
The New Round of Structural and Cohesion Funds: Bringing the Local into Play in the Context of Convergence



Identification, Dissemination and Exchange
of good practice in Local Employment
Development and promoting better governance

The Ninth Thematic Report of the IDELE Project

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1. INTRODUCTION

1.1. The IDELE Project

The European Commission (DG Employment, Social Affairs and Equal Opportunities) has appointed ECOTEC Research and Consulting to implement the IDELE project to “*identify, disseminate and exchange good practice in local employment development*”. IDELE pays particular attention to identifying and disseminating good practice on the ways that local actors and actions can add value to European, national and regional programmes. The IDELE seminars (8 during the period 2004-2005 and 4 in 2006) provide a platform for policy-makers and promoters facing similar problems to share a real dialogue about how the local approach can make a difference and thereby strengthen local employment development (LED) across Europe. The objective is to disseminate lessons and practical tools as widely as possible through the events, the reports that follow them and through the IDELE website¹. This report is based on research culminating in an international seminar that took place in Budapest on 9-10 March 2006.

For over a decade, LED has emerged as an increasingly successful part of the European Employment Strategy and has become widely adopted within the European Structural Funds. This process has been driven by a strong ‘bottom up’ movement - keen to empower and engage players at the regional and local levels and to see more consistent funding available for a range of local economic, social and environmental initiatives. The European Commission and many Member States have responded by privileging the use of local stakeholders as key agents in the development of local strategies and the delivery of services.

As the IDELE series of seminars has confirmed, local employment development projects can range from loose confederations of essentially local projects to well organised strategy-driven partnerships and delivery agencies with a clear place in the system of governance. We have been able to show in IDELE how local organisations and the other key stakeholders have developed the skills and the infrastructure essential for the delivery of high quality outputs.

During the 2000-06 funding period, the European Commission - working alongside other stakeholders, such as Member State governments - has encouraged local players to develop:

1. Better and more informed management capacity: moving beyond the skills necessary simply to implement an activity towards a more complete participation in local decision-making;
2. Active participation in governance systems: equipping themselves to see where they and their organisations can best fit in to a multi-level strategic approach to local development; and
3. Strategic understanding: having found the most appropriate role and positioning for themselves, going on to engineer and deliver a strategy to achieve the best possible outcomes.

¹ www.ecotec.com/idele

All of these developments still have their power but the background circumstances against which they are applied are rapidly changing. In terms of the policy environment, IDELE sets out to reflect the changes that are taking place as the EU moves to implement the revised Lisbon strategy², respond to enlargement and streamline and simplify the Structural Funds programme. We are about to enter the implementation of the 2007-2013 Programming Period for the Structural Funds and Member States are seeking to finalise their National Strategic Reference Frameworks during 2006.

1.2. The Emerging Policy Context

1.2.1. The Lisbon Strategy

In March 2000, the Lisbon European Council set out a ten-year strategy to make the EU the world's most dynamic and competitive, knowledge based economy. The *Lisbon Strategy* is, in its widest sense, a commitment to bring about economic, social and environmental renewal. It has been adopted as the driving force shaping the future of the European Union and its constituent Member States. Under the strategy, a stronger economy will drive job creation. This will sit alongside social and environmental policies that ensure sustainable development and social inclusion. The range of Lisbon objectives includes the following:

- Competitiveness: stepping up structural reform for competitiveness and innovation, and completing the internal market;
- Knowledge-based economy: information society and research;
- Economic growth: appropriate macro-economic policy mix;
- More and better jobs: goal of full employment;
- Greater social cohesion: modernising the European social model; investing in people; and combating social exclusion; and
- Sustainable development.

A series of ambitious targets has been set out to measure progress toward these objectives. According to the Kok report³, progress to date has been slow, but there is a renewed drive to configure policy around the Lisbon goals and to see that both EU and Member State actions are closely aligned with them. To this end, EU policy is now underpinned by a series of *Integrated Guidelines for Growth and Jobs*⁴ that bring together in one framework document all of those guidelines needed to drive policy – including *Broad Economic Policy Guidelines (BEPG)* and the *Employment Guidelines* that provide the context for IDELE:

Table 1

² Agreed by all 25 Member States at the 2005 Spring Council. Should Romania and Bulgaria join the EU in 2007, they will adopt the Strategy as part of the Aquis Communautaire.

³ *Facing the Challenge; The Lisbon strategy for growth and employment*; Report from the High Level Group chaired by Wim Kok, November 2004.

⁴ *Integrated Guidelines for Growth and Jobs*, COM (2005) 141 Final

The Employment Guidelines (2005 – 2008)⁵

- Guideline 17: Implement employment policies aiming at full employment, improving quality and productivity at work and strengthening social and territorial cohesion;
- Guideline 18: Promote a lifecycle approach to work;
- Guideline 19: Ensure inclusive labour markets, enhance work attractiveness, and make work pay for job-seekers, including disadvantaged people and the inactive;
- Guideline 20: Improve matching of labour market needs;
- Guideline 21: Promote flexibility combined with employment security and reduced labour market segmentation having due regard to the role of social partners;
- Guideline 22: Ensure employment-friendly labour cost developments and wage setting mechanisms;
- Guideline 23: Expand and improve investment in human capital;
- Guideline 24: Adapt education and training systems in response to new competences required.

1.2.2. National Strategic Reference Frameworks

In parallel with the revised Lisbon Strategy and the BEPG, the *Third Cohesion Report (2004)* sets out a statement of the new priorities that should inform the growth and cohesion process. These were:

- Strengthen the strategic focus of EU regional policy;
- Apply the Lisbon principles – cohesion/growth/jobs; and
- Apply the Gothenburg accord – environmental sustainability

The Commission also issued (for consideration by the Council) *Community Strategic Guidelines* (CSG) ‘to give effect to the priorities of the Community with a view to promote balanced, harmonious and sustainable development’⁶. As part of this process, each Member State is required to produce a *National Strategic Reference Framework (NSRF)* outlining its strategy for delivering Structural Funds in line with the broader EU objectives and reflecting the Integrated Guidelines for Growth and Jobs. NSRFs will normally include a SWOT⁷ analysis; a set of thematic and territorial priorities; and a list of Operational Programmes. They are to be prepared in consultation with partners and in discussion with the Commission. However, events concerning the *Financial Perspective* delayed the process and thus reduced the time available to finalise the NSRFs in 2006. Final agreement will come from the Commission after a dialogue over the broad aims, the list of *Operational Programmes* and the allocation of funds.

The NSRF is, then, an important tool to demonstrate how a Member State is setting out to address the CSG priorities and the revised Lisbon agenda - with the aim, in each case, of

⁵ Adopted 12/07/05

⁶ *Cohesion Policy in Support of Growth and Jobs: Community Strategic Guidelines, 2007-13*; COM (2005) 0299

⁷ Strengths, Weaknesses, Opportunities, Threats

ensuring a strategic focus on the core priorities. An important further element in the overall policy package is the regulatory context. This is set by Articles 25 and 26 of the *General Structural Funds Regulation* of July 2004.

1.2.3. Funds Allocation in the New Programmes

The allocation of resources for the new round of Structural Funds has now been agreed. A total of € 307.6 Billion has been allocated and this will be disbursed under three *Objectives* as follows:

- *Convergence Objective (CO)*: 81.9% of total funds (€ 251.3 Billion)
- *Regional Competitiveness and Employment Objective*: 15.6% of total funds (€ 48.8 Billion)
- *Territorial Cooperation Objective*: 2.4% of total funds (€ 7.5 Billion)

Within the *Convergence Objective* there are sub-allocations as follows:

- Cohesion Fund: 24.4% of CO Funds (€ 61.4 Billion)
- "Phasing Out": 4.8% of CO Funds (€ 12.5 Billion)⁸

⁸ The "phasing out" category refers to those regions that would have been eligible for funding under the EU15 rules but lose eligibility in the EU25 and those where their GNI per capita will now exceed 90 percent of the new EU25 average.

2. THE OBJECTIVES FOR THE BUDAPEST SEMINAR

The Budapest seminar, as the title indicated, focused its attention on the *Convergence Objective* and those Member States and regions that will be the beneficiaries of it. By virtue of the delay in the budgeting and planning process for the EU we found ourselves in a unique position to influence the thinking of those charged with the preparation of the NSRFs and subsequently the Operational Programmes for the Structural Funds that will be derived from them. What we aimed to do was to demonstrate how acting locally can contribute to national and regional employment development objectives. We believe that this has special importance for some of the newer Member States, not least as a means to absorb the funds more efficiently and effectively in a way that is counter-inflationary and that is, at the same time, capable of diffusing a significant proportion of them more widely and perhaps more equitably⁹.

2.1. A Focus on Policy Programmes Rather than Projects

By contrast with the previous approach to IDELE, this focus on informing the *National Strategic Reference Frameworks* and the *Operational Programmes* that will deliver the objectives of the Structural Funds required a different methodology. We were not, on this occasion, focusing our attention on good practice local projects on the ground – sharing ideas among dominantly *local* players. We were examining national and regional level policy programmes for employment and jobs - bringing together those *national or regional* players that could tell us about good practice in using high quality local actions within the policy mainstream. We asked them also to bring along a *local project or partnership* that could illustrate what could be done on the ground. In practice, this was achieved by structuring the seminar presentations to provide inputs by players at different levels – a national or regional policymaker alongside a good practice example of local partnership or pact¹⁰.

The overall aim of the Budapest seminar was then to demonstrate how offering a well-judged degree of *local control and engagement* within the system of multi-level governance can often result in higher quality and more creative employment and development actions more generally.

2.2. The Test for LED in the Convergence Objective Regions

For the Convergence Objective regions, by definition, the scale of what needs to be done by any policy intervention that aims to effect real change is that much greater than elsewhere in Europe. It follows that the challenge for us in exploring good practice policy frameworks for local employment development is to demonstrate that it can be more than a “nice to have”

⁹ We are also in a special position in 2006 because of the coming together of IDELE with the FALDE (*Fresh Approaches to Local Development and Employment*) programme that is conducting a parallel stocktake of the capacity for LED in the New Member States (plus Romania and Bulgaria).

¹⁰ One of the primary routes to achieve our aim was to tap into the learning going on within the current (and last) round of the EQUAL Community Initiative since, by design; it is based around strong regional-local networks.

optional extra. We need to show a contribution to from LED that is commensurate with the enormous size of the task in hand.

Put simply, the only real test of the value of LED to the participant regions in the Budapest seminar is whether it can help their governments tackle those "wicked issues" that confront them on a day-to-day basis. The sorts of broad issues that LED will need to demonstrate its ability to tackle are those like the following:

- Getting the wider population better prepared for preliminary entry into productive, wage-earning work;
- Creating more sustainable and better quality jobs;
- Raising overall levels of labour participation and reducing registered and hidden unemployment;
- Raising the quality of training and skills and improving the effectiveness of investment in human capital;
- Doing all of the above as widely as possible across the population to promote cohesion, social and spatial equity and inclusion;
- Strengthening civil society by finding effective ways to mobilize and build the capacities of people and institutions to work together in partnership not just in the interests of the most disadvantaged but across the board;

The list is not exhaustive but sets the basic agenda for any intervention in the Convergence Objective Regions that attempts to carry through the objectives of the Employment Guidelines set out in Table 1 above¹¹. In essence the task is to get the labour market working better in the interests of everybody. One of the issues in looking at this is that we need to see it as functioning system where the parts are integrated together and where the connections between elements are often as important as the efficiency of the individual elements themselves. In the next section we set out a dynamic framework that will help us in later parts of the report to examine the special way local action can act better on some elements and also to bring about a more coordinated approach.

¹¹ In the case of the New Member States in eastern and southern Europe, by virtue of a parallel study carried out for DG Employment and Social Affairs, we are in a position to say something about the baseline conditions that LED will be starting from.

3. MAKING THE LABOUR MARKET WORK BETTER FOR EVERYBODY: A CONCEPTUAL FRAMEWORK

3.1. Demand, Supply and Inclusion: the Queue for Jobs

Thematically, our general focus in IDELE is on improving access to employment and the generation of more and better jobs. But more than that, on the way engagement in the labour market provides a route to income and the resources that give access to the "good life" in a general sense. Local action has particular value for those who, for a variety of reasons, are unable easily to find such a pathway into paid work. This sets out the three prime dimensions of policy over which the IDELE seminars range:

- The creation of more and better jobs (demand side);
- Access to the learning and skills and facilitating entry to the labour market (supply side);
- Pathways to inclusion in the labour market for those at a disadvantage (social inclusion);

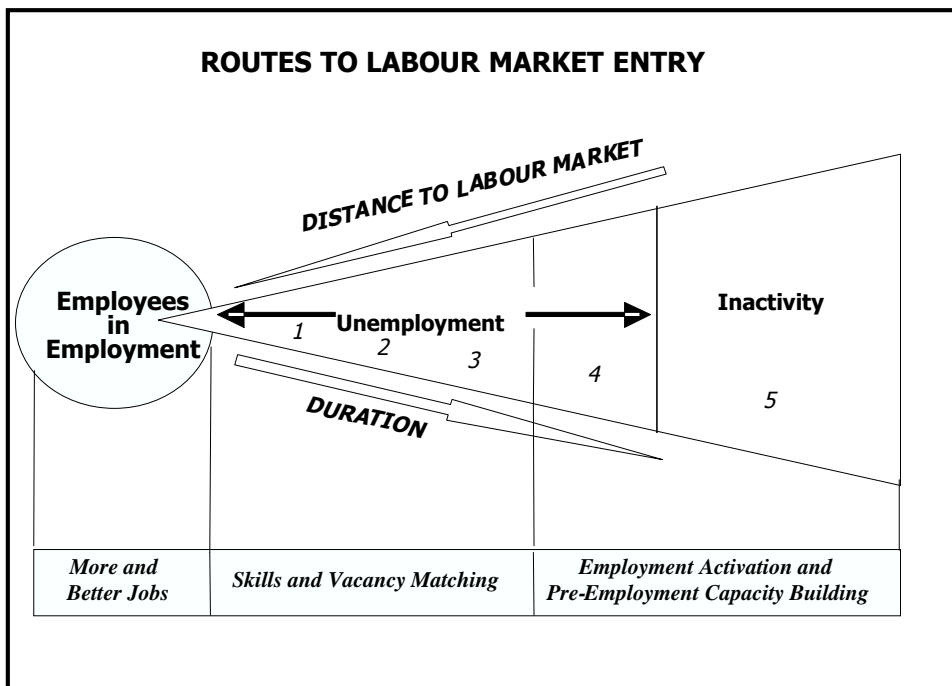


Figure 1 above offers us a way to explore how these three dimensions work together in concert so that we can look at the local contribution in a more sophisticated way. What is shown here is a graphic representation of both the supply (of workers) and the demand (job opportunities) sides of the labour market. The core of the diagram (the wedge) can be envisaged as depicting the “shape” of unemployment and of inactivity in a particular local area. Joblessness for those who are *economically active* and looking for a job is represented as a queue with the length of waiting time (unemployment duration) as a key feature. Those

at the front are closest to mainstream jobs in the labour market and those at the back are further away from them. The people at the front of the queue (1) are those only recently out of a job or perhaps just joining or rejoining the labour market. Behind this group (2) are those who have been looking for a job for some time - say 6-12 months - and are unable yet to find one. Still further from entry to a job are those (3) who have been unsuccessful in their search for say a year or more. At the very back of the queue (and perhaps no longer even feeling themselves to be in it) are those at (4) – though they are still envisaged as active in the sense that they are regarded as looking for a job. The last segment of the wedge (5), and one very hard to depict simply, is that part of the population between 16-65 who do see themselves as being related to the labour market in any way other than perhaps a future aspiration.

Individuals in any given local labour market who are close to the front of the queue for mainstream jobs (1) can be regarded as already “job ready” and likely to succeed in finding themselves a slot in the workplace. With movement down the queue to the right (2, 3 and 4), people can be regarded as increasingly distant from a slot in the labour market. This is reflected in the length of time they can expect to be out of work. Significantly, in the face of local unemployment events like, for example, factory closures, people who have had recent experience of work and newly made redundant tend to join the queue *at the front*. This makes it likely that individuals at the back of the queue often see little prospect of movement because those ahead of them can “queue jump” with their better employability to fill the jobs that are available. Indeed, amongst the groups with the longest experience of unemployment and inactivity (4, 5), there may be several generations in the same family who never leave the back of the queue. Even the effects of national economic growth may still leave those in (4, 5) untouched and they are often stigmatised as being “work shy” or benefit dependent.

The queuing system is presented here in the specific shape of a funnel graphically to represent a long-term depressed labour market area. Other shapes are possible and relatively buoyant labour markets with few people in the first three segments (1, 2, and 3) can still have substantial numbers in (4) and even (5). This may reveal the difficulties faced by minority ethnic groups, people with disability, recent immigrants or others who have certain *ascribed attributes* that make it difficult for them to get started. The inactive population (5) is a source of particular concern everywhere but may be especially prevalent in the Convergence Objective regions. Inactivity can often represent between one-third and one half of the available working population in the case of some of newer Member States and a real task for the Lisbon full-employment objective is to find a way to tackle the problem. This is an area where LED can make a contribution.

3.2. Policy Responses: Making the Entire System Work Better

The bottom half of Figure 1 sets out some of the key elements of the policy response to making the labour market work better for everybody. On the left, are those activities associated with the Microeconomic Guidelines 7-15 of the *Integrated Guidelines for Growth and Jobs* that are dedicated to raising level of entrepreneurship and making business more competitive. The end beneficiaries of these policies are enterprises and entrepreneurs and the policies are designed to produce a better business environment to help them thrive and create

jobs. National, regional and local policymakers operating in accordance with the Guidelines are mandated to help them.

In the centre, and opposite the unemployment queue, are those skills and vacancy matching activities that are part of orthodox job insertion policy across the board. Finally, on the right are those activities for the long term unemployed and inactive that normally fall under the headings of *employment activation* and pre-employment *capacity building*.

Policy actions to create more and better jobs in accordance with Lisbon tend to be about environment setting rather than direct help¹² with the aim to free up the competitive environment and act to support technological advancement. This involves macroeconomic measures (Guidelines 1-6) as well as those microeconomic ones that we are more interested in. In their efforts to work on the unemployment queue, virtually all governments take steps to improve the job matching process and to make people toward the back of the queue more employable, more adaptable, more entrepreneurial and less subject to discrimination in recruitment. Many of these sorts of actions are configured through large scale, for the most part nationally sponsored, programmes that can be used to help people to move forward in the queue and give them the chance to get the jobs that are on offer. It is normally the task of the Public Employment Service (PES) to develop and regulate these sorts of measures though, as the IDELE seminars have revealed, considerable variety is now emerging in methods of delivery. Many schemes have been put in place to add to this by providing some opportunity for short-term or temporary work to give people a taste of real work experience to get them started. The real difficulty, however, still exists for the people at the very end of the unemployment queue (4) as well as for the inactive (5). It is here that specially designed – and more generally locally organised or delivered – policies come into their own as *sensitivity to need* is identified as a key parameter for success.

Having set out a framework to help us we can now turn to the core of the paper and look more closely at where local actions in general fit into Figure 1 and what sort of good practice we can discern that will help the convergence regions tackle those "wicked issues" we set out earlier.

¹² Although State Aids policies still exist under restrictive conditions.

4. CONTRIBUTION OF LED IN CONVERGENCE REGIONS: SOURCES OF VALUE ADDED

For the Convergence Regions, whether or not the general level of economic activity is high or low, it is the groups to be found in (4) and (5) that have presented both the real challenge for local employment development and a clear domain where its value added as a policy response can be demonstrated. The success of LED has been its value as a way to reach the people and places that more orthodox supply-side and second labour market policies fail to reach. It has also been recognised as a source of innovative action as local people and local stakeholders experiment with new approaches. LED has shown a capacity to do things that orthodox large-scale skills and work activation policies cannot. In particular, LED can work better on those dimensions of worklessness that come from outside the narrow confines of the labour market. For the Convergence Objective regions, *social re-engagement and capacity building* is a key component in any programme to tackle the “wicked issues” of intractable unemployment and inactivity. As the IDELE case studies show, “bottom-up” locally grounded initiatives emerge as an essential complement to national employment schemes. Put simply, the need is to get closer to the people and places of disadvantage rather than setting some positive general conditions and then waiting for them to respond to market pressures.

A second clear entry point for the established value of LED is through adding more local sensitivity to learning and skills development and by attaching this to a more general process for building local social capital. One vital source of the added value for LED in this case comes from the empowerment of local actors - either through helping them to adopt and develop their own stance on a particular issue or by simply allowing them the space to act and make a local contribution. Naturally, the two are not mutually exclusive. More specifically, what we can show from the learning captured through IDELE is that the value added in LED comes from:

- Locally influenced actions that can help to create and enhance a *spirit of innovation, entrepreneurship and enterprise* - not just in economic activity but in finding and developing new ways to do a variety of things - from delivering services to building social and civil capital to making public administration more creative;
- Creating a clearer *space for local action* in public programmes that can help to generate conditions for new sorts of sustainable jobs - by filling service gaps, fostering private entrepreneurial activity and stimulating social enterprise.
- Maximising the level of local engagement that can, even under the most difficult conditions, *mobilise people* to make a contribution to their own and their locality's economic and social life.
- Offering employment opportunities to a *wider segment* of both the economically active and the inactive population by acting locally;
- Developing *locally integrated strategies* that can give focus, purpose and integration to policy actions of all kinds;

For the Convergence Regions there is, then, a strong a priori case that acting locally may be *even more important* than for the other regions of the EU. Many are still in the process of

building state managerial capacities and developing their governance structures. The upside of this is that the ongoing process of transformation can offer new opportunities to do things differently. While setting a sound macro-policy framework along the lines set out by the *Integrated Policy Guidelines* will be absolutely essential, there is little doubt also that acting locally on variety of levels is a clear policy option to be considered if balanced and sustainable development is to be achieved.

5. POLICY RESPONSES FROM AN LED PERSPECTIVE: THE CASE EXAMPLES

The case examples for the Budapest seminar were selected to demonstrate how both local players and regional and central government bodies have been able to come together successfully to tackle those "wicked issues" that confront the Convergence Objective Regions as they seek to meet the aims set out in the European policy guidelines. In each case what we set out to do was to bring a local policy initiative to the seminar and to have a public authority representative express their view on the added value that acting locally was able to contribute. In the event, we had a mixture of case examples available to us – some were, as we had planned, local initiatives supported regionally or centrally but in other cases we unearthed regional or even national strategies where the value of reaching out to local players was already fully recognised.

In most cases, what was set out was some form of strategy or policy that met an identified local employment development need. In relation to the earlier discussion about the sorts of problems likely to be faced by most Convergence Objective Regions, it is by no means surprising that a good deal of local action had its primary focus on what, in terms of Figure 1, we identified as *employment activation and pre-employment capacity building*. In some of the cases there was a focus was on generating *more and better jobs* wherever possible - but these focused more on trying to have certain groups create jobs for themselves by becoming entrepreneurial in their own interest than in working with local businesses to find ways to raise their competitiveness. What was significant was that activities designed to make the labour market work better through higher level *skills development and vacancy matching* tended to be more closely identified with the regional or provincial level of policy action through the Public Employment Service or its equivalent - but even here the added value of acting locally was becoming more recognised.

An overall analysis of the case study material reveals an underlying structure that can help us to understand the sorts of actions that appear to be in place in the Convergence Objective Regions. As has just been indicated, the contingent conditions in these regions – particularly in the newer Member States - makes it likely that much of the activity to date has been dedicated to putting the necessary capacities into place. These capacities range across a wide spectrum.

In some situations we see what might be identified as *dedicated capacity platforms at local level*. These represent activities that are dedicated directly to help people in given local circumstances deal with the job related circumstances that confront them. Many are not "policies" in the strict sense. They are simply actions that local people and stakeholders have put in place to deal with what they see as gaps in necessary provision. Many also are not in any sense "new". They have a long history as local people strive to deal with their local issues. They are of interest to us here because they form a valuable platform onto which other policy initiatives at other levels can be loaded.

In other circumstances, we can identify a set of activities that we can call *institutional structures and capacities to support local action*. These are more clearly policy instruments

that have been brought into play to offer a wider address at higher administrative levels (sub-regional, regional, national) to support what goes on in local places and to create what can in these cases be more appropriately be called a policy framework for local employment development.

Finally, we are able to identify across both of these broad categories of capacity development for LED a number of clearly defined *tools or policy instruments for local development* that are not uniquely associated with one level of governance or policy action or another but that can be adopted, adapted and customised according to circumstances.

In what follows, then, we use the case studies to explore and inform each of these broad categories. Given the scale and complex detail of the case study materials supplied for the Budapest IDELE seminar, we make no pretence to be comprehensive in the text that follows. We do, however, attach as Appendices the detailed fiches submitted by presenters. Readers also have access to the presentations made at the event by using the IDELE website - where these will be found under the relevant seminar heading.

5.1. *Dedicated Capacity Platforms at Local Level*

What we are looking at here is a series of projects that work directly with local people in a challenging environment and bringing them closer to employment readiness and entrepreneurship. In relation to those "wicked issues" we discussed earlier it is hardly surprising that a number of the cases were dealing not so much with employment per se but with those *pre-employment capacity measures* that we discussed earlier in relation to Figure 1. The issues being addressed tended to be framed by deprived rural environments and their people. The cases presented in Budapest had a particular focus on the problems facing women and young people under these circumstances. In these situations there were few employers of the orthodox variety outside the public agencies and the challenge was either to find routeways to jobs that were self-generated or to raise the overall level of human capital and social engagement in such a way as to offer a future hope of either indigenous business growth or inward investment. These broad economic development aspirations were at the back of the mind but, in reality, local people and local projects tended to be working at a much more generic level with the real ambition being to improve the quality of life of the community.

5.1.1. *Tailor made jobs*

One of the obvious ways to create jobs in an environment where very few orthodox employers exist is to create "tailor made" ones – that is to persuade people to "cut out a job for themselves" by starting their own business. It was this that the Local Development and Employment Initiative (LDEI) of the European Commission recommended a decade ago. We have met this approach a number of times before under the IDELE programme, chiefly in remote contexts (extreme rural or mountainous). We report three good practice examples of this sort of approach here – one of them comes from rural Spain, another from the mountains of Greece and third from rural Hungary.

In the Spanish case the project comes from Andalucia and, in particular from the rural and dispersed communities of the Cordoba region. The source of the project is an EQUAL 3 programme. This was designed to set in train a review of the advantages and disadvantages of existing self-employment policy aids at the regional level. It was able to offer us some key lessons about the benefits of working in a way more sensitive to the needs of beneficiaries and about how acting locally is critical to this. The essential capacity platform here is one that sees local players able to examine the local context and identify gaps that can be filled by creative action; that sees them empowered and enabled to develop locally meaningful actions to fill those gaps and that gives them the scope and span of control to try out experiments and find out what works.

Entrepreneurship Opportunity in North Cordoba

The Rationale:

The wider EQUAL project of which this local action is a part aims to establish a strategy for an "innovative, dynamic and cohesive system capable of triggering the creation of new business activities". In particular, it is addressed to "the generation of a company culture which bears in mind the values and knowledge of women". The ambitions are grand overall but there is a strong practical dimension based simply on getting rural women to be taken seriously as potential entrepreneurs. A key part of this is to have the women take themselves seriously as being capable to perform this role.

The Activity

The case example set within this broad ambition is based on two locally-based *Integral Entrepreneurship Centres* in North Cordoba whose objective is to stimulate self-employment in the target area. The centres provide a number of integrated elements: a dissemination and engagement campaign, business training, a suite of management and business courses, business set up grants and financial aid, business proposal assessment and monitoring.

The Process

A key feature of the process that underpins what has to be essentially a highly localised activity – getting women to consider self employment and giving them local support they need to make it happen – is that these instrumental actions are embedded in a comprehensive structure that involves every level of governance all the way from local to regional to national. The EQUAL Development Partnership approach sets the assembly of a comprehensive supporting partnership as a primary requirement. There is, in fact, a huge and comprehensive (perhaps even overwhelming) horizontal and vertical partnership structure into which the local entrepreneurship programme is embedded.

The Lessons

One general issue for LED that this project illuminates has to do with how to *keep the focus tight and locally seen as valuable* when the stimulus comes essentially from an "outside" source at a higher level. The Cordoba example had to confront a huge network of interests and there was potentially a real problem to be faced in achieving "buy-in" to something that could be seen as a complex and rather abstract governance schema. What was most impressive here was the power of the local project simply to get on and produce good results for local women. This was deemed more important than the management of the complexities of the partnership network. The entrepreneurship project seemed to have achieved immense local clout and was very thorough in seeking to build on its

successes and to spread best practice. The wider regional response was more 'guiding' and there was a sense of some pragmatic agreement perhaps to "leave each other alone" as long as they were broadly in tune. The women's entrepreneurship project has achieved good results and has been effective in making this known. By the standards of the overall local development issues confronting rural areas with ageing populations and confronting structural economic change, the numbers of successful new business ventures was inevitably small but the *demonstration effect* of this success has much wider value. It helps to make the case that – even where local business development outcomes are small – positive and creative local action can offset the scourge of "inactivity" and the general malaise it engenders in local communities. A much more practical lesson is that sometimes we can over-elaborate the process aspects of LED and sometimes the acid test may be simply to allow a good local project to get on with its job.

A second example that has many parallels is the project based in Livadi on the slopes of Mount Olympus in Greece. This too is sponsored by EQUAL and has the ambition to produce a Local Action Plan for Employment (LAPE) designed to bring local women in a remote rural area into some form of local economic activity.

Local Action Plan for Employment (LAPE), Livadi, Greece

Rationale

This is a component of the EQUAL programme managed by EETAASA (a private consultancy firm) across 9 municipalities. It is part of a more generalised approach to the creation of Local Action Plans for employment (LAPE) that involves the mapping of vulnerable groups and those local level structures capable of assisting them. It goes on to explore what might be done to stimulate employment opportunities. The key practical aim is identified as "job detection" (finding employment opportunities for the target groups). To facilitate this, local stakeholder networks are encouraged to draw up a four-year local action plan and there are a series of guides or handbooks available to assist local player in doing this.

Activity

The specific case example was focused on one of these municipalities – Livadi - where the particular problem is women experiencing involuntary inactivity in the absence of jobs. In this case there is an identified gap in support through a lack of contact with the national government sponsored job centres and the absence of an organisation able to raise the profile of employment development policies in this remote rural setting. The main activity to date has been the engagement of local interests and the use of data-gathering and SWOT analyses to investigate the issues and the possible solutions. From this, two sectors have been targeted for further exploration – tourism and animal breeding – and there has been a more general ambition to establish new forms of education and vocational training for the area.

Process

The active player (implementing organisation) has been a private consultancy EETAASA alongside the University of Thessaly and it has brought together a comprehensive horizontal network of other public and private players and trans-national partners. It has been acting under the recognition of the Greek Ministry of Employment

Lessons

Among the barriers identified as needing to be addressed are that current national policy does not give sufficient flexibility to the local level and that each local effort needs to be aligned with national policies to such an extent that the local level has little opportunity to propose its own solutions. This is the classic and long-standing issue to be confronted as regime compliance and rule-following behaviours begin to give way to ones that sensibly empower local actors. From the IDELE perspective, the aim is for local players to have an input to the *conception and management* as well as the implementation of policy. This demands, however, a change in the mentality of the local actors and the adoption at local level of more ordered forms of analysis and action planning that will convince those at higher governance levels to trust them to deliver real outcomes. The LAPE approach is clearly a step in this direction. Once again, as with the Cordoba case example, there is a strong focus by virtue of the sponsorship that comes from EQUAL on the *process* elements (partnership, networking and so on) of activity rather than *hard practice* to deliver real outcomes. These are undoubtedly difficult to achieve in a de-populated remote rural environment but in Livadi the focus on two sectors – tourism and animal breeding - and on general human capital improvement has a degree of focus about it that is to be applauded. Generic processes and capacity building have their place but winning local support and attacking apathy demand that some real things are seen to be done. As part of the *dedicated capacity platform* the simplest of steps to build a "get together and learn network" in even the most unpromising local environment can have untold benefits.

In the case of Hungary we have an example in Zala County that shows yet again how the first steps can be taken locally to engage disadvantaged groups in building the necessary skills and confidence that may one day see them find jobs. The area is once again extreme rural with no employment opportunity outside local government and the threat of continuing depopulation. The target group is involuntarily inactive women. In this case the external impetus comes not from EQUAL but from a Swiss sponsor - the SEED Foundation. However, the Association for the Villages of Zala itself dates back to 1990 in the first stages of the political transition. Once again, a practical aim is to encourage local women to "cut themselves tailor made jobs" – an invitation to entrepreneurship. There is also an invitation to basic skill-building to help the women prepare themselves for a job.

"At Work Again": Labour Market Reintegration of Women in Zala County, Hungary

Rationale

To confront deep rural inactivity and under-employment by raising the level of basic skills and confidence among the target group. To do this by the establishment of a regional incubator service model that contributes to improved employment chances for women living in the selected small village region. In parallel, to strengthen the circle of social and human services in the small villages and the region and provide a professional background and training for distance work (teleworking).

Activity

In essence the project was dedicated to work activation and pre-employment capacity

building. From the 90 applicants across 17 municipalities that applied to the Association, 40 women were recruited to the project in two regional groups¹³. Basic training was provided for every participant, with an emphasis on motivation, self-development, and communication skills. Participants gained special skills by completing IT training modules and a teleworking module. They were also offered training in regional development, business, environmental and social studies. The women in the program were continuously supported by a mentoring service with the mentors assisting the women to find jobs, to stay in them and to deal with personal and other problems. Post-training the project employs 12 women in local government and in local NGOs. The remainder had to find jobs themselves or begin self-employment. In the 90 percent found a job opportunity

Process

The Villages Association was the platform on which the project was founded. The active role was, however, played by the sponsor - the SEED Foundation. There was little hint of a locally-owned strategy as in the cases of Cordoba and Livadi (the absence of EQUAL and its set of guiding principle about partnership, perhaps). The "partners in the project" (the description is perhaps significant – "in" rather than "to") were the local labour office, the four regional local authority associations and the SEED Foundation. The beneficiaries (the women) appear to have been the subjects of the action and, though their feedback was reported, there seemed little sense that they had a role as partners and that the actions could in some way benefit from their input in generating ideas.

The Lessons

The project set out its own "lessons learned" as follows:

- there is a need for more detailed, and first of all more personal, face to face information for the applicants;
- information flow has to be permanent, every project element/module of the project have to be clear for every participants all the time;
- if a project can not provide job every participant, the planned selection criteria, the assistance for those who are excluded from them, has to be very clear;

What emerges in this case is a very well found and organised training and mentoring programme of the kind that PHARE or its relatives would find very familiar. People are selected and trained according to a clearly worked out programme and results (good ones) are garnered.

What might be drawn out among the wider lessons from all three of these case examples of direct local action in challenging environments for job creation is how important it is to be creative in finding the best form of local "good governance" to support the actions. There is room to explore the concept of "partners **to** a project" as opposed to "partners **in** a project". The distinction might perhaps reveal something of the difference between what might be

¹³ Significantly, the target group was highly qualified with 10 persons holding higher education degrees and all others with a secondary education.

called *multi-agency* partnership forms versus *common purpose* forms. Both have a role but their essential dynamic may differ in important ways.

Multi-agency partners may come together to deliver a particular project – bringing with them the perspectives of their home departments or agencies and trying to work in a coordinated fashion across a number of linked components. All three of the examples we have just examined have a degree of this and since two originate with EQUAL this is a required design feature. Common purpose partners, by contrast, may be expected to aspire to a degree of local *ownership* of the project in question in the sense that they are able to offer both creative ideas for the way the project is *conceived* and some local *management* as well as an implementation role. The issue is about balance. It is not that government and statutory agencies are not part of a common purpose form, it is that the needs to be addressed are more closely identified with what the local community of interest sees as the need and the strategy to be followed. This has been an important learning point for IDELE - that there is real added value to be gained from *conceding as much local ownership as possible* to the partners in a project. We can take the opportunity to explore it in the next section as we introduce another case example.

5.1.2. *The Importance of Local Partnerships*

For over a decade now the importance of drawing local people into partnership bodies has been accepted by the EU as a crucial policy aim for acting directly in the local context. The ambition is to get people engaged themselves in the issues that confront them. In the context of local employment and development, partnerships involving multiple stakeholders but with a clear common purpose (usually set out as a strategy) have a particular value. They can serve to reduce conflict between the different actors in a given venture. They can serve as a way of spreading risk across a wider group of players and therefore encourage more creative actions. They can increase co-ordination and ensure that the venture is embedded in the local system of governance. Most importantly, however, they can underwrite a sense of common purpose that can marshal more than just efficiency and effectiveness to a venture and give it the extra drive that can come from mutuality. But getting the “right” local partners involved is absolutely vital both to deal with the development task itself and to create the necessary climate of trust. In the case of local employment development certain obvious players suggest themselves – state agencies, local authorities, social partners and local community interests including business. However, the IDELE experience shows that, in places where partnerships have come into being out of some local sense of common purpose, success is more readily assured. Partnerships can also be regarded as a critical device for the creation and maintenance of social capital in local communities. As a first step toward the capacity building needed to kick-start local employment development, building up this sort of social capital base is proven to be essential and this has particular resonance for those Convergence Objective Regions that form the subject matter for this report.

But it is not by any means all about social capital building in some general sense. Partnerships can also be a creative instruments to deliver new services where gaps exist or even to help existing services to perform better. Where they really work well in this respect,

they can provide a means both to control service delivery costs and to improve the quality of outcomes. They can, for example, encourage participants to offer more than the strict value of their labour time and to be willing to add free labour to a venture that they believe in. The trust that partners can create between them can also reduce management time and the transaction costs of conflicts over roles and actions. Where partnerships can be close to the customer or client base by being in some way “part of their world” they can help to ensure that delivery activities are more highly sensitised to customer needs.

Starting directly from this "engaged partnership" principle, the Estonian case example that follows, had its origins in the Baltic Rural Partnerships Programme. This well considered action, sponsored by the UK (DfID), was dedicated to the initial installation of partnership structures and to the promotion of rural community participation across three Baltic countries - Latvia, Estonia and Lithuania.

The Baltic Regional Partnerships Programme (BRPP)

The goal of the BRPP was to make a contribution to the “reduction of poverty and social exclusion in the Baltic States” through “improved rural and regional development”. A more specific aim within the overall programme was to “enhance the capacity of local communities in project areas to improve rural livelihoods on a sustainable basis”. The vehicle for both the wider and more specific aims was the creation and development of *sustainable local partnerships*. Three partnership groupings were set up in each of Latvia, Estonia and Lithuania and these are still active three years after the end of the programme. This ran under auspices of DfID, under the administration of ENTERPLAN International from 2000-2003.

After the opening phase, control was handed over to individual or groups of District Partnership bodies who, in many, cases were able to draw in further sponsorship for their activities. The BRPP partnerships were, for example, used as reference partnerships for the development of LEADER + *Local Action Groups (LAGs)* in both Latvia and Estonia and have served as examples for LAG building in Lithuania. At last count there were, for example, 30 LAGs in Lithuania and a further 15 in Lithuania most of which owe something to the influence of the BRPP in the way they were designed. In Latvia the three initial partnerships - “Daugavpils District Partnership”, “Balvi District Partnership”, “Rezekne District Partnership”- were administered by the NGO sector after 2003 and captured “successor funding” from such agencies as the Local Authorities, SEB Unibank, Netherlands Embassy MATRA KAP program, Netherlands Community Initiatives Fund KNHM, World Bank/UNDP, the European Commission, and the Latvian Integration Foundation.

Turning to our Estonian case example, the subject for the intervention is, once again, a deprived rural area and those target groups – the young and the long term unemployed of both genders – finding it especially difficult to get jobs. This is a project where the lead role is shared by private consultants and by the partnership NGOs set up under BRPP and acting across a set of Local Area Partnerships. The particular vehicle involved in what was reported at the seminar was a PHARE youth employment project and a job coaching action under ESF.

These formed part of an evolving portfolio of actions being accumulated by the local partnership bodies.

NGO and Local Partnership Engagement in Key Labour Market Policies: Estonia

Rationale

The broad aims of the PHARE sponsored project were to enhance employability of Estonian youth in labour market and to improve the capacity of public employment services in the provision of tailor-made services to young unemployed persons. The project was implemented on two levels - national and local. On national level, the project aimed to help government bodies to design special active labour market measures for young unemployed aged between 16 and 24. Two further parallel aims were; i) to explore ways to motivate employers actively participate in the programme and; ii) to offer a capacity building element for the staff of public employment service. On the local level, the project piloted new approaches to enhancing youth employment through special training programmes to young unemployed; work practice opportunities and subsidized work places in three regions – the Islands, North-East and South-East Estonia. There was also action to explore the best individual and group based job-coaching methods.

Activity

The project provided "adjustment training" for 569 youngsters (80 hours). This was designed to support self-analysis, provide knowledge about the local labour market and relevant legislation as well as elementary skills in job-seeking. The project also provided professional training for 337 youngsters (80 hours) with the training conducted by a variety of vocational schools and training institutions. The training provided the youngsters with basic level vocational skills and prepared them for work practice or subsidised work contracts. The project covered transport costs and lunch for youngsters during training. Groups, each of 20 youngsters, had their own tutor who took them through the process of 10 job-club meetings, helped and encouraged them in finding places for work practice or subsidised jobs. 387 persons took part in job-club activities.

The project provided 250 youngsters with 4-month work practice or with subsidised work places (12 months). The project also provided training for 19 public employment service staff with the objective to contribute to a deeper understanding of the needs of the young unemployed and thus an improved service.

Process

The overall concept for the project was developed in the Ministry of Social Affairs as part of the PHARE programme but it was the partnership NGO of Võru in South-East Estonia that took the initiative in finding the partners to the venture. BDA Estonia was used as a lead partner to find local partners from other regions and to offer management experience. Significantly, the partnership NGO had the central role in delivery of the project in the three target areas.

Lessons

This is a step toward the sort of local partnership that we are familiar with in the EU15 but there are some key lessons (perhaps long since forgotten elsewhere) about how to get started and build the first elements of the necessary capacity. What we see here is cooperation between the public, the private and the 3rd sector set within a context of enthusiasm and commitment by local partners. As with the earlier case of Zala County in Hungary the services of an experienced private sector lead partner were regarded as vital to get things up and running. However, the emergent role of the partnership NGO whose origins go back to the BRPP programme shows how essential it is proactively to legitimate and capacity-build the sort of partnership association (NGO) that eventually will be in a position to take

forward a portfolio of local development ventures from different funding streams. What is also interesting about this project is that it appears to work both upwards and downwards in the system of governance. On the one hand local partners (NGO) are endowed with the freedom to evolve a project on the ground. On the other, central government is willing to acknowledge and adopt the value that comes from working closely with target groups on the ground. This willingness to have the key lessons for the practical delivery of policy run upwards as well as downwards through the system of multi-level governance is just the sort of good practice that IDELE wishes to promote.

Following the same general sort of logic but starting from a platform for dealing with unemployment and welfare benefits that is still in the early stages of construction, the REPER Network in Romania was presented as a case example. What we have here is a set of national level institutions whose statutory duties are formally and rigidly determined but where there appears to be a growing acknowledgement of the benefits that can come from a decentralised, more local and more flexible approach to programme delivery. The key body is the National Agency for Employment (NAE) which operates under the aegis of the Ministry of Labour (MoLSSF). Under its control is a hierarchy of agencies set at various levels in the governance system. The one that interests us here is the County Agency for Employment (CAE) which operates across 41 offices. This is effectively the PES equivalent which has under its control 90 local agencies for employment, 164 "working points", 20 vocational training centres and 8 pilot counselling centres for disabled people. Effectively, the CAE is the prime commissioning agency for actions in employment, job matching, vocational training and counselling, activation policy and meeting the needs of special target groups. It is the proposition of the sponsors of the REPER Network that we describe below that there needs to be a much more active local input to the CAE process if it is to be appropriately sensitive to the people it needs to support. The particular form that this should take is a subject of contemporary debate in Romania and REPER offers one model that it is interesting to explore.

The REPER Network Romania

Rationale

The main challenge of the labour market in many areas of Romania is long-term unemployment, marginalized groups and, in particular, people with no income, studies or qualification who are not registered with the offices of the National Agency for Employment. Faced with the scale and complexity of unemployment and disadvantage, there is a particular challenge to the responsible public institutions. The underlying rationale for REPER is that NGOs acting in partnership and arrayed in networks are likely to be more flexible and able to respond faster to the expectations of the beneficiaries and target groups.

The Swiss sponsored *Labour Market and Trade Unions Modernisation* programme offers an alternative to the orthodox centralized public service approach. The overall objective is to contribute to a rise in the employment rate for five towns across Romania. To achieve this 11 service centres have been established to facilitate the (re)integration into the labour market of people looking for a job. The programme originated in 1998 and runs to the end of 2007. The administrator of the program is the Association for Organization Development – SAH ROM (ADO SAH ROM) - a

Romanian NGO founded in 2000. The implementing organisations are the local NGOs and one local trade union. As with the Hungarian case the programme is under the aegis of Swiss donors. In this case it is the Swiss Agency for Development and Cooperation within the Swiss Foreign Ministry along with Swiss Labour Assistance (SLA) - a non-governmental organization involved in development and cooperation programs.

Activity

The 11 service centres (4 job centres – professional information and counselling, labour exchange); 4 vocational training centres, 2 business centres, 1 unemployed women's counselling centre and one service centre for organization development and quality management constitute an informal, open network of service providers for the unemployed, the employees and the employers. This is identified as the *REPER Network*. The service centres are dedicated to offering a comprehensive platform for (re)integration by opening doorways to professional competencies through vocational education and training; to job access through counselling and mentoring and to entrepreneurship through business support. They represent a platform of installed local capacity for many of the key components of local employment development.

Process

Once again, as with BRPP, we see an outside government offering its support to the building of local capacity for employment and social inclusion in a state struggling with the transition to a modern economy and public service system. The existence of an externally funded programme presented the opportunity to begin as early as 1998 with basic level capacity building for local development and for the modernisation of the institutions servicing the needs of a well functioning labour market. It appears, however, that as part of the process of installing basic local partnership capacity there is still a substantial job to do in persuading Romanian central government departments that there is a role for both accredited intermediary support bodies (like REPER) and accredited local providers; be they private companies or NGOs.

Lessons

Once again we see the value of an initial "guiding hand" – lending capacity locally from an outside intermediary agency. We also see the case being made to promote the NGO sector (and in this case the trades unions also) as a valid instrument for not just the implementation of local action but also for the conception of policy ideas. What we were also made aware of was something we have seen many times throughout IDELE – the fault-line that lies between legally constituted and statutory duties assigned to hierarchical public agencies and the complexity and need for constant flexibility that calls into play a kaleidoscope of non-statutory players. This tension exists everywhere – though to different degrees – as necessarily rule bound and slow moving bureaucracies are faced with fast change in the day-to-day conditions that confront them in a global economy. Resolving the paradox can often be by finding a way to design, manage and deliver policy actions as close to the local level as possible while still maintaining the necessary degree of control over the taxpayers' money. As we saw in the previous case example, finding a way legally to install a platform of district or local multi-stakeholder partnerships and contracting them - arms-length - to work to a government controlled programme is becoming common as a way to tackle the dilemma. A further issue in the Romanian case that has wider significance is that what they have in REPER is a pilot experiment that is due to end in 2007. Taking the lessons and mainstreaming them across the entire country is far from a trivial exercise as many EU15 Member States are currently finding out as the EU experimental programmes and pilot actions come to a close on the same timeframe.

What we have seen then under the heading of "dedicated platforms for local action" is a wide variety of policy programmes, for the most part activated at national level, that have recognised how important it is to transcend the intermediate layers of governance and take steps to ensure that the local itself is mobilised directly in the process of employment development. There is a genuine recognition here of the importance of acting locally for employment and development and what we can see in the examples set out is some first steps toward the construction of local capacities in the Convergence Objective regions. This is a recognisable phenomenon from the early years of the LED movement in the EU15 where a groundswell of locally sponsored activity grew up in some cases spontaneously but in many more cases as a product of EU initiated local pilot actions under the Community Initiatives. This is a necessary first step that has its own intrinsic value. But what has come to be seen as a pressing issue for this sort of "open seedbed" approach is how to scale it up from pilot to a mainstream regional or national programme. Such a programme to capture political and financial support has to show that is effective in addressing those "wicked issues" that press all national governments. At the same time, it has to show itself to be truly sustainable at a cost that can be afforded. After some 20 years of experience we have the advantage, in respect particularly of the New Member States, that lessons have been learned about what is necessary for this sort of scale and sustainability to be achieved. Across the board we can witness the growth of what we shall go on in the next section to describe as "intermediary structures and capacities" that can help to expand, sustain and support local action.

5.2. *Institutional structures and capacities to support local action*

5.2.1. *Intermediary Support Organisations*

It has been a feature of the IDELE approach to LED that good practice at the local level, while being (as we have just demonstrated) entirely desirable of itself needs also to be embedded within a multi-level system of governance that connects or "wires" it into the other governance levels. One problem that needs to be addressed as local employment development activities evolve is the sheer variety that can emerge as local solutions are tailor-fitted to local needs across regions. This generates a parallel need within governance for some kind of scale-efficient body that can respond flexibly and appropriately to offer the sort of support that is needed. For government agencies where accountability and regulation are necessarily central to the culture there is a tendency to be insufficiently "light footed" to cope with the dynamics of complex local actions. Politically, there tends also to be a pragmatic need for the public authorities to be able to act at arms-length from some aspects of the process so that it cannot be caught up in debates on favouring one locality of district over another.

It is this sort of rationale that has brought into play intermediary 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. The scale of operation of such bodies tends to be sub-regional or regional and the rationale is for them to act as a supporting *broker* positioned

between the public authorities and the complex population represented by the potential beneficiaries of funding programmes. 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 while at the same time winning the trust of those government agencies that are answerable for the distribution of public funds.

To meet these special requirements, most of these intermediary support organisations need themselves to be configured as multi-stakeholder partnerships of the kind that we discussed in the preceding section but in this case they operate at a scale above the local – sitting somewhere between the national/regional level of administration and the local or municipal level. What they do is to “lend capacity” from this higher, more scale efficient level to the local bodies that make up their constituency. In what follows we can present some examples of a variety of forms that such bodies can take in the context of the Convergence Objective Regions but for a wider exploration of the topic the reader is referred to the report for the IDELE Faro seminar. We begin with an Italian example which takes what might be described as being a *wideband* approach in the sense that the ambition is to bring people and institutions together to achieve a wide variety of collaborative objectives.

Integrated Territorial Projects (PIT) in Italian Objective One Regions

Rationale

It is a key proposition of the Italian government that, in order to make local employment development a success, one of the primary requirements is to develop the necessary administrative capacity in a way that links across the relevant governance structures. The elements of a supporting structure to develop this capacity were put in place during the 2000-2006 Programming Period. At the highest level, SRINT is a national programme operating within the framework of Structural Funds for Objective One regions. It supports a number of integrated initiatives at local and regional level. The one of particular interest to us here is the *Progetti Integrati Territoriali* (PIT) programme. Across the relevant regions, PITs are local development initiatives proposed by a local partnership and financed by regional administrations within their Regional Operational Programmes. In 2000-2006 135 PITs have been approved covering 80 percent of the population of the Objective One regions.

Activity

A key operational component of the PIT initiative is the establishment of a *Common Office* (CO) at the local level. This is regarded as essential to support those players who are more locally focused and lack the necessary capacity on their own to carry out the required actions.

- The C.O. is formed and shared by the local institutions (municipalities) that cooperate for managing and implementing the local development project;
- The C.O. is generally placed with the leading local authority but each local administration confers human and financial resources;
- The C.O. is directed by its own project manager;
- The *Italian Law on Local Administrations* provides a framework for the establishment of a C.O.: Under this the collaborating local authorities are required to set down a formal agreement codifying their mutual commitments.

The activities performed by the C.O. are as follows: contracting works, promoting local participation, encouraging private partnerships, defining incentive schemes for investments, monitoring, financial reporting and so on.

Process

The basic idea of the PIT is derived from that for the long-established Italian national *Patti Territoriali* (Territorial Pacts) initiative about which we shall say more in the next section of the report. PITs are founded on the principle of endowing wide local partnerships with a significant operational role with local administrations in the lead. What they aim to achieve is the insertion of a degree of essential institutional and administrative capacity into the local and regional level as a way to support the robust development of local development. The components of this capacity derive from the following requirements:

- regional administrations need to design efficient organisational frameworks to manage the multilevel (national, regional and local) governance of local development policies within operational programmes;
- regional evaluation units are needed to select sound projects;
- intermediate (provincial level) institutions are needed to coordinate different territorial

policies and to support local actors

- local institutions need to come together to share responsibility and to form scale-efficient technical support units;

In order to facilitate the development of these sorts of complex multi-level territorial initiatives it is often necessary to commission some non-governmental intermediary or broker body to make things happen. In this case the active player is Formez - an Italian Public Institute working for the Department of Public Function. The Formez Institute is dedicated to the enhancement of public administration at a national, regional and local level and to the development of innovative approaches. It is responsible for the overall SPRINT project that supports the PIT.

Lessons

The openness of coalitions, the inclusion of key partners, good cooperation among territories, and the facilitation of improved administrative development and local organizations have all been identified as the key success factors of the PIT policy. However, PIT partnerships are generally large and plural and there is always a complex choice to be made between their scope and legitimacy and the need for them to have a clear focus. This is one of the challenges of the partnership process everywhere and having supporting programmes and legal frameworks does not remove the need to work hard to make sure that wide representation does not blunt the edge of practical action. Once established, however, the principle of sound cooperation can be seen to spread outwards across the whole of local and territorial administration.

The need to build sound capacities at every level to support local employment development is the most profound lesson to come from the Italian PIT model. Local development left to itself can only achieve so much. To give it meaningful scale and to have the prospect that it can become a sustainable part of the national mainstream once external financing comes to an end requires the bedding in an integrated support structure that cannot just be an extension of the normal practice of public administration and government. The great lesson perhaps for those New Member States just setting out to install a degree of local development action in their Operational Programmes is that the experiences of those who travelled the pathway before them point to the need *at the very outset* to consider what sort of multi-level administrative capacity will be needed for a sustainable long run programme. They would do very well to look closely at the Italian SPRINT and PIT approach in considering their options.

We turn now to two examples of what we can call *narrowband* approaches where the underlying process is to get multi-stakeholder partnerships to lend their greater range of experience and capacity to solving local development problems but where the overall mission is more specific. Our first example is from Andalusia in Spain where the EQUAL initiative is serving to bring together a wide range of players both strategically and operationally but where the focus is on creative action specifically for employment. What is interesting about this example is that we are able to show how the Employment Service of the Autonomous Region has sought to "uplift" the lessons from the last round of EQUAL to achieve an across the board improvement in employment policy as a whole. It is an excellent example of *mainstreaming in action*.

Directorate General for Employment Promotion: Regional Government of Andalusia

Rationale

In Spain, regional government is responsible for active employment services. It is also responsible for the implementation of ESF in their region. During round one of EQUAL, Andalusia was covered by a web of 29 development partnerships, nearly a fifth of the total in Spain and more than in many countries. They made up the Andalusian EQUAL network. A strong commitment to EQUAL from regional policy makers saw them take active steps to incorporate the lessons from EQUAL into regional employment legislation. They saw EQUAL as an opportunity to make significant improvements in the governance of current employment policy and to build up a portfolio of EQUAL good practices to be considered for incorporation in future regional employment policies.

Activity

During EQUAL the Andalusian regional government actively sought to take "a series of steps to provide a direct link between good practice on the ground and regional employment policies". The main steps in this new pathway to seek out and implement better connections between policy and on-the-ground practice were to: conduct an analysis of the main regional labour market problems and of gaps in existing labour market policies; identify those elements of good practice in EQUAL that can best be incorporated into regional employment policy generally; review those legal and regulatory changes that would be needed to see these policy practices incorporated into mainstream policies and, finally, to begin the not insignificant process of convincing national and regional policymakers that the change in approach is worthwhile.

The first detailed action was to commission a thorough analysis of the labour markets dealt with by each of the EQUAL partnerships and the second was to review existing active labour market policies in relation to these findings. To do this at arms length the Region used the expertise of a research centre that had already been responsible for the Spanish Strategy for Social Inclusion and the Mutual Learning Programme of the European Employment Strategy. Step two was systematically to explore the EQUAL "good practices" to identify those most relevant for wider policy application. The process was to establish general criteria for deciding on the innovative nature of the actions (process, product and contextual innovations), to conduct a rigorous exploration of contending "good practices" and then to present the results to peer review through a regional seminar on business creation.

Process

For the Andalusian Employment Service to achieve its aim of mainstreaming LED, the key was for the organisation itself to become a partner in all Equal Development Partnerships to obtain first-hand information on the value of acting locally. A further interesting feature of the process was that the EQUAL regional network was consciously made up of two levels acknowledging that to mix the two is frequently a source of confusion and lost focus:

- 1) Operational: DP partners, local employment agencies, social partners, practitioner experts;
- 2) Strategic: all general directors responsible for regional employment policies, social partners (other more national orientated), municipality representatives.

Lessons

At a local level, EQUAL in Andalusia is said to have meant nothing less than a revolution within the governance of employment policy. Previously, the local authorities had been used to working in isolation in the design and management of their policies. However, after the experience of working with other local and regional actors in EQUAL partnerships, many important local authorities (such as Almería, Jerez, and Seville) have decided to go on themselves to develop local employment plans

in cooperation with both social partners and representatives of civil society. At regional level, EQUAL is identified as having had a significant impact on the coordination of the different departments and networks of agencies and, in particular, has brought the administration far closer to the employment needs of disadvantaged groups.

What we see in this case is EQUAL following through to meet the aspirations of those who designed the Community Initiative in the first place. It has changed attitudes and mindsets among not just local but regional and national players. It has brought public administration to an understanding of the value both of acting in partnership and of allowing as much of the design of ideas as possible to flow from local sources. The key has been commitment. The real commitment of the regional Public Employment Service and its senior and field staff to get involved with partners spread across the wide variety of local contexts that any region has to deal with and to step outside the mindset of applying employment policies that can be equally applicable across all contexts from a centralised delivery platform. Once again, this example shows the way to those New Member States at present re-engineering their PES organisations to meet the challenges and opportunities of a new round of Structural Funds. Rather than re-organise the orthodox system first and perhaps later begin to take on board the complexities of more local and partnership-based opportunities (understandably tempting to incumbent bodies) it will surely be better to begin at the outset by taking on board the lessons from the Andalusian case. The start up may be more complex and messy but the outcomes can be demonstrably more creative and effective when multiple stakeholders are drawn in and local variety in needs and responses is accepted as a given.

In the case of another *narrowband* initiative where the platform is one of partnership and local sensitivity to needs we turn our attention at this point to Job Centre Plus and the local Shirlie project in the Highlands and Islands of Scotland. In this example the target issue is one of particular current concern to the United Kingdom government – incapacity benefit. Nationally in the UK a potential 1 million people with health conditions and disabilities who are without work would like to be in job. Too often they remain inactive because of outdated assumptions and a welfare system that until recently ignored the special barriers to work that they face. There are currently UK National programmes to support this group but these programmes will not reach the Scottish Highlands until 2007 at the earliest. What we have here is an example of a local partnership in collaboration with a government agency setting out to come together to do something creative for a particular group of local citizens.

Jobcentre Plus in the Highlands and Islands of Scotland

Rationale

The objective is to invest in the potential of a particular group of individuals by empowering those local people currently claiming Incapacity Benefit (a UK welfare benefit where the criterion for eligibility is a medically certified condition that prevents people from taking paid employment). The UK government believes that the current regime fails to have the beneficiaries themselves, employers and the public institutions recognise the potential that exists for recipients to play a role in the labour market. Following a meeting between NHS Highland, Jobcentre Plus and Highlands and Islands Enterprise it was recognised that there was a need for a strategic local approach to supporting Incapacity Benefit customers towards and into sustainable employment

Activities

The project aims to be in contact with 10% of the local Incapacity Benefit "customer" base (from a UK perspective welfare support is conceived as a government provided *service* consumed by the *customers* of those agencies like Jobcentre Plus *contracted* to deliver the service). The 10 percent aspiration equates to 1280 individuals and of this number some 450 are anticipated as continuing onto a pre-defined Tailored Support Programme. Contracted outputs for the supplier are set as 110 entering sustainable work and another 60 positive outcomes including voluntary work, work-based training and further education.

The project is built around the following four key elements:

- *Awareness Raising and Engagement*
- *Tailored Support Programme*
- *Next Steps and Training*
- *In-work support and Aftercare*

Process

The activity is established as a region-wide partnership-based approach but with Jobcentre Plus as the contracting agent to government. The funding cocktail to support the activity comes from Jobcentre Plus, the National Employment Panel, Highlands and Islands Enterprise with a hoped for future contribution from the 2007 ESF programme. A strategic steering group is in place comprising Highland Council, Communities Scotland, Highland Employer Coalition, NHS Highland, HIE and Jobcentre Plus. In the outcome, then, a relatively mature local (sub-regional) partnership has come together and has agreed that both the need to fill local vacancies and the opportunity to get people out of Incapacity Benefit is best addressed by finding creative ways to assist those traditionally

marginalised in the labour market. The group were responding to a plethora of national level benefit reduction programmes but had agreed that they needed to be adapted to meet specific local circumstances. The strength and coherence of the partnership at the local level – perhaps aided by the relative isolation of the area from the main governmental institutions – had significantly persuaded the main funding agencies to be more flexible in their approach and to leave the key development and implementation decisions to the local area.

Lessons

The success of this Jobcentre Plus led project so far has been in taking on board the strategic priorities of each of the partners individually while bringing them together to generate *shared flexibilities* in activities and ideas where they can. The apparent success of the programme at the local (sub-regional) level does not, however, assuage a sense of paranoia in some quarters that the national level may, at some point, attempt to reassert its control. It seems there is still work to do to convince the centre as to the efficiency as well as the effectiveness of a locally owned and directed approach. The partnership is also conscious of a need to engage more closely with the client and it seems that as yet this sort of close engagement has still to be engineered into the partnership process.

What this example enables us to introduce to the wider audience is the very different character of UK based approaches and how they can interface with local partnership and activities once the *agency model* is brought into play. Once again, we have made more of this in the Faro IDELE report and will not dwell on it at length here. What we need to set out, however, is that the UK approach has much more of a *market based* logic and rhetoric. We have seen how beneficiaries in European style discourse are regarded as *customers* and how providers are *contractors* delivering services to those customers. The New Public Management approach sees government "steering but not rowing" in its approach to service delivery and at the same time opting for a "mixed economy" of service delivery. In this, private for profit, NGO and not-for-profit social enterprise providers can, in principle, all engage in public service contracting. The system is driven by sets of explicit targets for the sorts of actions and outcomes purchased by the State (hence the clear number targets in the example just set out). The legal basis for this kind of activity resides in commercial and contract law and not (as in the Italian PIT case, for example, in public law).

As a result of this, those responsible (Jobcentre Plus) for delivering a contracted service to their client (government) in respect of a particular group (IB customers) are in a different relationship to other players in a partnership. They are responsible for a set out pre-defined deliverables on a tariff that can be measured. The issue here is that some of the unmeasured benefits (wider social well-being, social capital creation, civil society benefits and so on), though all undoubtedly see their importance, are not in the contractual equation. The known extra costs that may also accrue from working in complex partnerships may also not be accounted for in the contracting equation. There is no reason why wise governments using this approach should not build these desirable items in, of course, but the lesson that we might want to pass on here to those planning to explore the UK-style customer-contractor approach is that - without careful thought – capturing the acknowledged benefits of working in complex local partnership situations might become more difficult even where the overall value of such an approach is accepted.

5.3. Tools or policy instruments for local development

In this section of the report we want to focus our attention on examples of just two of the many policy programme ideas that we have come across that can offer clear assistance to the Convergence Objective Regions during the next phase of the Structural Funds programmes. The first of these – *Territorial Employment Pacts* – was brought to the seminar in the form of examples from Austria. The second – *Global Grants* – came from the national delegation from Spain. We see them as prime examples of the way that some of the complex issues associated with acting locally and in partnership can be addressed and in both cases we are able to pass on to new players in the Structural Funds programmes the benefit of a long period of learning among the EU15 nations.

5.3.1. Territorial Employment Pacts

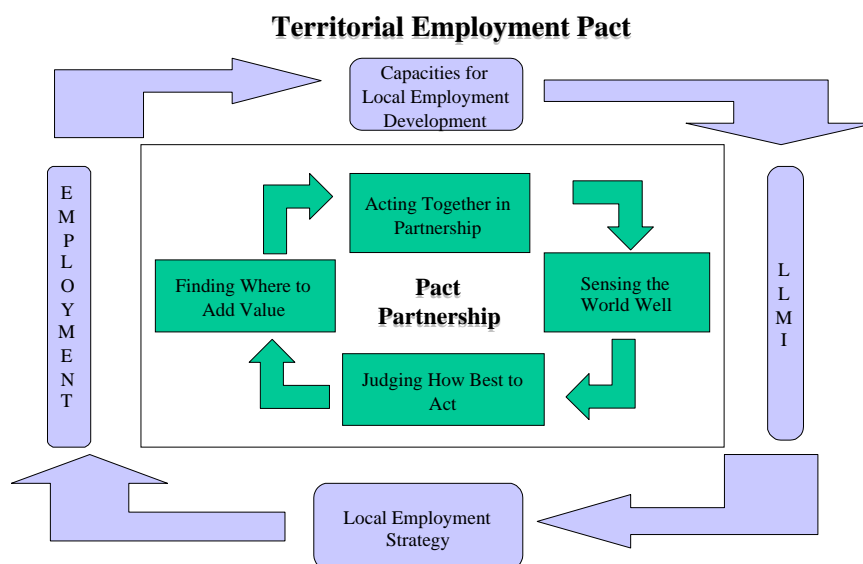
The idea of installing some kind of nationally recognised governance system for building and sustaining local partnerships in a drive to achieve development and local jobs has been around among some members of the EU15 since the beginning of the 1990s. Ireland formally accepted the need for a *local* dimension in its employment and development policy as early as 1991 and began to build the well-known *Local Partnerships* programme. Italy was also a pioneer in the early 1990s with the establishment of 150 local partnership organisations - the *Patti Territoriali* (on the basis of which the PITs we discussed earlier evolved). In both cases, consistent with the possibilities offered by two very different legal contexts, local stakeholders are invited to join a "pact" and come together to serve the interests of their locality. Some time later, the European Commission's version of the model – the Territorial Employment Pacts (TEPs) - was launched under the Irish Presidency in 1996. These were designed to be experimental and not as yet some kind of blueprint from which Member States could read the detail of the design. What was offered was a set of basic principles – precisely those that underpin LED in general.

TEPs were to be *bottom-up* – taking their actors and ideas from the local level. They were to be based on *partnership* – some organisational form that brought different local interests together to work in concert. They were to be a means to *integrate things together* – using the local situation to find new ways to join central, regional and local policies together in a more efficient way. Above all they were to be *creative and innovative* – searching out wholly new ways of going forward and challenging old rulebooks. These are, of course, the very essence of those principles of good practice that IDELE has been charged with promoting over the past three years and, as all who have set out to apply them have discovered during the last decade, while the principles are disarmingly simple, converting them to practice is the real challenge.

Figure 1 shows how a Territorial Employment Pact can be visualised. At the core of the diagram is the Pact Partnership mechanism. Put at its simplest, this is a device for getting a variety of people together around a table to consider what they can individually and collectively do for their local area. Where this differs from the standard local government

model (which it complements of course) is that the participants have particular expertises and sectional interests and a genuinely innovative contribution to make. The partnership is legitimated by some kind of agreement that sets out the terms of their association (the “pact”). This is a vehicle to bring these groups together to share their different perspectives and to come to some agreed view about what is and what is not possible.

Figure 1: A Partnership for Local Employment Development



So much of what we have been talking about in this report is part of the learned experience of what is needed to convert general principles into practical action. First, there is a need to *install some capacity* into the group to learn about and share views on the local economy and the possible means to generate unemployment. Much of the capacity to be installed will need to come from outside – *importing and reviewing ideas and best practice from elsewhere* about how to deliver the best outcomes. This sort of knowledge needs to be set within the context of an understanding of the reality of the local economy and employment through the assembly of *local labour market information* (LLMI). With capacity and LLMI in place, the move can be made to develop a *local strategy* and then to find the *operational means* to make it work. When it comes to what really makes the difference, those local partnerships that can *engineer consensus* and deliver actions while preserving differences of opinion will succeed while those that descend into conflict or avoid difficult issues to preserve a false consensus are the ones that fail.

5.3.2. *The Austrian case example*

The essence of the Austrian approach to using TEPs is that, under contemporary conditions, labour market challenges exist that cannot be met by just a few institutions on their own. In particular, their sponsors identify the following as needing a pact approach:

- Coping with the concentration of unemployment on certain groups of persons;
- Tackling gender segregation on the labour market;
- Facing the outcomes of economic restructuring - shifts in emphasis between industries, economic sectors and regions;
- The need to innovate to respond to developments in global competition and technological change;

Territorial Employment Pacts have been in existence under the sponsorship of the Austrian Federal Government since 1998. This followed the positive results of the European Union's TEP pilot initiative in the country. By December 2001 Pacts had spread to cover all nine Austrian Provinces. In a formal sense, the pacts are contracted regional partnerships resourced by central government to better link employment policy with other policies and to improve the employment situation on regional and local level. Finance comes from the Austrian Objective Three programme for 2000-2006 and is made available against a measure (6) to build local capacity and to develop a strategy for employment. From this perspective, the approach can be regarded as essentially top-down and centrally driven. On the ground, however, the pacts are to be seen as multilateral groups working together locally with real commitment. As in the Andalusian example discussed earlier, the Pact can have a vital role in co-ordinating policy, helping to design a programme based on labour market analysis, providing technical support and assisting in evaluating and disseminating good practice. There are inevitably, of course, dominant players – most obviously those with access to funding. But there is an attempt to be open and to share information and good practice openly with a conscious effort to maintain a balance within the partnerships and to hear the voice of NGOs.

It is an important part of the Pact's role to ensure that the districts and municipalities are integrated into regional and national programmes for employment. This comes from an overt acknowledgement of the importance of fine-tuning employment measures to local needs. While the first Pacts were set at the provincial level, questions quickly arose about how, in practice, they would perform this task of bringing on board the sub-regional and local levels. Sensibly recognising the need for flexible solutions, different places were allowed to create their own models. In some cases, for example, local actors are simply integrated into the Steering Committees or Working Groups of the Pacts. In other cases, Pacts at the provincial level act as an overall umbrella and strategic board for Pacts that are located at sub-regional or local level. There is also an attempt to bring existing local structures such as Regional Management Associations into the integrated framework as active partners. The overall ambition is to *co-ordinate strategies and implementation measures for employment vertically and horizontally across the board*. We have a case example of one of the Pacts in action – Steyr-Kirchhof in Upper Austria.

Regional Management for Employment in Steyr-Kirchhof: The Upper Austria Territorial Employment Pact
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Rationale

The rationale for the Pact is that set out above for the national programme in Austria as a whole. The window through which we are looking in the case example is the Verein Regionalforum. This is a private association of all the communities, social partners and "political mandatories" in the area. The task of the Regionalforum is "to support the TEP of Upper Austria on a local level".

Activity

A good deal of the activity of the Forum is in what might be called local and institutional capacity building. It is active in building networks across all the relevant local players – beneficiary groups, public agencies and employers' organisations. This is done under the banner of a local Steering Group made up of the Public Employment Service (the dominant TEP player generally), the Local Authorities and the Chamber of Commerce. There is a strong emphasis in the current programme on projects under the banner of ESF and EQUAL – both building partnerships and capacities and delivering approved actions with groups such as women and young people. This dependence of grant funding is acknowledged as an issue – the usual one of short-term project horizons and continuing worries about mainstreaming and continuity.

Process

In this largely rural area there has been particular impetus coming from a tradition of engagement with LEADER and LEADER + both of which bring a strong emphasis on the importance of the local partnership process. What has been important in process terms has been an attempt to take national and provincial employment policies and to interface them with this emerging enthusiasm for local partnership. What is also interesting is the choice that has been made to run the process largely from the top (central government and provincial PES) downwards – trying to connect local players into the system and allow them some voice. What only a detailed exploration on the ground would reveal is how the top-down versus bottom-up tensions are perceived and managed in practice – since the tension has to be resolved and the issue is about the balance between legitimacy and empowerment as opposed to focus and control. This is, of course, a general issue for LED everywhere.

Lessons

From the sponsor's own perspective the lessons that need most to be learned from this sort of model are about how to make strategic and focused choices when faced with so much variety – of tasks, potential beneficiaries, of stakeholder organisations (around 100 players are recognised). For the next period there is an acknowledgement that like all complex LED structures across Europe there is going to be a need to tackle some of the hard issues about *real strategy* – that is making hard choices in the face of many competing claims. The 5 key central strategy areas that have constrained the current programme through its alignment with ESF measures in Objective Three has, in effect, served to resolve the choice issue for the time being. However, a fully mainstreamed national programme for LED would need firmly to take on board the challenges of the high transaction costs of complex partnerships, the problems for focus and effective delivery that come from having 100 or so players and the balance between the competing claims of top-down and bottom up.

One of the most challenging requirements of acting locally for employment is to find a way to engineer together those complex elements of governance that effectively connect a variety of local actors into more formal governmental institutions at the regional or national level. As we saw at the beginning of the section, Ireland and Italy pioneered these sorts of arrangements in the EU15 and this was taken up by DG Regio as an experiment to explore through its Territorial Pacts pilot initiative. What we have just described is the way Austria took on the model more formally and created what became in effect a national TEP programme. We are

also aware of successful TEP initiatives in Catalonia and more recently in Germany. Regardless of the particular label given to this sort of programme, there is strong evidence that a large number of EU15 governments have seen a need to institute arrangements to have local partnership actions formally integrated within the multi-level system of governance.

For the Convergence Regions in general and for the New Member States in particular we would want to press the claim that some sort of pact-like arrangement can well be of considerable help in bringing LED more firmly into the mainstream governance of employment development. We have been at pains in IDELE to point up the policy value added that can come from making use of multi-partner local bodies to sensitise actions for employment on the ground to the sorts of needs that have to be met and to liberate a degree of creativity that more formal top-down policies can often lack. What we want to emphasise here is the need to have those sorts of horizontal local bodies effectively connected into higher levels of governance – regional and national – and that the pact approach or its equivalent would be a good place to start. Much has been learned about how best to do this thanks to a range of European Commission initiatives and there is good TEP experience available to be tapped into from Ireland, Italy, Catalonia and Austria.

5.3.3. *Global Grants*

We turn now to a second policy tool that might be of value to Convergence Objective regions looking for a known way to get funding down to the local level but within a system that, while it recognises the responsibilities of the state authorities for controlling spend, can still leave room for innovative practices at local level. Global Grants have been recognised as a legitimate form of spending practice by the European Commission for around a decade but Member State governments have not found it easy to incorporate them as a tool within their programmes. What we do have here, however, is a working example from Spain that we can explore in more detail as one scheme that has attracted both central government and local support.

SPAIN-GLOBAL GRANTS – Operational Programme for the Promotion of Employment (2000-2006)

The EU Regulations

In agreement with the European Commission and with the Beneficiary of the programme, the Structural Funds Regulations allow the Managing Authority for an Operational Programme to decide that part of the endowment can be reserved for the implementation of certain given actions considered as priorities. This sort of mechanism is known as a Global Grant. In the case of the European Social Fund, Article 4.2 of the Regulations describes the usage of this formula as being to facilitate the access of non-profit making organisations and local partnerships to small grants. In order to manage what is essentially a credit reserve, the Management Authority signs an agreement with an intermediary body for the administration of the fund. This body must have prior guarantees to assure its reliability, its experience and its settlement in the territory. In the Spanish programmes, two types of Global Grants have been designed. The main one is dedicated to "stimulate an associative network in the area of fighting against the discrimination of the less

favoured groups". The second is dedicated to stimulating local development through a series of "interventions in neighbourhoods with specific difficulties of insertion into the labour market".

Local Employment Development with a Global Grant Mechanism in Spain

Among the Global Grants included in the Spanish Operational Programmes (regional or national level) the highest amount of ESF funding in Objective 1 and 3 Regions is allocated to "local and urban development" priority under the Promotion of Employment OP (2000-2006). For this, the declared intermediary is the General Directorate of Local Cooperation of the Ministry of Public Administrations. The global grant is dedicated to offering to those in search of employment an opportunity of a "work internship" that complements their training in the area of "assistance services for people with special needs". These services include care to children, elderly people, the handicapped, the sick, people socially excluded or at risk of being excluded and so on. The actions are developed through a "personalised itinerary" suited to the unemployed beneficiaries. The setting up of a network of child-care facilities, day centres or proximity services (kindergartens) to meet the needs of dependent people is also encouraged.

Sponsors and Funding

The projects are promoted by Local Governments of more than 50,000 inhabitants or by Provincial, and Insular Governments and Uniprovincial Autonomous Communities of the appropriate size. Local Governments participate in the financing and have to incorporate an agreement that ensures the highest degree of participation of the "social agents" who work in this area, of interested companies, of Universities or Centres of Vocational Training and of non-profit organisations etc. In total, some 200 million Euros (5.57 percent of the relevant OP total) is allocated within the Objective One regions and 95 million Euros (11.77 percent of the relevant OP total) is allocated within the Objective 3 regions.

The Global Grant approach is one that we believe should be extended much more widely in the 2007-2013 programme and one that should have special relevance for the New Member States. The ambition should be to create a pool of funding that the stakeholder partners can come together to share and be responsible for. This is a very different sort of model from the more normal "bid and challenge" approach where competing applicants are invited to bid for funds against a set of criteria put forward by the funding agency. While the latter is undoubtedly easier to administer and to regulate, it has a tendency to force groups that should *coming together* to address a known problem into the adoption of *individualistic and competitive behaviours*.

A shared fund with in-built flexibilities (especially if it can also be a revolving fund) can do much to remove the unwanted side effects that long-experience in the EU15 shows can make even the most well meaning and creative partnerships narrow minded, regime compliant and grant dependent. The Global Grant mechanism can also be used in accordance with the Regulation to go some way towards helping in the process of capacity building those local groups and small NGOs that, through vital to developing a sensitive programme, may not yet have the scale and competency to be successful bidders against the established players. Where the objective is to pursue a programme of *grass-roots capacity building* – as it must in many of the New Member States – there is a particular issue for the standard bid and challenge approach. Experience elsewhere shows that where the strong and well organised

local players are able to capture an early foothold in grant aid programmes it may keep the barriers to entry for other players too high as the programme evolves. This can serve to have the unwanted effect of preventing the widening and deepening of those capacities that are needed for holistic and balanced development. The Global Grant approach, even if applied in a limited form, can keep the door open for new players and partnerships and can help to keep the programme as a whole open and dynamic.

6. CONCLUSIONS AND RECOMMENDATIONS

At this point in the report let us return to those areas of activity that we set out earlier as being significant ways in which LED can help Convergence Objective Regions as they begin to prepare the final drafts of their NSRFs and go on to generate their Operational Programmes. These can usefully be divided into two – those for specific job and employment outcomes that are most needed in these particular regions and those that, while assisting to deliver these objectives, can have a wider impact by putting in place a set of governance capacities with much wider long run value.

6.1. Critical issues for the Convergence Objective regions and LED

Taking the job and employment deliverables first, we would see the report as having had a strong emphasis on the following as being the most critical in relation to the "wicked issues" that have to be confronted by the seminar participants:

- Locally influenced actions that can help to create and enhance a *spirit of innovation, entrepreneurship and enterprise* - not just in economic activity but in finding and developing new ways to do a variety of things - from delivering services to building social and civil capital to making public administration more creative;
- Using local action to offer employment opportunities to a *wider segment* of both the unemployed and the inactive population by acting locally and engaging them in the process of designing the most effective policies to help them;

6.2. Innovation, entrepreneurship and enterprise

One of the most critical issues for the Convergence Objective regions in general is to find a way to generate a spirit of entrepreneurship and enterprise – chiefly in those rural and peripheral localities where long term unemployment and inactivity are endemic. While the hope of inward investment always offers the possibility of a "quick fix" there is no doubt that, for these sorts of places, raising the level of local enterprise is the surest way to begin meeting the Lisbon targets. For most of the regions involved in the Budapest seminar the most pressing policy issues came from having to tackle the constellation of pressures surrounding youth unemployment and alienation, the inability of women to enter the labour market and selective out-migration. What we have shown is that actions are already in hand to try to get the key target groups into economic activity by looking to what we earlier called "tailor made" jobs.

Tailor made jobs have a double value for LED. They provide an opportunity for developing local entrepreneurial skills and, since they find their marketplace in the gaps that exist in local goods and service provision, they can also make a contribution to general local development. New sources of jobs can be created in local areas while, in parallel, ways can be found to tackle market failures and though the numbers of direct jobs created may be small they can have extra value where they fill critical local service needs. In addition, where these jobs can be made more

easily accessible to young people and women wanting access to paid work there is a special bonus.

The seminar explored the policy frameworks that would be needed to stimulate such an approach – usually from a standing start in rural and remote areas. From the discussion it was clear that, while relatively orthodox business skills training undoubtedly has its place, this needs to be placed within a setting that is sensitive to some of the critical nuances of getting people in remoter communities to begin to think about becoming more entrepreneurial and setting up their own businesses. For the key target groups that usually framed the debate – women and young people – there was a clear need to "ease" them into the process with measures designed to build confidence and engender a sense of mutual support.

There was also a need not to be naïve about the prospects for business development where markets have to be built de novo and are not already waiting to be entered. Finding a viable niche was as vital as confidence building and skills development and to do this there was some prior need or unfulfilled needs to be measured and mapped. The new starters would not of themselves be able to support this "needs mapping" but where some partnership was in place (EQUAL made its impact through installing this in two of the case examples) the "costs" of the exercise could be both spread and offset by public funding.

What this business development based approach also needs in the regions we have been exploring is some wider umbrella of technical and professional support – to help to find finance and share the risk of a new venture, to open up access to a wider pool of accountancy and legal resources and to specialist business skills. This requires a degree of scale efficient operation and this may, in turn, imply at least a sub-regional span of operation for the body or network providing such services. We shall return later to this question of intermediary support organisations. It may also be the case that orthodox private business – while an ambition – may simply not be a viable proposition at the outset and that alternative forms of enterprise within some wider social economy approach needs to be considered (for more on this see the IDELE Nice Report).

Despite the enthusiasm for the tailor made jobs approach it is clear from all the cases examined that this is not going to provide a significant source of new jobs in the regions we have been considering. By simple job count alone, such a policy will struggle to win support at governmental level. But it is consistent with the IDELE approach across the board that any kind of narrow job output counting will miss the point. Getting people to engage with business enterprise for the first time, having communities look to this kind of local enterprise to fill their goods and service gaps, having local partnerships take up innovative business development as part of their brief and getting key target groups involved are all a quintessential component of the necessary *capacity building* for local development.

6.3. *Employment opportunity for a wider segment of the unemployed and economically inactive*

Reminding ourselves of the discussion of Figure 1, it is the sheer numbers of the long term unemployed (5) and the economically inactive (6) that must be tackled if the Convergence Objective regions are to get anywhere near to "full employment" ambitions of the Lisbon Strategy. It is our proposition in IDELE that –while it may not be so true for the more developed regions of the EU – *acting locally for employment* is absolutely vital, particularly in the New Member States. We tend to forget in the EU15 that the early successes of LED were through its ability to find ways to reach the more deprived populations in inner city areas, in regions bighted by industrial restructuring and in rural areas experiencing agricultural transformation. The idea of mobilising people and organisations in deprived communities to help tackle their own difficulties by taking them on as policy partners was (and still is) central to the appeal of LED. Though the sheer scale and complexity of what is needed following EU enlargement is undoubtedly daunting, going local has to figure as a major driver of policy.

What we have seen in the report and what came from the seminar discussions is that there is already a groundswell of enthusiasm for local approaches to tackling entrenched unemployment and economic inactivity. What was less apparent is that regional and national policy makers were willing to leave the "safe shores" of traditional infrastructure, inward investment and large scale training and skills development approaches for the much more complicated and politically and administratively challenging waters of giving local players a key role not just in the delivery of policy but also in its conception and management. Finding locally sensitive ways to "go to where long term unemployed and inactive people are" in the social and cultural as well as the geographical sense can be shown to work. Where it needs to work better, however, is by operating at a much enhanced scale (commensurate with the numbers needed to tackle the problem) and by being more closely engaged with the national policy mainstream. Both of these last requirements are to do less with the sphere of economics than with the sphere of politics and governance. Those in key policy positions seem willing to accept the value of local approaches to tackling unemployment and inactivity where they come from outside sponsors and funding sources (we have seen these in the case examples from EQUAL, from DfID in the UK and from Swiss Foundations and Government Aid). What we need them to move on to is the adoption of those approaches *as part of national programmes in the mainstream*. This has clear precedents in other Member States and we have been able to quote the Italian and Irish examples in the report.

We have seen that local approaches can help Convergence Objective regions address low levels of entrepreneurship and enterprise and assist in getting those at a distance from the labour market into work. But the real difficulty appears to lie in finding ways to convince governments that there are known ways of *putting such a programme in place*. Some of the needed elements were revealed through the Budapest seminar that, by design, wanted to take on board the views of regional and national policymakers.

6.4. Policy structures to support the development of LED

Since these policy recommendations are those that have reverberated through all the IDELE seminar reports and will form the substance of the final report we shall be brief here. Five points came clearly through the discussions at the Budapest seminar. In strictly practical terms, to provide a sound platform for the active policies we dealt with in the last section, all of the following appear to be required as a policy backdrop:

- Creating a clearer *space for local action* in public programmes;
- Adjusting national and regional policies to give an enhanced role to local players in the *conception and management of policy* as well as in delivery;
- Pursuing policies to *maximise the level of local engagement* and to mobilise people to make an entrepreneurial contribution;
- Making policy provision for *intermediaries* at an appropriate scale to come into play to support local level actions;
- Privileging the creation of *locally integrated strategies* that can give focus, purpose and integration to policy actions;

Without going into the detail of each of these, we conclude by picking out the three "policy tools" that we believe convert these general aspirations into a practical programme of action. First, we suggest that the scale of the problems to be confronted and the speed with which progress will be needed demands that some sort of tried and tested model be adopted that connects the local with the regional and national levels and that operates on the principle of partnership. We see the idea of the *pact* as critical. Regardless of the precise form (this will have to be conditioned by the set of legal and political possibilities in a given country) the acceptance of the principle that various actors can come together at local or sub-regional level to share a common vision for development is a central one. Further, the need for such a pact to be linked carefully into the overall structure of multi-level governance (as in the Austrian case) is equally vital. If this can be successfully achieved there is a real hope for the better *integration of policy* at various levels. By this means the *space* for the local in governance has been created, *local engagement* has been captured and - through requiring pacts to operate through a strategic vision - the place for local interests in the *conception of policy* is assured.

Two other key pieces of policy instrumentation seem to be required. Though the creation of a pacts programme will tackle those governance issues that so often stand in the way of LED, this may not, of itself, be sufficient to provide the *drive and focus* to make things happen. We would submit that, in addition to the creation of pacts it is essential to create the opportunity for *intermediaries* to come into play as the servants of the policy process – contracted tightly to make things happen on an agreed timeframe. We have seen the PIT example from Italy in this case but over the whole IDELE programme we have seen the effective use of intermediaries or *development engineers* of all sorts – some NGOs, some private companies, some networks, some social enterprises and some quasi non-governmental bodies or agencies. The precise form is not as important as the recognition of the need for the intermediary as a key component in the policy process. Finally, there is the need for some more flexible, partnership supporting and more creative funding mechanism. We conclude with a strong

recommendation that the whole question of the use of *global grants* be brought to the fore. The possibility that global grants can exist is already achieved – the Regulations permit this. What we lack, and here the Spanish example is particularly illuminating, is some more examples of working models and of test cases to be put before the regulators. To get the funding package right – in the sense that it privileges cooperation and shared purpose while giving new entrants the chance to participate - is, perhaps, the most elusive policy change that we need yet to address.