “crowded platform” of local partnership bodies. Indeed, the sheer proliferation of local partnership forms has raised debates in some quarters about the shift away from representative democracy to participative democracy. The concern most often expressed is that while representative democracy has clear legal and constitutional roots that enshrine the principles of justice and fairness, participative democracy is much harder to constrain and can be open to such charges as exclusivity, sectionalism or elitism. Legitimacy both its strict sense (legally justified) and its more colloquial one (honestly representative) is, then, a parameter which Local Employment Development needs to take into account in attempts to understand how systematic variations in outcomes can arise across the Member States of the EU.

We have also said something about the rationale that brought our case examples into existence. Again from the limited sample of our case studies we can set out three key rationales when we look through the lens of governance. It is clear that many local partnerships that engage in LED begin their life by finding a gap and attempting to come together locally to fill it. These still, however, have to engage with the governance system and find ways to embed themselves within the appropriate legal and administrative frameworks. It is at this point that issues of rationale have to engage with issues of legitimacy. There is a need, for example, for any body that seeks to be more than ephemeral to find the best legal form – that is the one that enables them to carry out their mission (rationale) within the established order. In this, we are drawn back to what was said above – the pathways and opportunities available to a local partnership to constitute itself legally differ nationally according to the political-legal structure. Rationale and legitimacy come together at this point as mission finds the best available legal form.

What we have also seen is that one of the gaps that emerges and that triggers the formation of locally based partnerships bodies or organisations is a *gap in the system of governance* itself. Connecting the levels of governance together and linking the functional elements of policy

¹⁵ This, in practice, is a critical distinction that we have encountered in trying to establish the space and capacity for local partnership action in the New Member States.

action (C, M, and I as we set them out earlier) is increasingly perceived as a desirable aim and problem to be resolved where it is absent. Converting ambition into action can, however, take a number of forms and we have identified some of them in the following ways:

- Governments can mandate their administrative departments to come up with ways to achieve better coordination and integration across and between governance levels;
- Local or regional stakeholder bodies can themselves determine to come together to build bridges with other players and levels of governance;
- Government agencies (national, or regional) can appoint an arms-length body and contract them to act as a broker to engineer the necessary horizontal and vertical links;

While there is will to do more “joined-up” government, taking action to make it happen is demonstrably far from easy. The process may, for example, have both high transaction costs (opportunity costs on time) and the potential sometimes to open up challenging political risks. Nevertheless, as we pointed out in Section 1, the process of moving from traditional hierarchical forms of government to more open, fluid and negotiable forms of governance appears to be well under way. In this, engaging local actors and exploring subsidiarity is very much part of the process. What we have been able to show in this section of the report is that it is possible to apply some broad conceptual devices to the examine the process but that what we seem to be looking at is a continual process of *institutional searching* as players at all levels attempt to work their way forward.

4.0 TRUST RELATIONS AND LINKAGES: BUILDING LOCAL SOCIAL CAPITAL

4.1 Stability versus flexibility: finding the governance compromise

What we have been seeing in the case examples in the previous section is a set of responses to the challenge of building governance arrangements that are not only more coordinated but are also more flexible and risk accepting. The drive to create more partnerships and multi-agency bodies needs to bring with it some acknowledgement that in responding to contemporary circumstances a rather messier and more unstable set of arrangements may be needed than in the past. This in its turn may require a greater *tolerance of risk* by those who are accountable for funding and regulating local organisations and partnerships. For this to happen, it also follows that *building two-way trust and confidence* in relations between government agencies and local partnerships is the best insurance against unwelcome outcomes. The requirement is for local actors to be allowed and encouraged to demonstrate their competency and creativity while governments and the key public authorities remain comfortable about leaving them the space for flexible action. While this can add to the ability of local partnerships and organisations to produce better instrumental outcomes, it can also be a source of the more intangible *social capital* that can add significant value to civic society as a whole. Within our group of case examples ADM Ltd in the Republic of Ireland is widely regarded as having sensitively bridged the gap between regulation and allowing freedom to be creative. (See Box 4.2).

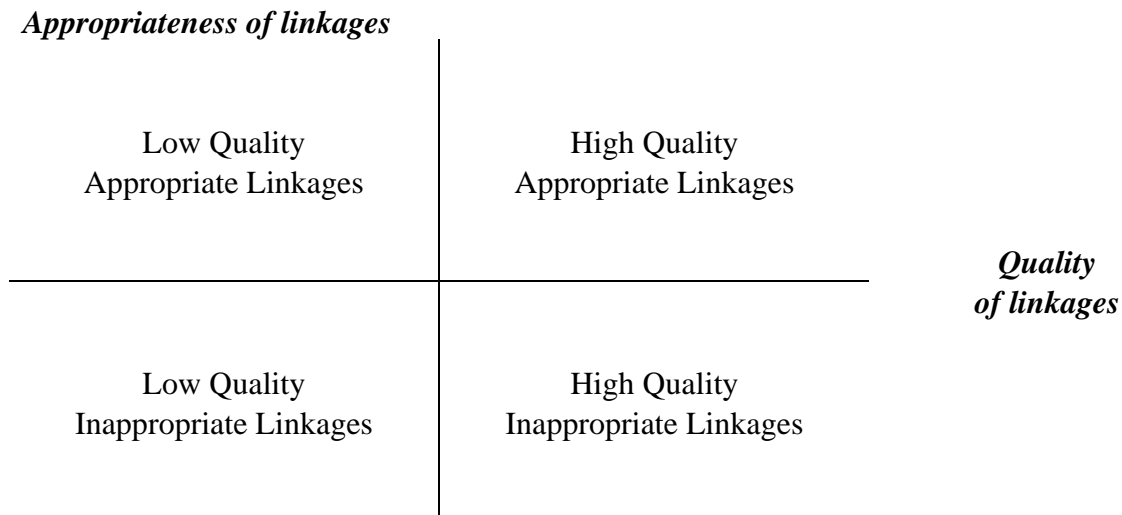
Box 4.2: A National Agency for Local Development – ADM Ltd

As we have already seen, Area Development Management Ltd is a private not-for profit company established by the Irish government to support integrated local social and economic development. It has been instrumental in making the Irish local partnerships programme widely celebrated as one of the success stories for the contribution that local actors can make to employment and development. The ethos applied by ADM from the outset has been to build up relations of trust between itself and the partnerships. ADM is responsible to the national government for the funds distributed to the partnerships and is therefore accountable. It is the way this accountability is exercised, however, that makes the difference - with a light (but firm) rather than heavy touch and with a relationship seen as one more of supporting and empowering the partnerships rather than regulating and controlling. Partnerships are encouraged to be innovative and to take responsibility for their own actions. However, a sound balance has to be struck between freedom and responsibility and ADM has, from time to time, needed to perform its regulatory role by dealing firmly with issues of non-compliance and underperformance

4.2 Being “Wired Up” Effectively

We have looked at the way the need for increased coordination and integration of policy in respect of local action is being engineered into place in different contexts - one sort of “wiring up”. This is, however, only one dimension of governance – the search for institutional devices that can assist in delivering efficient and effective action for employment and development. In addition, however, as was suggested in the previous section, partnerships and policy networks have a powerful impact more widely in civil society through their contribution to the building of participation, networking, voice and participation. They have the potential to add to the stock of human capital in given region or locality – another sort of “wiring up”. All of the examples quoted earlier would undoubtedly feel that they contribute much more to the areas where they operate than mere programme efficiency. They would surely feel themselves also to be net contributors to more intangible things - the way their locality sees itself, the way it responds to change and competitive pressures, the way inequalities and social exclusion are handled and so on. Significantly, this is seen in today’s world as a source of competitive regional advantage. Bringing both sorts of “wiring up” together brings us to the notion of *institutional thickness* – a reflection of the depth and “togetherness” of the governance system as a whole. One way to approach this idea more conceptually is to introduce the notion of the quality and appropriateness of the *linkages* that bind a local partnership or organisation into the wider society of which it is a part. Figure 4.2 sets out the idea graphically.

Figure 4.2: Engaging appropriately with different levels in the governance system: being wired up correctly



Source: ECOTEC Research and Consulting Ltd

The essence of Figure 4.2 is that the *linkages* (a broad but to some extent measurable attribute) that a given body or partnership displays can be examined across two dimensions – *quality* (intensity, trust, value for the mission etc.) and *appropriateness* (with the right partners, respondents, sponsors to deliver the mission). Consistent with the argument of the report, the normative position (the ideal to be achieved) would be where the linkages were in the top right quadrant – high quality and appropriate to achieving the declared objectives of the organisation or partnership. Being “wired up” to best effect means therefore finding ways to move upwards and rightwards having the right connections of the best quality.

Looking back through our case examples we can illustrate the way the concept might be used. In the case of Trangsviken, for example, the community worked with the local authority to try to improve conditions for their residents/members over the years but with limited success. While the link was the right one and therefore appropriate, the relationship was not what it could be in terms of relationships (upper left quadrant). Over time, as relations and understanding between the two improved, the local authority assisted with grants and land to meet the objectives the partnership was seeking to achieve. The quality of the link was improved (moving toward the upper-right quadrant).

We need to take into account, however, the fact that the context for evaluating the linkages is likely to be a *dynamic* and not a static one. Institutional changes such as those faced by SEP Ltd, Hyndburn First and local partnerships in Poland (see boxes 3.5 and 3.7) can reset the parameters as new relationships with new partners need to be put in place, the value of the older ones having been depleted. A position in the top right hand quadrant is not for all time and, to return once again to the theme of creativeness and flexibility; the best local organisations will continue to apply active change management to find some sort of dynamic equilibrium on a moving platform.

For some of our case studies, Asturias, for example, the task of the moment is to seek out the right linkages and to explore the sorts of partnership relationships that will deliver the best value from them – always seeking to move upwards and rightwards in the process. In the case of GSuB in Berlin the task is to position the organisation within a fast moving political climate within Germany and the Berlin Land – establishing and maintaining quality relationships along the way – but to do this against a backdrop of serious current limits on public funds. The merit of the business form taken by GSuB (which we will return to later) is that it potentially gives such organisations more flexibility in seeking the right pathways – but inevitably of course against the discipline of business survival.

The conceptualisation offered in Figure 4.2 enables us to widen the discussion about the position of local partnerships and organisations in the system of governance. It has a particular additional value in that it reminds us that should the future impetus to the formation and development of these sorts organisations stop as the European Community Initiatives and Pilot Actions cease in 2007, more would be lost than just their instrumental ability to generate local employment development. It is to this that we turn in the next section.

5.0 FROM GRANT REGIME COMPLIANCE TO LONG TERM SUSTAINABILITY

5.1 Grant regime compliance

As we have just indicated, a feature of the European space over the last two decades has been the construction of a very considerable platform of capacity for local employment development. The people, skills, institutions, networks, transfer mechanisms have all been put in place and an open, flexible, adaptable, creative *experimental model* has been generated that is a key component in the European MLG. What we have seen is EU Community Initiatives offering a portfolio of steps toward strategic solutions for local development (Article 6, EQUAL, Leader+, Local Social Capital etc). These have been grant aided and resources have been drawn down by successful bidders along with those demands for partnership working that we discussed earlier. In many cases, the local projects involved have needed to adopt strict *regime compliance* – following the prescriptions of the funder as to the allocation of the resource and being responsible for delivering pre-agreed outputs or outcomes.

In fact, it has been a disturbing feature of the IDELE case examples across the board that local level actions still remain *strongly attached everywhere to EU funding streams*. Within our group of case examples, SEP Ltd, LASA, GSuB mbH, and Trångsviksbolaget AB are, for example, particularly vulnerable to change in this respect either as the managers of such streams or as beneficiary bodies. The real issue, and one that has strongly coloured the IDELE agenda, is “how shall these initiatives be sustained post-2007?” We have explored this issue specifically in a parallel report within IDELE series and so can be brief here (see, IDELE Theme Report No 7).

5.2 Capturing flexibility from the use of the company form

One approach to finding sustainability has featured strongly in this report - with a number of the best practice cases constituted as *companies of one kind or another* in accordance with national legal frameworks (GSuB mbH, SEP Ltd, Trångsviksbolaget AB, ADM Ltd, for example). As we have seen, one of the ways to escape the rigidities associated with the public law and its slow-moving responses to change is to try to deliver local employment development from a platform based within company law. This gives valuable flexibility and a number of corporate forms exist across the Member States to allow *common interest* rather than private equity to be the key company objective. It is only in rare cases, mainly in the UK, that the private equity company form is one that is considered an appropriate option for a role in the delivery of public services and as a vehicle for giving voice to local people. More generally, the form applied to local development is a company owned by members or stakeholders acting in association to further the interests of the local community (or some other community interest purpose allowed under the law). Any surpluses or profits are not for distribution but must be applied to further the public or community interests of the members/stakeholders. There is also a limited liability provision to protect those members/stakeholders against personal risk. The literature on such non-profit distributing and public interest companies (social enterprises) is enormous and the complexity extreme and we

shall not pursue the details here except to say that such hybrid forms with a business led approach but driven by social values are becoming increasingly popular.

What is important for this report is that company vehicles do exist that can give substance to the ideas we have been setting out - where the public domain can enter into contractual or service provision relations with partnerships, associations and groups of stakeholders that are configured as companies under the commercial law. What this offers is a situation where those publicly funded actions that demand *stability, legitimacy and accountability* in a democratic context can be preserved intact while the *drive, focus on need and creativity* required efficiently to deliver what is needed can be properly done within the context of a *public or community interest company*. This offers the prospect that a form of relations in governance can exist that allows new organisational vehicles to play a “carrier” role in what in the UK is called the mixed economy of public service delivery.

What this can do is break the “administrative linearity” of public agencies being responsible (at different levels) for the conception, management and delivery of things that happen locally. As we have seen in earlier cases this can produce some complex and at times insurmountable political and administrative problems. Certainly for delivery and in some cases for the management *and* delivery of local development and employment actions the needed flexibility can come from constituting partnerships and local associations as companies. Conception and the justification that goes with the choice of what public monies are to be spent on can, of course, still remain securely in the political sphere. In this case the role of the government can variously be as client, as market maker, or as regulator. In some quarters the role for governments and their executive agencies has been described as *to steer but not necessarily also to row*. Such a conception of the future relations between government and the deliverers of public services is very much part of current thinking in the UK but, for a variety of reasons would be resisted among other European Member States. Our purpose here is not to privilege one side of this debate over the other but simply to point out that the company form can be successfully used to navigate through some of the complexities and blockages that our look at governance has shown in some cases to exist.

5.3 Mainstreaming

Of course, the main way in which the good things done by local partnerships and associations under the regime of European grant aided experimental initiatives can be sustained is by having them *mainstreamed* into Member State national government programmes. Indeed, this is the formal view of the European Commission and is captured in the new Regulations (currently in their final stages of approval) and in the Integrated Strategic Guidelines.¹⁶ None of this removes the issues that have been central to this paper about where the local should fit into to a scheme of MLG. It does, however, mean that the key audience for such a debate will need to be the Member States – with the guidance of the EU institutions to assist in making

¹⁶ Commission of the European Communities (2005), *Integrated Guidelines for Growth and Jobs (2005-2008)*, COM (2005) 141 Final.

the case. It is important to emphasise, however, that there is much more to “mainstreaming the local” than just finding a new, national, way of funding the existing arrangements.

Mainstreaming takes us onto a different terrain in a number of other ways. As with all bottom-up initiatives, moving from experimental pilot actions to the mainstream is not a simple linear process of ‘uploading’ changes into the system as a whole since they have to confront demanding new sets of requirements – in regulation and control, accountability, and choices about resources, for example. These can, and more often than not do, profoundly alter the boundaries of what is, and what is not, possible when a nationwide initiative is to replace a set of local pilots. Experimental pilot actions rarely have to confront the concept of *opportunity costs* since they are known to be short-term and live within clearly defined resourcing frameworks. It is only when hard choices have to be made *at the level of the system as a whole* that rigorous parameters for choice – to choose this option over that, to take this road and not the other - make their real entry into the equation

It is also naïve not to accept that localism has its own “politics of the mainstream” with sharply different views across the political spectrum. There are contentious questions to be addressed about how far decentralisation should go, about whether giving local people too much say is a “good thing” or not, about how far participative democracy at the local level should be allowed to over-ride the process of formal democratic representation, about whether some model of “New Localism” should be introduced that can allow places much more scope to find the best people and ideas to give each one its own competitive edge, and so on. The only thing that is certain is that - with the new thrust of the EU toward mainstreaming and the open method of coordination approach - even further *variety* in outcomes is inevitable from place to place across the European space. This is, of course, entirely consistent with the IDELE “philosophy” as it emerges that the key role for the EU – even more so than in the past – is to be the fountainhead of the identification, dissemination and exchange of the best knowledge about good practice in local employment and development.

6.0 KEY LESSONS

In this final section of the report we make an attempt to reflect some of the views of the case examples on those more practical issues that they feel a wider audience should hear. We have sought only to edit them lightly to give a flavour of the discussion.

- *The importance of having a long term clear vision;* It is important for organisations or partnerships to be *forward looking* in order to remain ahead of developments and ultimately to ensure their long-term sustainability. New public bodies can arise to take over a partnership's role and funding programmes are often time-limited. Faced with this, the ability of a local body to have a long-term vision against which to organise its day-to-day and task driven activities is crucial. It is also sensible, in the face of fast transformation, to underpin those long-term perspectives with a *diverse portfolio of activity* and alternative sources of revenue and resources.
- *The importance of operating at an appropriate scale;* Finding the right level for an activity that will give it sufficient scale to be both efficient and effective is critical. The scales required may not fit within the established system of administrative boundaries. Co-operation and pooling of competency and resources is essential and the arrangements to achieve this may need flexibilities within the existing governance arrangements.
- *Acknowledge the diverse needs of the local:* setting central targets to help civil servants measure the relative success of a policy initiative and to ensure spending on *national* priorities is a blunt instrument. It encourages one-dimensional activity focusing on single issues and discourages integrated holistic action addressing the complex problems localities face. In the UK, the experience of uniform central targets has led to “risk aversion and almost certainly systemic underperformance”. Partnerships whose circumstances make their targets relatively easy to achieve have little incentive to over-achieve, while those whose context made their targets relatively difficult are faced with punishment for their perceived failure.¹⁷
- *Acknowledge local movements:* It is often difficult to mobilise people but the importance of local identity and a “common purpose” as instruments that can effect change mean that great efforts need to be made to do so. When this mobilisation occurs independently of public sector stimulation, public bodies should “flow with it” to *remove barriers impeding people who are coming together to make things happen*.
- *National governments should focus on creating the right conditions for local employment and economic development.* They should balance accountability on one hand and the giving of maximum freedom to the relevant bodies supported, if necessary, by intermediate support structures. Furthermore, if local people wish to come together to try and effect positive change, this should be supported where practically possible.

¹⁷ Robertson, J. (2005), p 9.

Going with the grain of local partnership

- The modern world is one of fast change and the best way to ensure that local places and their people can keep up with it is to devise ways to *give maximum freedom* to local partnerships, associations and stakeholder groups within the constraints of accountability and legitimacy.
- The idea is to go along as far as possible the grain of local movements that see *people coming together to make things happen*. Local identity and common purpose have to be seen not only as social capital in the making but also as instruments that can effect change and as assets to be protected and build upon.

The effect of context

- A solid pool of human capital competency already exists due to the long-standing involvement of the public, private and third sectors in LED and built up by the intensification of LED activity over the last few decades.
- Due to the many different governance systems that exist, it is not possible to draw easy comparisons between or even within countries. Local government units vary significantly in size, the range of their legal, mandatory and statutory powers, their sources of revenue and the prevailing cultural attitudes towards their role.
- The variety of contexts means that outcomes will be different everywhere as players are at different stages of development and each place has a different set of competencies (skills, funds, powers, capacity).
- A clearly defined geographical area and a relatively homogenous community can be beneficial but these may not be reflected in the government infrastructure.
- A power imbalance between the resource rich (often the public sector) and resource poor (often the third sector) will always be present. No amount of partnership, capacity building or empowerment can overcome this fact but by recognizing its existence, partners can ensure that it does not harm their activities.

Flexible delivery structures and forms

- Context is ever changing and governance systems must change accordingly as shown in the regionalisation/decentralisation agenda over much of Europe.
- Local partnerships and organisations must continuously evolve to respond to change in order to survive and prosper – this can involve different organisational and legal forms at different stages of the organisations development.

- A significant level of independence is important for local actors to maintain some influence over larger public bodies. Independent income streams can help overcome the funding giver-receiver power imbalance.
- Administrative units and departmental divisions are designed to make the *administration* of policy-making and delivery easier and do not reflect the complex, messy reality. *Effective* policy-making and delivery requires intra-territory and departmental co-operation
- Radical overhauls of the governance infrastructure are not desirable – the challenge is to adapt existing structures to ensure that they are flexible enough to cope with and adapt to change.
- The objective of local employment and economic development is not the creation of partnerships – the objective is *always* the delivery of efficient and effective public services that are responsive to local needs. A small focussed partnership of key organisations is more desirable than a large unfocussed, but nominally participative one.

Supporting and financing local action

- Excessive regime compliance is counter-productive as it introduces an element of 'one-size-fits-all', is risk-adverse and restricts flexibility and creativity.
- The sustainability of much local activity is debateable as many local actions are still strongly attached to EU funding streams. Not enough has been done to ensure the sustainability of successful local activities post-2007. Options could include the reform of local government finance moving away from funding focussed on specific activity and towards a more flexible 'block grant', and the increased involvement of the (corporate) private sector through corporate social responsibility.
- In many cases private finance from the banking sector is not easily available to private businesses or public sector organisations involved in local employment and economic development due to a perceived high risk and/or low rate of return. Alternative funding mechanisms providing loans for LED or loan-to-grant schemes could be appropriate.
- Small-scale public support through asset transfer, the provision of seed-capital and the removal of unnecessary institutional obstacles can allow communities to undertake highly effective activity.
- The commitment of higher levels of government is crucial if local activity is to succeed. Acknowledgement of the potential contribution of local actors, coupled with political will and the provision of adequate resources is essential for effective and efficient local action.

Annex One

References

Annex A: References

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