



COHESION POLICY SUPPORT FOR LOCAL DEVELOPMENT: BEST PRACTICE AND FUTURE POLICY OPTIONS

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SUMMARY

During the 1980-90s, local development provided both responses to growing unemployment in distressed regions suffering from the collapse of manufacturing or traditional industries, and promises of a new future for areas that were lagging behind, both rural and urban. With the 2008-2009 crisis, several experts and policy makers contemplated the idea of reinvesting the local development approach that had been neglected in recent years. As the debate on the next programming period is about to be opened, it is time to bring fresh thinking on what should be done by the EU cohesion policy to support local development and how this can be achieved.

The report draws upon a six-month team work and an incremental process which allows to formulating comprehensive recommendations for local development best practice and policy options for support to local development initiatives within the cohesion policy.

Local development initiatives are sometimes defined as area-based integrated strategies mobilising a large number of local stakeholders using specific methods, such as partnership. This definition focusing on the inputs is correct but incomplete; it has also to take into account the explicit objectives pursued by the strategy (outputs) which are crucial for the local partners specifically in terms of socio-economic results and better living conditions. It has to include the developmental dimension of the strategy, with its long term objectives and the structural change that can be achieved (outcomes).

The added value of local development lies more in its long-term - even very long-term - outcomes rather than its immediate outputs, either quantitative or qualitative. Its strength derives from its resilience, its low costs of implementation, and its close connection with the social and territorial European model. Its weaknesses come from its small size, the difficulty of systematisation or standardisation, and its limited though generally positive quantitative results. Ac-

ordingly, local development represents a complementary method rather than an alternative one, deeply related to an area-based approach.

From the mid-80s until 2000, the EU interventions were marked by continuous political effort to transform the spontaneous phenomenon of local development into a genuine component of European economic development, through an increasingly sophisticated and varied range of interventions, programmes and measures. By contrast, the 2007-2013 provisions and regulations can appear disappointing. It seems that while regulations do not prevent the co-financing of local development projects, they do not promote it and frequently have the effect of discouraging it. The major problem stands precisely in the current dispersal of local development in the programmes. Even successful local development projects lose any potential as demonstration projects. A major weakness also comes from the almost universal lack of investment in reliable and solid mechanisms to capitalise new working methods, and to transfer know-how in other geographical, economic or national contexts.

Nevertheless, it seems relevant to continue in the direction already started and to strengthen EU support for local development. Now, there is a need for new local development approaches for coping with the economic crisis and its social consequences, and for addressing carbon reduction which calls for changing behaviours and not just technological innovation.

The future EU support to local development should pass the test of subsidiarity, which means that it should clearly show that it will provide additional benefits. It has also to take into account the other EU policies and the past experience. This leads to a set of 10 criteria:

- ownership and visibility,
- effectiveness and targeting issues,
- capacity building,
- innovation,

- stable financial resources,
- territorial cohesion,
- feasibility,
- low transaction costs,
- adaptability to different contexts and starting points,
- coherence with other programmes and funds.

Combining different types of provisions and technical arrangements, four options have been identified and discussed. Their internal coherence, their strengths and weaknesses were assessed. Several organisational models were posited.

This analysis has allowed us to define what principles an EU support policy should follow. It should:

- be based on a clear definition of its aims (what type of local development is supported, which kind of area and which sort of issue are to be tackled);
- be visible in the cohesion policy, and consequently detailed in the future regulation;
- incentivise the managing authorities ('push approach');
- be sufficiently attractive ('pull approach') for the local and regional authorities, third sector and private partners;
- allow the development of sustainable local groups and area-based strategies, in providing adequate support;
- show a 'marketable' added value in comparison with the other 'objectives';
- ensure the best conditions for effective local development;
- be coherent with other programmes or other funds.

Therefore, we recommend that after 2013 every region in each Member State would include a dedicated local development axis within all regional development programmes. This provision should be targeted on the one hand, to social and economic urban development, and on the other, to local economic development in small and medium sized towns and their fringes, rather than focusing on rural-urban relationships. As regards the territorial cooperation objective, a specific strand targeted on designated areas or places (e.g. mountains, islands...) could be added. A mini-

imum 5% compulsory threshold would be dedicated to local development in each regional development programme, combined with an indicative threshold of "at least 1%" out of very densely populated areas.

Strategies should be defined by local partnership groups, but the issues and the areas should be pre-determined at EU or national level. Regions (NUTS 2) should be responsible for the management, even if the targeted areas must be smaller (below NUTS 3). There would be a minimum/maximum number of inhabitants in order to secure a critical mass, in terms of human, financial and economic resources to support a viable strategy. The EU support would both involve measures related to strategy and capacity building. There would be an EU-level support unit to assist in the implementation of the measures, and secure networking and capitalisation activities.

The Europe 2020 strategy begins today. Thus concrete recommendations should also be made for the coming months. Firstly, a local development coordination platform should be established to introduce local development in the Europe 2020 strategy and to raise awareness about this approach. The platform should work for simplification of procedures and to guarantee the coherence between the different sectoral policies. In practical terms, it should be created under the form of an inter-services group of the European Commission, which could be enlarged to include officials from the other EU institutions. Its primary task should be the explanation of the possible contribution of local development in delivering Europe 2020 strategy. Another immediate task for the platform's policy should be to raise awareness of local and regional authorities on the local development method, through a Communication of the European Commission.

Secondly, any opportunity should be seized in the framework of the current territorial cooperation objective to support local development networks, in order to create an open space for disseminating good practices and giving more visibility to integrated and bottom-up strategies.

INTRODUCTION

“Those of us who are concerned with unlocking human potentials need to recognise the importance of authorising citizens to constitute their own local jurisdictions and associations using the knowledge and experience they have concerning the public problems they face. We have much to do to enable citizens all over the world to participate actively in local public economies”

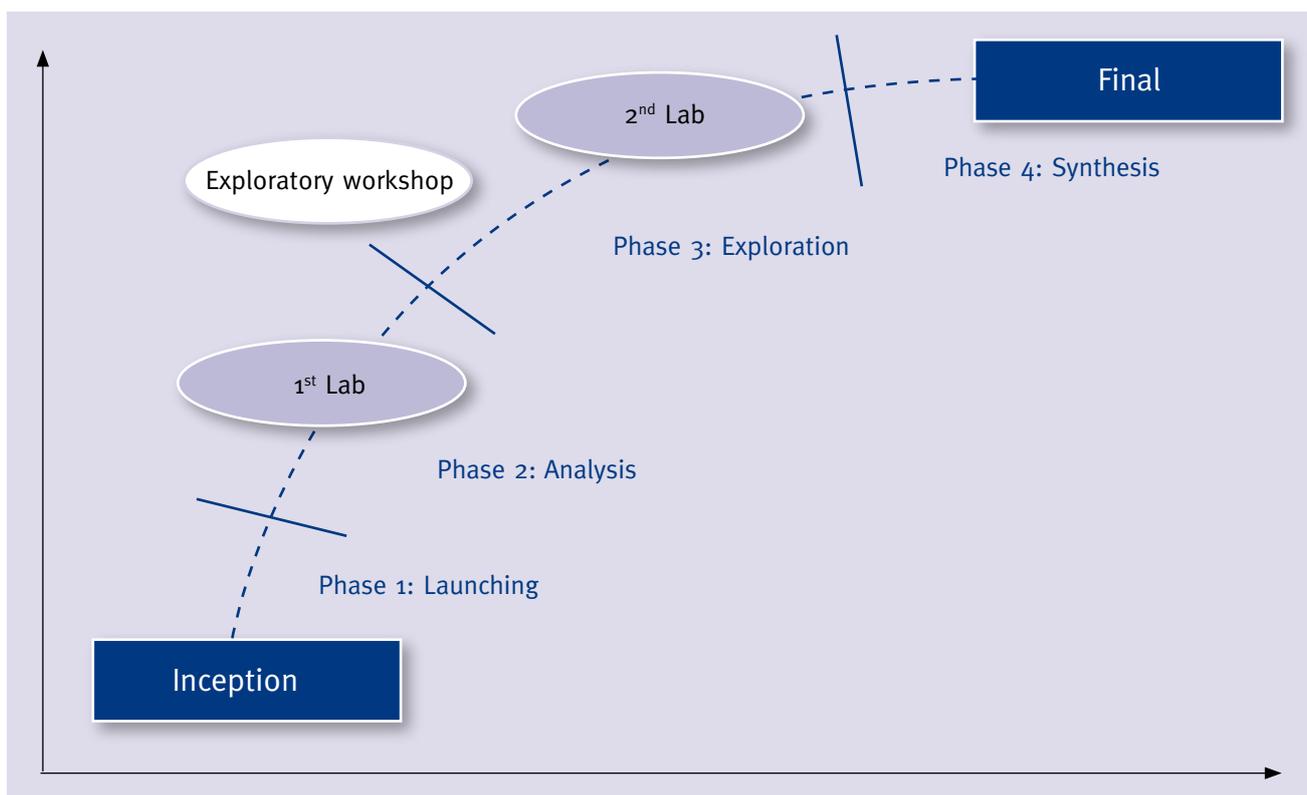
Elinor Ostrom¹ Nobel Prize winner 2009

During the 1980-90s, local development provided both responses to growing unemployment in distressed regions suffering from the collapse of manufacturing or traditional industries, and promises of a new future for the rural and urban areas that were lagging behind. With the 2008-2009 crisis, several experts and policy makers contemplated the idea of reinvesting the local

development approach, which had been neglected in recent years.

In fact, the current political and socio-economic context calls for using public funding more effectively. This is particularly true for the EU structural funds, mobilising all kinds of stakeholders, and developing innovative strategies in order to strengthen local economies and to meet citizens’ needs. It reopens avenues for local development, which can help creating new opportunities while facing new challenges such as globalisation, climate change, an ageing society, food and energy shortage, and addressing the problems faced by the most excluded people or the remotest areas. As the debate on the next programming period is about to be opened, it is time to bring fresh thinking on what should be done by the EU cohesion policy to support local development and how this can be achieved.

¹ Ostrom E, (2005) ‘Unlocking Public Entrepreneurship and Public Economies’, Discussion paper at the EGD-WIDER conference on Unlocking human Potential – Linking Informal and Formal Sector in Helsinki 17-18 September 2004



In October 2010, the Directorate General for Regional Policy commissioned a study including two expert workshops from ADETEF, in association with AEIDL, Notre Europe and City Consult Bt. The purpose of the study was to provide a new impetus to local development and debate on how it can best be utilised within the present and future cohesion policy framework.

The final report draws upon a six-month team work, which included desk research, case-studies, interviews of key informants, and several meetings. Two dozen high-level experts and a similar number of EC officials from Directorates General for Regional Policy, Employment, Agriculture, Maritime affairs, Research and Technological Development, Environment, as well as from the General Secretariat, participated actively in the so called 'Local development Labs'. During the 1st Lab, they discussed the material provided including the first interim report, the historical review of the major initiatives to support local development, the review of academic and grey literature, and the 8 mini case-studies, assessed the strengths and weaknesses of local development, and gave their opinions on the current EU support policies. The debate in the 2nd Lab was focused on the critical issues for future EU intervention and the possible options (see the second interim report). The incremental process which was followed (see graph below) allowed the team to formulate comprehensive recommendations for spreading local development best practices and policy options for supporting local development within the cohesion policy.

The first chapter of the report aims at recalling the content of local development, its achievements so far, its relevance in the present socio-economic context, and its limits. The second chapter deals with the characteristics of the EU support policies and what should be reformed. The third chapter develops a more in-depth analysis of the future support to local development in the framework of the cohesion policy and makes a screening of

the possible options. The fourth chapter concentrates on operational proposals for an appropriate EU support for the next decade.

THE POTENTIAL OF LOCAL DEVELOPMENT FOR INCREASING COHESION AND REGIONAL DEVELOPMENT IN EUROPE

2.1 Defining local development

Local development became visible in a rather sudden way in the middle of the 1980s. It was the result of the conjunction of a particular economic (crisis of the traditional industries, widespread emergence of the services economy), social (persistent unemployment, new social exclusion forms in the cities) and political climate (decentralisation, crisis of the central Welfare State, European integration).

Local development is intrinsically associated with a multi-dimensional concept of change bringing together economic, social, cultural and environmental dimensions; with innovation across and in the spaces between these dimensions. It may be seen as a method which helps improving quality of life, supporting or accelerating empowerment of ordinary people, developing or preserving local assets, overcoming market failures, strengthening cohesion, and defining and delivering grass-root development projects.

For the past two decades, tools and methodology have been developed, but the success of local development remains the product of a unique combination of human and material factors, which intersect in a particular place.

Local development initiatives are sometimes defined as area-based integrated strategies mobilising a large number of local stakeholders using specific methods, such

as partnership. This definition focusing on the inputs is correct but incomplete, as it does not take into account the explicit objectives pursued by the strategy (outputs) which are crucial for the local partners, and specifically the focus on socio-economic results and better living conditions. It also neglects the developmental dimension of the strategy, with its long term objectives and the structural change to be achieved (outcomes).

Hence, local development can be characterised as a dynamic process along three main lines: inputs, outputs and outcomes. The keywords associated to each are:

- Inputs: area, sense of belonging, community, bottom-up, partnership, endogenous potential, proximity.
- Outputs: local beneficiaries, self-help, increased incomes and revenues, access to services, quality, efficiency, relocation, diversification, new methods, and increased local value.
- Outcomes: collective and common goods, development, strategy, regeneration, effectiveness, future, social innovation, empowerment, legitimacy, well-being, amenities, and collective intelligence.

Based on the above, a comprehensive definition of local development may be retained according to its strategic goals, whether based on inputs, outputs or outcomes. Some key features may be illustrated by case-studies.

• Inputs

- **Area-based development** referring either to community, neighbourhood, parish, administrative or political constituency. In this case, ‘local’ always means sub-regional i.e. municipalities, villages, provinces, valleys, islands, inner cities ...

Pays de Figeac, du Ségala au Lot-Célé - France

This area based model of rural development led by local authorities (communes) has a strategy based on inputs on endogenous potential and ‘soft amenities’. Much of the bottom-up approach is “framed” within top-down priorities coming from national and regional levels. The logic of intervention relies upon long term strategic goals (10 years) set locally and are mostly targeting ‘soft’ amenities at large as a competitive asset, allowing for better quality of life.

- **Stakeholders and initiators:** civil society, non-profit groupings, enterprises associations, business people, chambers of commerce, employers associations, labour associations, users and customers, local policy makers ...

Merseyside Pathways – United Kingdom

Merseyside is a rare attempt to implement a model of integrated bottom-up local development for disadvantaged neighbourhoods in a whole city region. The programme engaged with people who were furthest from the labour market, despite this not always producing the fastest route to output targets. It is a good governance argument for direct involvement of communities in solving problems of disadvantaged areas. The Pathways programme was a hotbed of social innovation.

Inner central Algarve - Serra do Caldeirão, Portugal

IN LOCO works in a rural area of the Algarve with animators working with small groups to inform, mediate, support and develop entrepreneurship. Strong links to Manifesta – the biannual national event on local development (most recently held in 2009 in Peniche). There is a strong involvement of women, both as animators and local stakeholders. The strategy is geared towards social capital and entrepreneurship, using a socio-educational approach (local development agents).

- **Methods:** partnership (private-public partnership, social enterprises, etc.), exploitation of the endogenous potential (social and physical capital), preliminary diagnosis of the assets and drawbacks of an area or a group, use of proximity to create short circuits (supply and demand of products, supply and demand of labour, supply and demand of services), networking, specific use of information technologies.

Dundalk Area Based Partnership – Ireland

This medium sized town close to the border had extremely high structural unemployment. It was founded in 1991 as one of the 12 partnerships that were set up on a pilot basis in 1991. The local development approach focused on inputs with the support of local partnerships for employment development. In Ireland, the Partnership companies are now stable, area-based structures. They are the prime beneficiary organisation of the Government-funded Local Development Social Inclusion Programme (LDSIP), and implement a number of Government programmes at local level.

• Outputs

- **Economic results:** economic structures: new companies and legal forms new financial tools (e.g. micro-credit, seed-capital, etc.); sectors: agriculture and food processing or labelling, craft, new industrial processes, tourism, micro-clusters.

Pirkanmaan Syke –Tampere, Finland

The project focuses on social enterprises and the integration into the labour market of people from disadvantaged groups. It works by supporting companies that want to fulfil a social mission to take on these workers and obtain the national subsidy for each worker.

During the funding period, the project made contact with 987 companies. This resulted in the establishment of 83 social enterprises (service: 40%; commerce 18%; industry 25%; not for profit 9%), providing 139 new jobs for disabled and/or long-term unemployed people – 67 of them women. Those jobs are mostly permanent jobs, filling vacancies that would not have been filled if it were not for the social enterprise law. Fully a third of the client companies are one-person bands, which are taking the major step of engaging their first employee. A further 45% of companies have between one and three employees.

Leipzig URBAN II Project – Germany

A fine scale approach to employment creation through supporting SMEs has been implemented in Leipzig. It represents a significant shift away from the traditional inward investment focus which has also had its successes (Porsche and BMW have been attracted). The interim URBAN II evaluation notes that ‘The Strategy of involving existing businesses and encouraging the creation of new firms is important for the local economic structure. The existing structure requires development ; and action to support SMEs needs to be complemented - in this context - by action to stabilise and improve the social structure - in order to stabilise demand for SME services and products.’ The SME support projects were also deemed innovative, since it was possible to give grants covering investments (which did not need to be paid back) and business expenses for enterprises (covering skills training, technological or environmental upgrades). This kind of activity is not generally supported in mainstream German regeneration programmes. The intensive coaching and consulting by external advisers also contributed to the success of the SME projects.

- **Living conditions:** services to households, childcare and care to elderly people; improvement of the environment including the landscape, energy savings; culture and arts; housing and urbanism; security and fight against crime; public health.

- **Human resources:** jobs, professional inclusion and training, inclusion of the migrants / minorities.

Budujemy Nowy Lisków – Poland

This is a community development and social enterprise approach to combat social exclusion in a rural area.

The project is organised by a broad public-private partnership whose aim is to promote the local economy. Creating social enterprises embedded in local communities (e.g. social co-operatives) is the key objective of the project “We are building the new Lisków”. In this context, the “embedding” process describes links between a community, an enterprise and a Local Partnership, which aims to make these local stakeholders feel part of things and supports their contributions.

The project led to the establishment of 7 social enterprises. Each enterprise looks different and reflects the diversity of the four Local Partnerships, which have independently developed their own enterprises, taking into account specific local conditions. The enterprises are supposed to provide stable employment to long-term unemployed, mobilise inhabitants, and promote social entrepreneurship, thus stimulating the development of local community.

Cserehát Program: Microregion in Border Area

- Hungary

This project used ‘coaches’ to support the emergence of small scale local projects. The local development approach focused on community development, fostering social capital.

As an outcome of the agreement between the UNDP and the Hungarian Government, the Regional Centre of UNDP initiated the “Cserehát Programme” in November 2005. The Ministry of Social Affairs and Labour/ SZMM set itself the task of developing a model programme for tackling, through means of coordinated social policy, multiple ethnic, social and territorial disadvantages observed on a micro-regional level. The programme assisted and coordinated the successful realization of 100 small projects.

Dundalk Area Based Partnership – Ireland

Today, Partnerships are the prime beneficiary organisation of the Government-funded Local Development Social Inclusion Programme (LDSIP) which aims to counter disadvantage and to promote social inclusion. It does so through funding and supporting companies who develop local plans which respond to the needs of those experiencing social exclusion. In line with the programme guidelines, these plans target:

- *the most disadvantaged individuals, e.g. individuals who are very distant from the labour market or who cannot access mainstream supports;*
- *the most disadvantaged areas, such as districts with high levels of deprivation in both urban and rural areas;*
- *the most disadvantaged groups – socio-economic groups that experience high rates of social exclusion (e.g. Travellers, lone parents, ex-prisoners).*

• Outcomes

- **Economic and social development:** increased GDP, education level, social inclusion and reduction of poverty, corporate social responsibility.

Merseyside Pathways – United Kingdom

This restructuring city-region experienced the fastest decline in EU in terms of GDP and employment. The local development approach targets job creation through capacity building of local partnerships. It covered neighbourhoods of nearly 500,000 people and was in this respect more significant than URBAN which had a much smaller population focus in the city region.

One of the most important features was the establishment of local partnership groups responsible for developing local strategies. Although this approach did succeed in producing 38 strategies there was an enormous range in quality of plans especially in some of the smallest Pathways areas. Pathways transformed thinking within the whole programme about how benefits being created in opportunity areas could be accessed by people in areas of poverty. This thinking carried through to the second programme. Lasting structures such as the Job Enterprise and Training centres and the ongoing Merseyside social enterprise network emerged from the programme as a result. The various types of learning that took place in the programme are closely linked to the question of capacity.

Pirkanmaan Syke –Tampere, Finland

The project has changed companies' attitudes to employing disabled people: "Our customer research shows that in 2006, 53% of our customers would recommend social entrepreneurship to others unreservedly, while 41% had reservations. By 2008, 75% gave their wholehearted support, while the share with reservations had halved to 21%."

- **Territorial cohesion:** the guarantee of comparable living conditions can be approached in a traditional way (geographical and physical characteristics: periphery, remoteness, rural, coastal and mountainous areas, islands) or in a social / civil way (peace, fight against violence).

Inner central Algarve - Serra do Caldeirão, Portugal

Since IN LOCO took on a team of local young people, mainly women, as animators to stimulate local development in the hills of Inner Central Algarve, it developed as a network of local development agents. They have several key functions: they inform, mediate, support and encourage entrepreneurship. It is a self-sustained ongoing scheme, overarching all projects and initiatives over time. They have been behind innovative projects in small-scale farming, food processing, restaurants, rural tourism, vocational training, handicrafts, personal services, associations, producers' organisations, nature preservation and local fairs.

Cserehát Program: Microregion in Border Area - Hungary

Cserehát is one of Hungary's most underdeveloped rural areas situated in North East Hungary and crossing the border into Slovakia. The area has 116 settlements in which altogether approximately 100,000 inhabitants live.

Thanks to the joint preparatory work of the Resource Center for Social Development (RCSD), the Project Implementing Unit (PIU) and the coaches, over 40 larger projects were generated. RCSD together with the PIU organized and coordinated the Small Project Expo held in Budapest in May 2007. All stakeholders took part in the preparation work of the development plan and grant search, such as the LEADER+ Programme, the Norwegian Fund, OFA (National Employment Foundation) Programmes and ROP, since 2007. The beneficiaries of the programme played an active part in local project-making, for example in the "For a more liveable village" OFA projects supported by the Hungarian Government. RCSD provided assistance in Krasznokvajda, Kány and Tornabarakony helping the communities realize projects under tenders from the Foundation for Healthier Local Communities supported by Hungarian Government and ESF.

- **Democracy:** institutional capacities, empowerment of the people (individually and collectively), ability to raise awareness of the “top” to “bottom issues”.

Leipzig URBAN II Project – Germany

This ‘transition economy’ city has undergone one of the sharpest declines in GDP and population of any city in the former GDR. A genuine shrinking city which can be said to have stabilised, thanks to creative restoration of this environment and fine scale approach to employment creation through supporting SMEs. The local development approach is placed on regeneration plans, social innovation, participation and enterprise.

The population has now started to grow again, although this is largely due to annexation of surrounding suburbs and in-migration from other smaller towns (that shrink as a result). The success of the initiative is at least in part because of the commitment to involving local people as key informants in decision making processes. This has resulted in high levels of buy-in to the actions of the URBAN programme for the city. Having a large number of smaller projects helped to reach a larger and wider range of people as there was ‘something for everyone’.

- **Policy development and governance:** effective public policies (including cohesion policy) and improved delivery mechanisms, development of original methods and ideas to regenerate the current model of development.

Pays de Figeac, du Ségala au Lot-Célé - France

Local development is not only a local initiative, but an intricate game of powers between local politicians and Government representatives around public policy funding. These relationships are reflected in the match-funding patterns of area-based programmes (e.g. LEADER). For instance, back in 1994 and the State-Region plans (CPER), national support to local development amounted to 3% and regional support to 7%. Regional authorities played a central role in the negotiations, accelerating the legal process towards ‘intercommunalité’ and led the State and Départements towards area-based and project-oriented logical frameworks.

Dundalk Area Based Partnership - Ireland

Dundalk partnership has developed as an innovative local delivery platform for national policies around entrepreneurship, employment and social inclusion. This has occurred in an environment in which the local authorities have had limited powers. The model of development combines a broad range of policy delivery functions including: enterprise creation and development; services for the unemployed; community development; preventive education access programmes; infrastructure and environmental actions; promoting institutional and policy change.

In practice, the LEADER initiative adopted a local development approach to define and select Local Action Groups (LAGs) in rural areas. These LEADER features² served as the basis for building up a robust methodology, transferred to Axis 4 of EAFRD for the 2007-2013 programming period.

Other selection criteria applying to INTEGRA, URBAN, Territorial and Employment Pacts, EQUAL and FARNET programmes are very similar. Depending of the context, the need and the aim, the focus and the priority may be given to one or several criteria. In reality, the selection criteria for groups which provide evidence for defining local development are mostly the result of a policy or a political choice.

Finally, a clear distinction has to be made between local development and local delivery of policies. It means that not all interventions initiated or implemented by local authorities and other agencies at the local level, or having a territorial impact can be characterised as the local development approach. The involvement of the local authorities in the local partnerships is crucial because they hold key financial and technical resources. However, their participation should be restricted to securing the viability of the process which depends on a fragile balance of powers and responsibilities. In practice, local authorities rarely have exactly the same objectives as local groups, and their leadership may hamper the commitment of other stakeholders, the quality of the innovative process and the success of the local strategy. In modern complex governance systems, there is rarely just one public authority that is relevant to the local partnership. For example, creating a balanced partnership in which no single grouping of public, private, third sector actors is dominant has been a critical success factor for LEADER.

² These features are: area-based approach, bottom-up approach, innovative, integrated, multi-sectoral character, horizontal partnership, vertical partnership (multi-level cooperation), dedicated financial tool (the global grant), EU-wide networking, local networking. These features were further refined during the LEADER II programming period.

However, local delivery of national or EU programmes as part of a multi-level intervention approach is a key condition of their success and effectiveness. In the current context, characterised by huge public deficits and growing multi-sectoral challenges, the case for 'local delivery' should be made.

2.2 What local development does and what it does not do - the issue of evaluation

Local development is not the product of an applied theory, despite being the subject of numerous field work carried out by academic researchers in sociology, geography, economy and political science (see Literature Review) over a twenty-year period. According to them, local development brings a significant added value in the five following fields: understanding new patterns of development, addressing sub regional development problems; improving governance; contributing to EU cohesion policy, territorial integration and improving financial mechanisms; promoting inter-territorial cooperation.

Experts tend to recognise the qualitative contribution of local development and its learning process. As an example, the added value of LEADER was summarised in the 2004 mainstreaming study³ as follows: better use of local resources, expansion of the social capital, interactive learning process, empowerment of people, gain in quality in local or regional governance, increased efficiency in programme implementation and disbursement of funds.

The added value of local development lies more in its long-term - even very long-term - outcomes rather than its immediate quantitative and qualitative outputs. Its

³ ÖIR Managementdienste GmbH, *Methods for and success of mainstreaming LEADER innovations and approach into rural development (2004)*

strength derives from its resilience, its low costs of implementation, and its close connection with the social and territorial European model. Its weaknesses come from its small size, the difficulty of systematisation or standardisation, and its limited though generally positive quantitative results. Accordingly, local development represents a complementary method rather than an alternative one, deeply related to an integrated area-based approach.

The qualitative nature of its outputs is a major obstacle for its recognition insofar as the traditional evaluation techniques do not take into account or neglect this impact. As a result, the evaluation issues were subject to constant recommendations from the beginning of the 90s, in particular in the regular reports on LDEIs⁴. These reports stressed the need to adapt the evaluation criteria, in a more qualitative direction, in order to take into account the rather slow development cycle of the bottom-up approach. The evaluators made many suggestions: some of them stressed the need to acknowledge the overall process associated with local development, and a territorial approach based on diffuse socio-economic dynamics⁵. Others insisted on the specific character of the local development – its inputs as well as its outputs – which are not always easy to capture, for example the bottom-up nature of partnerships⁶ or the integration principle. Others again considered that it was crucial to maintain or to develop self-assessment methods and other types of evaluation, i.e. cross-national evaluation⁷. This debate questions the relevance of the concept of performance applied to local development and the need to enlarge the scope of evaluation, taking into account the so-called added value, at micro and macro-levels. This problem has not been overcome so far.

⁴ EC, *The era of tailor-made jobs, Second Report on local development and employment initiatives, Working paper of the services, OPOCE, CE 09 97 220 EN (1998)*.

⁵ Saraceno E, *'The evaluation of local policy making in Europe – learning from the LEADER Community Initiative' in Evaluation 1999, vol 5 p439-457, Sage Publications (London) (1999)*

⁶ Pykkänen P, *'Lessons learnt and future challenges of the LEADER method – a case from Finland' in The rural citizen: governance, culture and wellbeing in the 21st century, Plymouth (2006)*

⁷ EC *Fourth and final EU-wide evaluation report of the EQUAL Community Initiative from 2001 to 2006, (2006)*

Additional features appear in evaluation reports when dealing with the added value of funding and the conditions of success. The success of local development projects is heavily dependent on an enabling and supportive framework, which clearly defines the objectives with its focus on a targeted space; provides a fair division of labour between the different levels of governance and between the types of stakeholders; guarantees the availability of a methodology and technical support. It also requires human resources and the building of capacity to act by a dedicated support structure; financial tools dedicated to the local level; attitude and mentality with a trusting and cooperative spirit; a large and multi-sectoral partnership; committed partners and politicians; and a clear division of labour between the partners.

A detailed retrospective analysis allows us to assess what local development continues to bring or could bring in the future. It seems that local development fulfils different functions, depending on the socio-economic contexts and the stage in the economic cycle. It may be good both during and after an economic crisis when the creation of new opportunities is dramatically needed. It can also be relevant in a growth period when it is necessary to narrow the gap between the winners and the losers (that could be groups of people or places), to address the problems faced by the most excluded people or the most remote areas. Hence, the current crisis and its large and probably long-lasting impact on employment and economic activity create a major opportunity for realising the local development potential in very different geographical, economic and social contexts.

3

CHAPTER

THE EU SUPPORT POLICIES TO LOCAL DEVELOPMENT: LESSONS AND PROSPECTS

3.1 The state of play

From the mid-80s until 2000, the EU interventions were marked by an ongoing political effort to transform the spontaneous phenomenon of local development into a genuine component of European economic development. This took the form of an increasingly sophisticated and varied range of interventions, programmes and measures (see the Historical Review). The intervention included innovative actions, pilot projects, Community Initiative Programmes co-financed by ERDF, ESF and EAGGF. In the 1990s, the support policies, at European, national or regional level, experienced strong growth in relation to the priority given to the fight against unemployment. Launched in 1997, the Territorial Employment Pacts (TEPs) represented probably the most complete EU-wide approach in the mainstream programmes⁸.

By contrast, the post-2000 period is characterised by a voluntary withdrawal of public authorities and a relative negligence of local development at the expense of other priorities. At EU level, there were parallel financing and programming pathways through the Community Initiatives: URBAN and the regional policy; EQUAL and the employment and social policy; LEADER and the rural development policy. These policies focused on the “excluded segments”, either in the form of target groups (social inclusion, reintegration into the labour market ...) or target areas (rural, urban districts in crisis). In the mid-2000s, the trend became more pronounced as local development

⁸ With the exception of the Merseyside Pathways and UK Community economic development priorities in which local development was fully integrated in the mainstream

was increasingly associated with social public policies, and particularly the fight against social exclusion.

The assessment of the post-2000 period, in particular the 2007-2013 provisions and regulations, appears disappointing compared to the dynamic initially promised by the support for local development in the 1990s. It seems that while regulations do not prevent the co-financing of local development projects, they do not promote it and sometimes discourage it. In addition, the growth of the audit culture has made managing authorities of all funds risk averse when called on to finance innovative actions and smaller projects – especially those led by local partnerships. In comparison with the previous programming periods when the EU support relied notably on the pilot projects, innovative actions and the Community Initiatives Programmes with their technical assistance offices, there is a reduction of opportunities for grassroots stakeholders in the regions to engage. This is reinforced by a restricted list of eligible actions, limited to deprived urban areas in ‘regional competitiveness’ regions. The specific provisions for small projects have disappeared while the predominance of Lisbon earmarking for competitiveness criteria and the enforcement of stricter financial rules under the control of management authorities has reduced the possibilities for small and NGO led projects.

Despite the difficulties, the perseverance of local promoters, their capacity to juggle with the financial rules thanks to their previous experience and a certain benevolence of the regional or national levels has allowed

examples of local development to survive. Conversely, certain regions or countries, which have a rather weak experience or none, have lacked capacity and know-how and the programmes are dominated instead by physical investment efforts, with less investment in soft infrastructures and people based approaches.

The major problem stands precisely in the current dispersal of local development in the programmes. Even successful, local development projects lose any potential as demonstration projects. They cannot influence other programmes or other areas if they are not visible. A major weakness also comes from the almost universal lack of reliable and solid mechanisms - or even obligations - to capitalise new working methods, and to transfer know-how in other geographical, economic or national contexts. There are exceptions to this trend seen in the EQUAL mainstreaming principle in the last period, and in action plans in several projects funded by INTERREG 4 C. Capitalisation and exchange are seen most strongly in the URBACT II programme methodology which has placed action planning at the centre of the networks.

3.2 Is mainstreaming possible and desirable?

The mainstreaming issue deserves particular attention, as it probably constitutes the main rationale for a policy support for local development. It is a matter of scaling-up local initiatives, disseminating good practices, and teaching methodology.

Despite announcements made prior to the start of the 2000-2006 programmes, no strong internal coordination mechanisms were created between the geographical units and those in charge of the Community Initiatives in DG REGIO and DG EMPL⁹. Moreover, since the opera-

⁹ EC Fourth and final EU-wide evaluation report of the EQUAL Community Initiative from 2001 to 2006, (2006)

tional and methodological tools have been dropped or not updated, desk officers in geographic units were in a difficult position to provide any technical or intellectual support to the managing authorities. Very little material survives from earlier periods, and where it does so it is on websites designed in traditional formats without the modern interactivity that is expected by users in a Web 2.0 world.

More generally, several types of mainstreaming seem to be currently at work. A distinction could be done between the multiplication / diffusion model which consists in extending the geographical coverage and spreading the method in other programmes (e.g. LEADER history); the national network model which transforms the EU experimentation in a national programme (e.g. PRODER in Spain and Portugal, POMO in Finland, Area partnerships in Ireland); the vertical model which creates room for a special priority in the development programme (e.g. URBAN and the urban dimension in the regional programmes) and the horizontal model (e.g. the Netherlands). Each of these models would need a thorough examination and discussion on their merits and pitfalls.

At the EU level, there is no way to consider the simple transfer of the responsibility of supporting local development to the national or regional level as a form of "mainstreaming". In the current programming period, the assessment is rather contingent on the results of the mainstreaming process. The guidelines which were adopted for 2007-2013, on the basis of the 2000-2006 Community Initiative Programmes were probably not enough incentive. Several experts consider that LEADER has suffered from dilution, even if it is still the most visible EU support programme to local development. After the end of the EQUAL programme, the degree of take up of new policy approaches especially in relation to managing diversity, working with specific target groups and introducing entrepreneurship by the regional or national ESF programmes, appears to be relatively limited.

For the URBAN Initiative, the mainstreaming of the integrated approach to urban regeneration has tended to be restricted to the regions or countries that were already experienced. Even in these regions or countries, there has probably been a loss of the policy innovation that the URBAN initiative fostered despite the efforts made by URBACT. Finally, the local development approach has been more or less eliminated for INTERREG 4 C in practice, if not in the programme documents.

cohesion objective and the reinforced role of the European Parliament, to the launching of the Europe 2020 strategy which should give room to sub-national level authorities in its internal governance, to the budgetary review which will probably lead to reshuffled priorities, and finally to the development of multi-level governance in many sectoral policies.

3.3 The case for strengthening EU-level intervention

Nevertheless, it seems relevant to continue in the direction already started and to strengthen EU support for local development. Firstly, local development continues to produce the same positive results, which first attracted attention in the 1990s. Now with a dramatic worsening of public funding conditions compared to the mid 2000s, there is a need for new local development approaches to cope with the economic crisis and its social consequences, and to address carbon reduction which calls for changed behaviours at grassroots level, beyond mere technological innovation. Local development approaches may also be relevant in addressing energy security issues, an ageing society, the development of a knowledge society for all and the multiple challenges related to globalisation.

Secondly, at European level, the longevity of LEADER and the sustained support of the rural areas are encouraging; the direction taken by the fisheries restructuring areas with FARNET – essentially a local development approach for coastal communities combined with ideas around common pool resources for the adjacent seas - is also promising.

Thirdly, the EU internal institutional context is creating new opportunities. These opportunities relate to the adoption of the Lisbon Treaty with its new territorial

THE EXPLORATION OF POSSIBILITIES

4.1 Critical issues for the future

An EU intervention in favour of local development within the framework of the cohesion policy should fulfil several criteria. It has to take into account EU added value, the other EU policies and the legacy.

First and foremost, any future EU support to local development should pass the test of subsidiarity, which means that it should clearly show that it will provide additional benefits. As there is no agreed definition of EU added value, a proper assessment is difficult. Moreover, it is important to note that added value may be perceived differently from the EU, the national/regional and the local levels.

Obviously, the expectations are not exactly the same; some may be complementary and some may lead to conflicts of interests. As a possible future EU initiative should not be confined to this basic common feature, it should be made necessary to define priorities among the different expectations and try to meet the resulting predominant requirements.

As regards local development, the EU added value could be summed-up in the six following features:

- ownership and visibility, as it may increase support to EU policies from citizens in giving more visibility to grassroots projects;
- effectiveness, as it may help unlocking solutions for specific challenges in targeting EU funds to cross-sectoral and cross-territorial issues using the local level as a springboard for development;

- capacity building, as it may contribute to build institutional and management capacities, teach local development methods and improve governance at all levels;
- social innovation, as it may stimulate national and regional decision-makers in exchange and learning to adopt new and innovative approaches;
- stable financial resources, as the provision of medium or long term financial funds may both give local stakeholders the opportunity to access new funds and escape local pressure, and display an open space of innovative policies for national and regional authorities;
- territorial cohesion, both related to efficiency derived from trans-national cooperation, as it enlarges the scale of transfer of know-how beyond the national level¹⁰, and equity as it allows more effective targeting of EU funds to where they are most needed, i.e. the most remote areas and communities.

The development of the other EU policies, their regulations, and their changing objectives should also be taken into account. The articulation and coordination between the different funds (EAFRD, EFF) need to be addressed. There are both good and bad examples at national and regional levels of the problems faced by the local partnerships. Moreover, it would be useful to take stock systematically of the lessons drawn by other policies in order to avoid making the same mistakes. Conversely, the good practices should be shared across the funding and policy 'borders'.

There is considerable potential to harmonise, even to standardise, eligibility and reporting practices across

¹⁰ Thanks to trans-national cooperation, local partnerships can learn, benchmark, and import/export good practices.

different programmes in order to streamline the heavy compliance burdens that are currently placed on project promoters by managing authorities.

Finally, it is necessary to take past experience into account. In this case, the reasons that led to the current situation after the relative boom of the 90s have to be submitted to an in-depth analysis. Some methods and tools have been abandoned because of their own weaknesses, but others have been directly subject to the opposition of the national or regional authorities¹¹. This kind of obstacle should not be underestimated.

This leads to a second group of criteria that a future EU local development initiative should satisfy:

- Its feasibility: this issue is related to the possibility to refer and rely on already tested methods, programmes or structures (e.g. LEADER, FARNET, URBACT, TEPs ...), which would ease the implementation at national, regional and local levels, and speed-up the whole process of taking-up.
- Its transaction costs: local development may be perceived by bureaucrats as more demanding than a traditional or sectoral programme, as it involves more and new types of stakeholders, as well as new methods for designing, programming and delivering a development strategy. However, local development may help solving problems that traditional procedures would not be able to address. In some areas, with favourable conditions of local potential and social capital, it may be the fastest method to come up with good projects.
- Its adaptability to different contexts and starting points: this issue is linked to the very diverse experience of European regions and the very uneven potential at local level. Some regions have been involved in EU programmes since the beginning of the 90s while other waited until the end of this decade or

until their accession to the EU. Experiences may also differ greatly, depending on the type of programme (e.g. LEADER, TEPs, URBAN).

- Its coherence with the other programmes: this issue relates to the possibility for local groups to integrate different EU funds into a single local strategy, for local or regional authorities to tap into additional funding when committed to disseminating and mainstreaming good practices, and for the European Commission to avoid duplicating interventions.

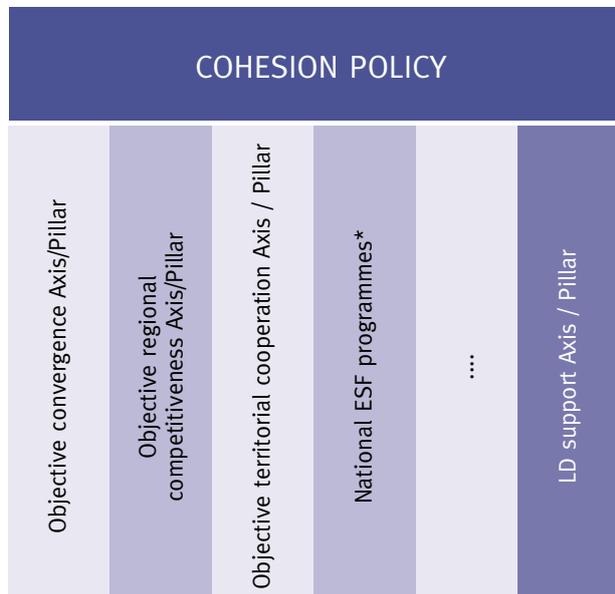
4.2 Discussion of the four options for the local development support

On the basis of the current situation, several options have been identified as a result of all possible combinations of visions, tools to support local development (% threshold, global grants, top-up provisions, call for proposals, type of eligibility criteria), and multi-level governance arrangements. Moreover, different distortions in the current architecture of the cohesion policy have been explored.

The options have been identified in the exploratory workshop and four of them have been discussed in the 2nd Lab. Each option shows its own positive and negative aspects, according to its own internal coherence. The results of the discussions and some of the adjustments suggested are presented in the following pages and in a comprehensive table.

¹¹ Sometimes, the local development initiatives were subject to criticism, such as: displacement of problems, crowding out of funding, favouring local elites, bypassing the democratic system in place, high transaction costs, and sustainability of the projects.

Option 1: The “EFF-inspired axis/pillar model”



** ESF is both used in an integrated way with ERDF in programmes operating under the 3 regional objectives of the cohesion policy and in national programmes, which are schematically represented as a separate pillar of the cohesion policy*

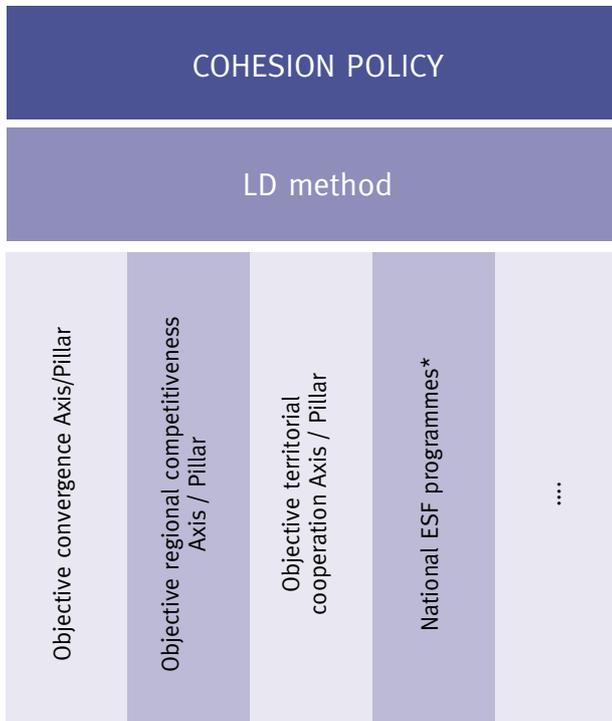
In this option, the local development is seen as a complementary method to achieve sectoral and/or vertical policy goals. There would be a dedicated axis to promote a multi-sectoral approach to address area-based issues. The objectives of this option would be to reduce the territorial impact of structural reforms (e.g. industrial restructuring, reduction of public debts, stability pact, etc.) or the external asymmetric shocks or impacts of long-term challenges (e.g. climate change, ageing, migrations).

According to the current EFF experience, each region in every Member State should include a dedicated development axis within every programme. This would be financed from a national local development axis. Measures would include capacity building and local action. There should be a compulsory threshold (level to be defined) for the dedicated axis. There is a risk – which has to be addressed - that money would be captured by urban interests at regional level, while funds should

be retained to support local development in neighbourhoods and small towns. This issue is not properly captured when talking of rural-urban relationship issues with a spatial planning focus.

The place-based approach could be left for Member States to design but must be below NUTS 3. There would be a minimum/maximum number of inhabitants in order to secure a critical mass, in terms of human, financial and economic resources to support a viable strategy. There would be an EU-level support unit to assist in the implementation of the measures. It would encourage the creation of local groups on the basis of existing experienced organisations, just as EFF does with FARNET.

Option 2: The “LEADER mainstreaming -inspired model”



** ESF is both used in an integrated way with ERDF in programmes operating under the 3 regional objectives of the cohesion policy and in national programmes, which are schematically represented as a separate pillar of the cohesion policy*

In this option, the local development approach can cross all programmes or “objectives” of the cohesion policy. Local development is viewed as a model to be replicated and adapted, more than mainstreamed, to other places or areas. The objectives of the foreseen EU initiative should be to reinforce territorial coherence and synergies between social, economic and environmental measures.

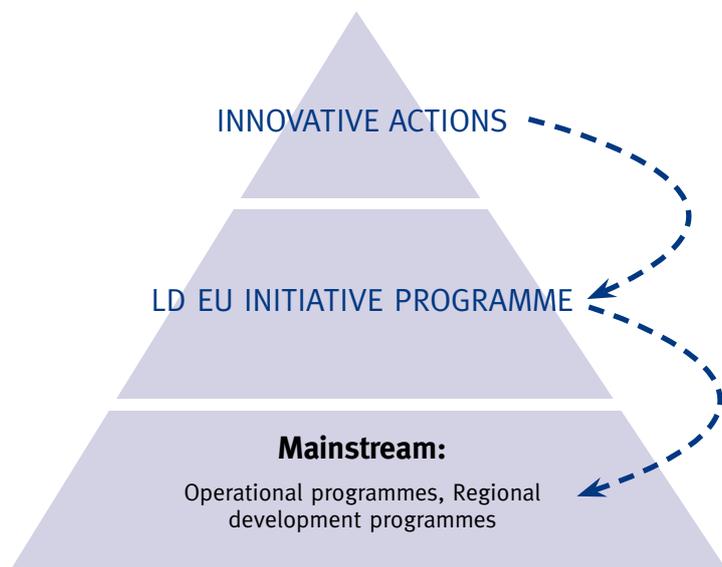
According to the current LEADER experience, a substantial share of ERDF and ESF should be earmarked for local development. EU support should both involve measures related to strategy (e.g. SMEs, quality of life, training of the unemployed, etc.) and the capacity building (e.g. information, training of staff involved in the preparation and implementation of the local development strategy, and promotional events, etc). Support should be grant-

ed for implementing the local development strategy, the cooperation projects, the running of the local groups, and the empowerment process.

It could represent a significant opportunity with which to define the “LD” method in the regional development programmes. It should integrate, on the one hand, the socio-economic perspective and, on the other, urban and sub-regional (neither rural, nor urban) perspectives. It should combine the best features of previous programmes co-financed by ERDF and ESF (e.g. EQUAL, URBAN, TEPs, INTERREG, innovative actions).

It would be an integration tool for EU-funds and other funds, creating a potential track for re-location of ESF. It would allow crossing urban-rural borders with consequences on sustainable benefits (e.g. water, waste).

Option 3: An EU Initiative Programme (EuIP) dedicated to local development



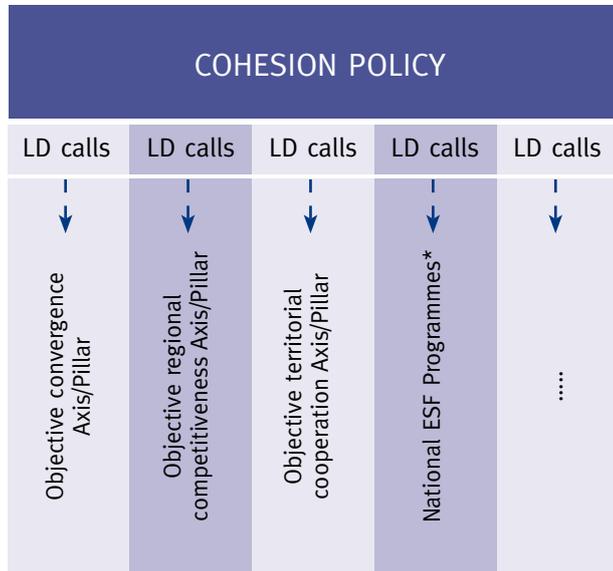
- A menu of different objectives available, but there must be a clear primary focus of the programme on local delivery of Europe 2020 (e.g. green, inclusive, smart) with secondary objectives allowed;
- An underlying methodology for the partnership working, involvement of residents and users;
- A time line of 3-5 years.

Based on the model delivered in 1994-1999 for the Community Initiative Programmes, this model has a multi-layer dynamic structure for the cohesion policy. Experimental methods are supported as innovative actions, then consolidated through EU-wide networks, and finally integrated in the mainstream programmes. In this option, local development is regarded as a method to innovate and tackle specific challenges with local impacts, through area-based strategies. According to past experience, the European Commission should have a prominent role in providing an open space for experimentation and exchange, direct technical assistance and funding of the selected projects. There should be strong guidelines for capitalisation and compulsory dissemination.

The initiative should be designed to combine the best features of different initiatives from the past (e.g. LEADER, EQUAL, URBAN):

- A development phase probationary period of 6-12 months with a gateway based on national assessment according to stringent rules regarding composition of partnership and quality of action plan (set within the regulation);

Option 4: “Occasional calls for proposals”



* ESF is both used in an integrated way with ERDF in programmes operating under the 3 regional objectives of the cohesion policy and in national programmes, which are schematically represented as a separate pillar of the cohesion policy

In this option, calls for proposals would be launched periodically to support local development strategies. Accordingly, the EU would obtain a flexible and visible tool in the context of the cohesion policy to experiment and accelerate the dissemination of new and effective methods to tackle specific challenges faced by regions. The funds would come from a pre-reserved allocation at EU level, used both for providing technical assistance, support for local development strategies and dissemination.

In practice, calling for proposals is the most effective method of identifying good projects and mobilising new actors at the local level, by-passing the traditional bureaucratic procedures. However, calls should be organised at an appropriate level – either regional or national – in order to attract a sufficient number of candidates and, at the same time, avoid any centralisation. Thus, local development should be included in all regional operational programmes and not only as a dedicated programme managed at EU level.

Strategies should be defined by local groups, but the issues and the areas should be pre-determined at EU or national level (crosscutting problems and areas, e.g. deprived urban areas, urban-rural relationships, typical rural areas). Regions (NUTS 2) should be responsible of the management, even if the targeted areas must be below NUTS 3.

Calls should be strongly linked with Europe 2020, as a tool to promote a complementary delivery method (namely local development: integrated, local level, partnership, etc).

According to the set of 10 criteria which have been identified as crucial for a future EU cohesion policy support to local development, the strengths and weaknesses of each option as debated in the 2nd Lab are summarised in the following table:

	OPTION 1 “EFF-INSPIRED MODEL”	OPTION 2 “LEADER MAINSTREAMING-INSPIRED MODEL”	OPTION 3 “EU INITIATIVE PROGRAMME”	OPTION 4 “OCCASIONAL CALLS FOR PROPOSALS”
Ownership and visibility	+	+	+	+
Effectiveness and targeting issues	+	+	+	+
Capacity building	+	+	+	-
Innovation	+	+	+	+
Stable financial resources	-	+	-	-
Territorial cohesion (cooperation and most needy areas and groups)	+	+	+	-
Feasibility	+	+	-	+
Transaction costs	+	-	-	+
Adaptability to different contexts and starting points	-	+	-	-
Coherence with other programmes and funds	-	-	-	-

The relative bad scoring of the four options as regards stable financial resources and coherence with other programmes criteria reflects experts' concerns about these two issues. They consider that the current situation is not satisfactory and needs to be secured by strong regulations and compulsory provisions.

4.3 The need for an overarching and horizontal organisation for EU-level interventions

Despite the options chosen, the issue of the promotion of local development out of the cohesion policy as an effective method of delivering the Europe 2020 Strategy has been raised, as well as the need for an organisational model for a more coherent EU support. It seems that a horizontal monitoring platform should be envisaged in order to effectively mobilise the local stakeholders (whatever the place and the sector) in achieving the objectives of a green, inclusive and smart growth, to reinforce local ownership, and to improve the content of the strategy with a bottom-up approach. This kind of umbrella structure would take charge of capitalisation, exchange of good practices and constant dialogue between the European Commission units in charge of Europe 2020 and the different policies. It could be closely linked to the social innovation issue, and provide strong cross-sectoral synergies. The shape of this organisational model has benefited from the experts views in the 2nd Lab; it should be envisaged as follows.

Additional suggestions were made as regards the overarching organisation of the cohesion policy. While they do not constitute true options, they deserve to be mentioned. First, it was emphasised that the EU added value lays in the interactions between the programmes (mainstreaming, dissemination, scaling-up, etc), the Commis-

Overarching organisation: A common local development platform supporting Europe 2020 strategy



sion and its desk officers being brokers and quality controllers. The tools to achieve this are mostly soft tools, such as peer-reviews, dissemination conferences, training and coaching. In order to ensure a widespread taking-up of local development, it may be decided to retain 10% of the funds at the EU level with the aim of “up-grading” the cohesion policy, the reserve being used as a top-up for all types of programmes committed to participate in transferring local development good practices and innovative methods.

Second, local development may be seen as part of a multi-level territorial policy which makes room for an articulation between i) a strategic regional level (regional development programmes) and ii) a more operational level where projects are implemented by partnerships. This approach may include other sectoral policies provided that the economic, social and territorial dimensions of the cohesion are devoted to an overarching objective for the EU. It may lead to a renewed integration approach for people-centred and place-based policies. Funding rules and operational rules should be designed at the end of a process of exchanges between the users and the strategists (bottom-up and top-down).

AN EU SUPPORT TO LOCAL DEVELOPMENT FITTED FOR 2020

5.1 Design principles of the final proposal for 2013-2020

Since the adoption of the Lisbon Treaty, territorial cohesion has to be taken seriously. Local development represents one of the major operational tools in the hands of the EU cohesion policy to offer new opportunities for the most remote areas and groups. The economic and financial crisis, the recovery plan and Europe 2020 create a strong pressure for reinvesting local development approach. However, in the 27 member States, regions have very diverse experiences.

As a consequence, EU support should have two entry points:

- Introducing local development in the Member States and regions where there is no previous practice by making funding available for start-up projects (experimentation); teaching the methods (partnerships, local strategies, management of projects); ensuring a stable framework for local development groups and for animation structures; supporting the adaptation and capacity building of the upper/central governance level;
- Scaling up the existing local development partnerships and increasing their number in facilitating the start-up phase (technical assistance and funding); enhancing the effectiveness of existing local development initiatives; disseminating the good practices and strengthening the networks; preparing the mainstream

policies to take advantage of the local development approach (notably in changing the evaluation methods and rules).

Both desk research and discussions of experts lead to converging principles for an EU support policy for local development. This support policy should:

- Be based on a clear definition of its aims: what type of local development is supported, which kind of area and which sort of issue are to be tackled;
- Be visible in the cohesion policy, and consequently detailed in the future regulation (as a specific axis or objective). There may be a combination of a horizontal, such as for LEADER, or a vertical visibility, such as for FARNET;
- Incentivise the managing authorities ('push approach'). In other words, it should include detailed provisions, regarding the funding arrangements, the size of the earmarked budget, the compulsory or optional threshold, the type of technical assistance provided, the networking activities, the multi-level governance arrangements between the managing authorities at national and regional levels;
- Be sufficiently attractive ('pull approach') for the local and regional authorities, third sector and private stakeholders, thanks to the adaptation of the financial rules (simplification, proportionality, right to fail), the possibility to combine funds, the flexible choice for secondary objectives, the provision of graduated support and assistance according to the local institutional capacity, including a probationary period;
- Allow the development of sustainable local groups and

area-based strategies, in providing adequate support for the implementation (e.g. organisational structure, partnership, pilot projects, animation ...), the networking activities and the technical assistance office;

- Show a 'marketable' added value in comparison with the other 'objectives' (i.e. access to other funds, social innovation, multiplier effect);
- Ensure the best conditions for effective local development, in adapting financial rules, focusing on actions with the highest leverage effect, giving the opportunity to rely on existing groups (being supported by current programmes such as LEADER LAGs, Pays in France, or former ones such as TEPs), and combine the best features of former programmes.
- Be coherent with other programmes or other funds, thanks to common eligibility rules, an integrated process of mainstreaming in the programmes (following the action-plan model used in URBACT and INTERREG 4C) and exchange of experiences.

Two issues of performance would still need to be addressed. Transaction costs can be reduced with well designed provisions which will be both attractive and incentive for the managing authorities and the local private and public stakeholders. The overall coherence and coordination of the programmes can be improved with a specific overarching coordination structure dealing with specific issues such as common eligibility rules between the funds and policies.

5.2 Practical recommendations for the EU support initiative

In practice and detail, the EU support policy should be an 'advanced' combination of options 1 and 2 (see above). The EU initiative programme option, although copied from previous funding periods, seems almost unfeasible, as it implies a strong if not direct management

by the European Commission. The EU calls for proposals option was clearly dismissed at the expert meeting where the experts suggested transforming it into a compulsory axis for local development applied to the 4 objectives, which is not far from the adaptations suggested for options 1 and 2.

In our combined proposal, every region in each Member State would include a dedicated local development axis within all of its regional development programmes. This provision should be targeted on the one hand, at social and economic urban development, and on the other, at local economic development in small and medium sized towns and their fringes, rather than focusing on rural-urban relationships. The rationale is that rural-urban relationships tend to refer too narrowly to a spatial planning approach. As regards the territorial cooperation objective, a specific strand, targeted at areas or places designated in the Lisbon Treaty (e.g. mountains, islands ...) could be added. Local development support would then explicitly address the territorial cohesion issue through inter-regional and cross-border cooperation.

There are two possibilities for financial resources, either a "reserved fund" which would be used to increase the rate of co-financing, or a compulsory threshold. It seems however that the last option is the one which has more possibility to be accepted by the national governments. A minimum 5% compulsory threshold would be dedicated to local development in each regional development programme¹² combined with an indicative threshold of "at least 1%" for LD out of urban areas. The compulsory character of the threshold is unanimously recommended by both experts and officials on the basis of the LEADER, EFF and 'urban priority' experience for the 2007-2013 programming period. The amount seems the most reasonable with reference to the current LEADER experience (which averages 6% of the EAFRD) and the former Community Initiative Programmes regulations.

¹² In some regions which do not receive a high level of EU funding, this threshold may be insufficient to attain a critical mass and it should be increased accordingly.

The regions could, in any case, be encouraged to dedicate more funds if needed.

With reference to the LEADER and FARNET programmes, a suitable target for the population/area eligibility criteria could not be less than 30 000 inhabitants without any upper limit. However, as regards the operational size, the local development strategy should concern between 30 000 to 100 000 inhabitants, i.e. a comparable number of people to LEADER and FARNET.

Thus, for 2013-2020, a total EU budget of roughly €12.5 Billion may be expected to be earmarked for local development. This means that, all things being equal, if an average budget of 5 millions¹³ is allocated to each local group for a seven-year period, such an initiative could support more than 5000 groups in Europe and it would reach one European citizen out of every two¹⁴. This simulation illustrates the high potential visibility of this kind of EU intervention.

Strategies should be defined by local groups, but the main issues and the designation of areas should be predetermined at EU or national level. Regions (NUTS 2) should be responsible of the management, even if the targeted areas must be below NUTS 3. There would be a minimum/maximum number of inhabitants in order to secure a critical mass, in terms of human, financial and economic resources to support a viable strategy. The risk of overlap with the LEADER definition (“the population of each area, as a general rule, must be not less than 5 000 and not more than 150 000 inhabitants”) should not be a problem as LEADER focuses clearly on rural issues and the cohesion policy deals more with medium-sized to big cities on the one hand, socio-economic development on the other hand. Moreover, the programme

¹³ In the case of EFF-FARNET, € 570M of EU funding generated a total of €800 M budget available for 230 local groups. In the case of EAFRD-LEADER, € 5.5 Billion of EU funding generated a total of € 13 Billion budget available for 2400 local groups.

¹⁴ On the basis of the LEADER experience and data collected, the average size of population impacted by local development strategies implemented in medium-sized towns and big cities could represent an average of 50 000 inhabitants

would encourage the creation of local groups on the basis of existing experienced organisation, and should be designed to be an integration tool for EU-funds and other funds.

The EU support should both involve measures related to strategy (e.g. SMEs, quality of life, training of the unemployed ...) and the capacity building (e.g. information, training of staff involved in the preparation and implementation of the local development strategy, promotional events...). Because regions and groups do not have the same capacity to develop, the capacity building support should be provided on a long term basis. There should be a development phase with a probationary period of 6-12 months. Passing through the gateway between the development phase and the implementation phase would require external assessment at national or regional level according to stringent rules regarding composition of partnership and quality of action plan (set within the regulation).

There would be an EU-level support unit to assist in the implementation of the measures, and secure networking and capitalisation activities.

3.3 Recommendations for the ‘anticipatory’ period

The Europe 2020 strategy begins today and many experts raised the point that policy makers have to be informed and convinced to ensure a good level of take-up of the future local development provisions. Thus, concrete recommendations should also be made for the coming months.

First, the local development internal coordination platform should be an instrument to introduce local development in the Europe 2020 strategy and to raise awareness of

the invaluable contribution of local development to implement this strategy effectively.

At best the platform should have a prescriptive role, at least a coordination role. It should have the power to make things happen, but should be kept informal. It should promote simplification and guarantee the coherence between the different sectoral policies. Its role of intermediation between the local development approach and the Europe 2020 guidelines should be crucial.

This platform should aim at:

- Improving policy (need for common eligibility rules between the funds and policies, to promote a customer approach);
- Being a referential structure for analysis and evaluation;
- Ensuring administrative coordination (common guidelines, monitoring, comprehensive agenda of the calls for proposals);
- Facilitating coordination between the different management authorities;
- Secure knowledge sharing and knowledge building among the decision-makers in the EU institutions;
- Helping the voice of local development stakeholders to be heard.

In practical terms, it should be created as an inter-services group of the European Commission, which may be enlarged to officials from the other EU institutions. Its primary task should be the explanation of the possible contribution of local development in delivering the Europe 2020 strategy and the drafting of proposals for its integration in the multi-level governance arrangements to be set up.

Another immediate task should be pursued to raise awareness of local and regional authorities on the local development method. The platform could also prepare a communication of the European Commission to open a wider debate.

Because local development is a somewhat gradual development process, requiring a preparatory phase, the full take up should be ensured by mobilising existing resources and knowledge with the view to disseminate good practices. Any opportunity should be seized in the framework of the territorial cooperation objective until 2013. In practice, the opening of new opportunities requires minor changes in the selection of the projects, as regulation and general guidelines already allow supporting networks of area-based projects.

The next programming period for the cohesion policy and the EU Strategy for smart, green and inclusive growth have the same time horizon, the year 2020. Both will have to contribute to EU recovery, to a low carbon economy and to better internal cohesion, based on cooperative approaches according to our social market economy model. This is not an easy task but one which requires a change in behavioural patterns. In this context, the local development approach surely represents a key instrument for its ability to mobilise individual citizens, private partners, the social economy and all kinds of stakeholders.

ANNEX 1

HISTORICAL REVIEW OF MAJOR INITIATIVES TO SUPPORT LOCAL DEVELOPMENT

CONTENT SUMMARY

Introduction

1 - The 1980s and 1990s: from spontaneous generation to cultivation

1.1 - Exploration - before the cohesion policy

1.2 - Discovery of the local endogenous potential and “make-of” theory

2 - The 2000s: separate policies and gradual disappearance

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INTRODUCTION

Local development appeared during the 1980s as a spontaneous phenomenon, left behind the backward flow of ineffective and expensive policies of reindustrialisation carried out following the oil crises of the 1970s. It provided both responses to growing unemployment in distressed regions suffering from the collapse of manufacturing or traditional industries, and promises of a new future for the areas lagging behind, either rural or urban. Twenty-five years later, it is possible to assess the work accomplished by the initiatives and practices on the ground, the persistent blur of theory on this issue and the relative incapacity of public policies to build on local dynamics and transform them into a solid basis for the European development model.

While it is easy to continue praising the vitality of local initiatives, the fickleness of public support policies – either European, national or sub-national – explains these mixed results from a governance viewpoint.

Very schematically, in following a chronological approach, two major periods may be distinguished in the history of local development in Europe, with the millennium year 2000 as a turning point. This year corresponds to the start of a new programming period for cohesion policy and its associated financial package, to the birth of the Lisbon strategy and, in a global context, to the “dot.com” bubble and the rise of a neo-liberal wave on both sides of the Atlantic.

The first period was marked by continuous political effort to transform the spontaneous phenomenon of local development into a genuine component of European economic development, via an increasingly sophisticated and varied range of interventions, programmes and measures. By contrast, the second period is characterised by a voluntary withdrawal of public authorities (either inspired by the

“new public management” thesis or due to low political commitment) and a relative negligence of local development at the expense of other priorities, either broad ones such as Enlargement and climate change mitigation or sector-based ones like flexibility of the labour market and competitiveness by technological innovation and R&D. In the mid-2000s, the trend became more pronounced as local development was increasingly associated with a narrow segment of social public policies, and particularly the fight against social exclusion.

One could use the following image, even if rather exaggerated: initially wild, local development was cultivated, and then lost political support to the point of withering.

Even if the methodological lessons drawn before 2000 may be considered as not always being well assimilated or sometimes neglected during the last decade, they largely remain valid. The experience also makes it possible to conclude that certain paths which appeared promising turned out to be disappointing or misleading. These include the sustainability of local initiatives, the “mainstreaming” of innovative actions, and the benchmarking of national policies as a way to make progress. Conversely, certain data and characteristics which seemed minor acquire today a greater importance. These include the institutional and technical capacity of public actors, their ability and capacity to work together in an integrated way, and the renewal of public policies and social innovations made in the interstices between sectors. Each of them merits an in-depth examination and a well-argued discussion.

1 The 1980s and 1990s: from spontaneous generation to cultivation

1.1 Exploration – prior the cohesion policy

Before 1988:

- *Flagship programmes: Integrated Mediterranean programmes, OECD (before LEED), contrats de ville (FR)*
- *Main focus of LD programmes: initiatives not yet programmes*

According to the Inventory written in 1994¹⁵:

“The EU first manifested its interest in local development in the ‘non-quota’ programmes of the European Regional Development Fund (ERDF) in 1979 and in a consultation carried out between 1982 and 1984, organized in liaison with the OECD and covering some 50 local job-creation projects. Following a communication by the Commission to the Council and taking account of the interest shown by numerous Member States, the Council adopted on 7 June 1984¹⁶ a resolution on the contribution of local employment initiatives to combat unemployment, in which it stated that development of such initiatives should be supported and stimulated by the Member States’ policies accompanied by specific measures at Community level. Around the same time, the Council revised the ERDF Regulation and introduced Article 15 aimed at promoting locally generated development through joint financing of assistance to SMEs.

... From 1984 until 1988, EU interventions were concentrated on research and action programmes, such as LEDA and these were subsequently completed by information and exchange programmes targeted at specific groups (ERGO, EGLEI, TURN, ELISE). Some measures, albeit modest in scope, gave financial support to certain

¹⁵ EC, Inventory of EU actions in favour of local development and employment SEC 94-2199, (19 December 1994)

¹⁶ OJ n. C 161 21.06.1984

types of local development initiatives (LEI and Poverty programmes).”

Local development was still an emerging reality, little known and hidden and comprising mostly the aggregation of isolated initiatives. The support programmes had an experimental character, since it was essential for the promoters to understand the phenomenon and to nourish reflection.

1.2 Discovery of the local endogenous potential and “make-of” theory

1989-1993:

- *Flagship programmes: ILE, LEADER, social cooperatives (IT), Poverty III*
- *Main focus of LD programmes: economic regeneration in rural or urban areas, SMEs incubators or nurseries, innovative ‘milieu’,*

The adoption of the Delors I Package corresponded to a substantial increase in the budget made available for the Commission to support economic and social development, either via the Structural Funds within the framework of the cohesion policy (article 8 of EAGGF; articles 7 and 10 of ERDF; the 1st Community Initiative Programmes LEADER in 1991) or via sectoral programmes (LEDA, EGLEI, ERGO, Poverty III). From then on, local dynamics became the subject of close attention. Various programmes were launched in a general context geared to the achievement of the Single Market (Objective 92) and marked by the learning of regional development processes to fill the gap with “Southern” regions (ES, EL, PT, IT, IRL), the completion of industrial restructuring in coal, steel, defence and naval industries and the revival of declining rural areas.

Based on the practices explored in Local Employment Initiatives practices, theories began to develop, demonstrating the value of the bottom-up approach, local public-private partnership, programming, project management, and the integrated approach.

From an EU or national point of view, the support for local development was fulfilling a three-fold objective¹⁷: firstly, it was aimed at raising awareness on the importance of soft investments and immaterial factors in territorial development processes, and thus counterbalanced hard infrastructure policies, making them more efficient and tackling the problems of marginal areas or groups (the ‘Heineken effect’¹⁸ to quote Graham Meadows). Secondly, it was conceived as an emancipation tool, giving people at grassroots level the tools and methods to design their own future, and helping them to fully participate in the EU integration movement conceived as a freedom. Thirdly, it was thought of as a learning process at the lower level of governance, with the expectation that good practices would spill over, inspire the upper-levels following a ‘natural’ mainstreaming movement, and give rise to a sustainable development model at regional level.

As regards the support programmes, the actions remained cautious and focused on small-scale experimentation rather than on dissemination or scaling-up. The interventions tried to give the phenomenon better visibility, to link up the initiatives between them, to describe a logical sequence, and to identify good practices both on the ground and for the instruments and policies.

These measures and programmes developed in tandem with a broad decentralisation and regionalisation movement. They also tried to meet specific needs of social groups (Poverty I, II and III) and territories (LEADER for rural areas, the Urban Pilot Projects and “Quartiers en crise”¹⁹ for the inner and outer cities).

The dissemination remained limited both in scientific research circles and the political sphere. Programmes

were often targeted at concrete projects, helping them to develop and cooperate in a network, and less frequently at creating stable legal or financial bodies or frameworks. One significant exception was the Italian legislation of 1991 on social cooperatives, which established a specific statute that offered a sustainable outlet to grassroots initiatives seeking to improve the well-being of the local community²⁰. A second was the successful implementation (also in 1991) of the global grant as a new financial tool for empowering local development groups or partnerships. It enabled the starting of the Irish local development partnerships in which an institutional form was given to the local development process and later support came from an Objective 1 operational programme²¹. But, EU-wide, this new tool of global grants provoked considerable political opposition from national governments and was never widely used despite offering solutions to ongoing problems of cash-flow and late payments.

The support policies had themselves a pioneering character, seeking to emancipate both programme managers and beneficiaries from hierarchical relations and the traditional delivery mechanisms of the old order. Initiatives were often led and monitored directly as prototypes by desk officers at the national or European level.

Local development was grasped as a whole, as a systemic approach with hardly any framework. It was subject to few constraints and only the goal of exploring innovative approaches to local development was fixed. The option of achieving a radical change to put an end to the “relative ineffectiveness of the traditional regional and local development policies” was not dismissed as stated in a study published by the Commission: “*it is not appropriate to advocate development approaches which would be on the fringe of the change underway*”

¹⁷ CRIDEL Coordination, *Valeur ajoutée et ingénierie du développement local, EC Studies on regional development (1994)*

¹⁸ At the time Heineken’s advertising strapline was that Heineken reached the parts that other [beers] could not reach.

¹⁹ Jacquier Cl, *Voyage dans dix quartiers européens en crise, L’Harmattan Paris (1991)*

²⁰ Lepril St and Centro studi CGM, *Imprenditori sociali, secondo rapporto sulla cooperazione sociale in Italia, Fondazione Giovanni Agnelli (1997)*

²¹ Sabel Ch, Ireland, *Local partnership for better governance, OECD (1996)*

(internationalisation, urbanisation, technological development) for the outlying territories (rural or intermediate)”²². In consequence, classic impact evaluations were difficult to conduct and gave poor results - except in highlighting the fact that financial resources had been limited. These evaluation findings were in sharp contrast to the rich information coming back from exchanges of experiences and case studies²³.

The Commission described²⁴ the record of the 1989-1993 period as “very modest”. It noted²⁵ that “if the majority of instruments have fulfilled their objective of increasing the number of pilot experiments and giving depth to the methodology of local development, the amounts allocated have remained extremely small and have rarely allowed a genuine dynamic of innovation at European level to emerge”.

1994-1996

- *Flagship programmes: Area partnerships (IRL), “Programme intégré de développement local” (PT), “Plans locaux d’insertion par l’économie” (FR), “contrats de terroir” (FR) and “Plateformes d’initiative locale” (FR), Melkert Plan – REWLW (NL), Labour Foundations (AT), RITTS, RECITE, PEACE*
- *Main focus of LD programmes: Partnership, skills engineering, global grant, ‘animation’*

Within the Commission, there was a growing rivalry between ‘local’ and ‘regional’ as the relevant level for EU support. In this dispute, DG REGIO decided in favour of the regional level for efficiency and political reasons. It was also felt that it was inappropriate to create additional complexity. The management of the programmes at NUTS II²⁶ level already constituted a revolution that

was difficult enough to accept and implement for the majority of the Member States without going down to smaller spatial levels.

A draft Community Initiative programme dedicated to local development suffered from this setback when the new programming regulations 1994-1999 were designed. However, other new Community Initiatives that focused on territorial issues were launched or maintained, such as REGIS (for islands), INTERREG (for cross-border regions), PESCA (for fishing areas), and LEADER (for rural areas). Many pilot-projects were also created or maintained in the framework of Articles 7 and 10 of ERDF, and Article 6 of ESF.

Outside the cohesion policy, small programmes of support for local development were brought into question by some Member States who suspected that the Commission was ignoring the subsidiarity principle. In that respect, the Poverty IV programme was never launched following opposition from Germany and the UK and later reappeared in a rather different form as INTEGRA, a new strand of the ADAPT Community Initiative at the time of the mid-term review in 1996.

1996 – 1999

- *Flagship programmes: URBAN, INTEGRA, B-2605 (long-term unemployed), Territorial Employment Pacts, “PRODER” (ES), “Inclusion of Refugees Programme” (SW), POMO (FIN), UK: “Single regeneration budget” and “City Challenge”*
- *Main focus of LD programmes: employment, new sources of jobs (every sector explored), social economy, intermediate labour market*

In 1993, the exceptional increases in unemployment rates upset the consensus. Indeed, it forced the Member States and the EU to search for methods “to make growth richer in jobs”. This had the effect of making local development seem like a technique to exploit “new sources of jobs” and to manage Structural Funds

²² CRIDEL Coordination, *Valeur ajoutée et ingénierie du développement local, EC Studies on regional development (1994)*

²³ LRDP, *Lessons from the LEDA Programme, London (1995)*

²⁴ Jouen M, *Social experimentation in Europe, Towards a more complete and effective range of the EU actions for social innovation, Notre Europe (Nov 2008) (<http://www.notre-europe.eu>)*

²⁵ EC Commission, *Inventory of EU actions in favour of local development and employment SEC 94-2199 (19 Dec 1994)*

²⁶ NUTS II is often the “county” or “department” level depending on the Member State concerned.

more effectively instead of a longer term approach. The foundation text for this shift was the 1993 White Paper “growth, competitiveness and employment”²⁷, especially its introduction which made explicit reference to this need.

In June 1994, Portugal, Ireland and Denmark focused the attention of the European Council on the potential of local development and the partnership approach in meeting the unemployment challenge. The Commission was asked to make an inventory of the EU actions to support local development. In its working paper, it expressed concern regarding the overall coherence of local development support programmes:

“After ten years during which what counted was to respond precisely and rapidly to particular needs, it would be useful to examine the overall coherence of the provision. ... The transition from the experimental phase to the dissemination of successful experiments across the Community Initiative networks, as well as through the Community Support Frameworks and operational programmes, has not been properly carried out, for lack of knowledge of the course to be followed between the successive stages corresponding to the links between different policy instruments: firstly, information and awareness-raising; then the development of a methodology, the dissemination of “good practice” and the experimentation itself; and finishing with the establishment of a network. ... The importance of the human investment necessary for these specific roles in support for innovation has sometimes been underestimated.”²⁸

In the following years, Member States used all available means to tackle unemployment (IRL, FR, AT, NL, and PT)²⁹ and the EU took the opportunity of the 1996 mid-

²⁷ EC Growth, Competitiveness, Employment: The Challenges and Ways Forward into the 21st Century, White paper of the EC, OPOCE suppl. 6/93 (1993)

²⁸ EC Commission, Inventory of EU actions in favour of local development and employment SEC 94-2199, (19 Dec 1994)

²⁹ Annex 3 “The national policies in favour of LDEIs” in EC, Lessons for the territorial and local employment pacts, First Report on local development and employment initiatives, Working paper of the services, OPOCE, CE 07 97 272 EN (1996)

term review to start a wave of new programmes³⁰. Most of them were small-scale pilot-projects and innovative actions, but a major initiative was taken with the Territorial Employment Pacts launched in 1997, aiming at using the mainstream programmes of ERDF, EAGGF and ESF in a more integrated way in order to tackle unemployment at regional or sub-regional level³¹.

Following a call for proposals, 89 regions (NUTS II) or micro-regions (NUTS III) were selected. The public authorities committed themselves to establishing enlarged partnerships to make a breakthrough in fighting against local unemployment and exploiting their local human and economic potential. The Pacts ended up with the creation of 54 400 jobs over three years (1997-99) using 1.6 billion public funds (including €480 million from the Structural Funds). They benefited from a specific technical assistance budget for the creation and running of local projects, amounting to €300 000. According to the ensuing thematic evaluation, the exploitation of local endogenous potential had generated 16 600 jobs, including 4 630 directly linked to new services and Local Development and Employment Initiatives.

At the conceptual level, as the essential components of local development and its characteristics were already known, researchers and policy makers concentrated their attention on the instruments³² (e.g. subsidies for immaterial expenditure; loans and seed-money; the role of technical assistance offices; and network resources centres).

The majority of the programmes aimed at testing the effectiveness and the efficiency of the various flanking

³⁰ EC, The new regional programmes 1997-1999 under Objective 2 of the Community's structural policies –focusing on jobs, Communication COM (97) 524 (1997)

³¹ EC, Pactes territoriaux pour l'emploi – 89 pactes locaux relèvent le défi du chômage (Oct. 1999)

³² EC, The local development and employment initiatives: an investigation in the European Union. Working Paper of the services, OPOCE, CM 89 95 082 EN (1995)

EC, Lessons for the territorial and local employment pacts, First Report on local development and employment initiatives, Working paper of the services, OPOCE, CE 07 97 272 EN (1996).

EC, The era of tailor-made jobs, Second Report on local development and employment initiatives, Working paper of the services, OPOCE, CE 09 97 220 EN (1998)

measures and financial or legal delivery mechanisms: for example, the use of a single fund (i.e. the budget line B2-605 voted by the European Parliament) to support an area-based strategy for job creation measures for long-term unemployed³³, the comparative results of ERDF and ESF support measures to develop new sources of employment in 17 designated sectors³⁴, the spill-over effects on local economy and job creation of experimental programmes targeted at innovative sectors (environment, information technologies) or groups (women entrepreneurs, social entrepreneurs, young entrepreneurs)³⁵. In addition to the cohesion policy, all the sectors were asked and volunteered to contribute: culture, education, research, local shops and crafts, tourism, fishing, etc.

Through the technical expertise provided under the LEADER initiative, the grounds for testing a robust theoretical basis were gathered and led to the identification of a specific set of local development features.

In LEADER I, four principles were identified:

<p>ACTIONS</p> <ul style="list-style-type: none"> - Area-based approach - Bottom-up approach - Innovative, integrated, multi-sectoral character 	<p>PARTNERSHIP</p> <ul style="list-style-type: none"> - Horizontal (Local Action Groups) - Vertical (implementation procedures by the public administrations involved)
<p>FINANCING</p> <ul style="list-style-type: none"> - The global grant 	<p>NETWORKING</p> <ul style="list-style-type: none"> - The European network & Coordination Unit - Other networking practices at local level

(Source: LEADER I ex-post evaluation)

In LEADER II, the following matrix was adopted to il-

³³ EC, *Actions-pilotes en faveur des chômeurs de longue durée de plus de 40 ans – ligne B2-605 du budget général 1995, Rapport final DG REGIO (1998)*

³⁴ *The ESF and the new sources of jobs, conference report, EC conference in Rome (1996) EC, Actions innovatrices de l'article 10 du FEDER – nouveaux gisements d'emploi DG REGIO publication (1997) EC, Répertoire des projets Nouveaux gisements d'emploi de l'article 6 FSE 96/97 DG EMPL publication (1999)*

³⁵ EAUE, *Job creation in the environmental sector – Local employment initiatives in Europe, study for the EC (1997)*

UNADEL, *Nouveaux services et emplois-jeunes, apport des territoires et contribution au développement local, Seminar report (1998)*

lustrate the LEADER method endorsed by Local Action Groups (LAGs).



(Source: AEIDL – European LEADER Observatory 1999)

At political level, many of the Commission Members including the President showed a high level of commitment³⁶ and the conclusions of the European Council meetings maintained pressure on the Member States twice a year, for almost 5 years up to 1999 (see Annex 1).

Programmes generally produced the anticipated results from a methodological viewpoint³⁷, and lessons drawn were sufficiently rich that it seemed possible to foresee the “mainstreaming” in two different forms³⁸: at regional level under the single programming documents of the cohesion policy and at national level in some sectoral programmes (i.e. support for SMEs and entrepreneurship, jobs in the cultural sector, green jobs, sustainable and/or social tourism, childcare services, etc).

³⁶ EC, *A European strategy of support for local development and employment initiatives, Communication COM (95)273 (June 1995)*

³⁷ EC, *The era of tailor-made jobs, Second Report on local development and employment initiatives, Working paper of the services, OPOCE, CE 09 97 220 EN (1998)*

³⁸ EC, *Renforcer la dimension locale de la stratégie européenne pour l'emploi Communication COM (2001)629 (Nov 2001)*

However, by the end of the 1990s, the internal environment changed. On the one hand, several financial scandals hung over the European Commission and restricted its room for manoeuvre when it worked out the future “Agenda 2000” package³⁹. On the other hand, national administrations concerned with sound management and transparency and those insisting on the respect of the principle of subsidiarity gained influence⁴⁰. As a result, a consensus emerged against the animation and stimulation role of the Commission in policies involving grassroots actors. It led to the decision to almost eliminate Community Initiatives and innovative actions, to suppress technical assistance offices, to withdraw the definition of programme measures from the negotiations and to no longer give desk officers of the Commission the opportunity to participate in the programme monitoring committees⁴¹. The URBAN II programme only survived due to intense lobbying of the European Parliament by city mayors and the funds for it were taken from the innovative actions budget.

2 The 2000s: separate policies and gradual disappearance

At first glance, the new century looked promising for local development and its multiple components, its sectoral variations and the new forms of socio-economic organisation in which it blossomed, such as the social economy⁴². However with the passing months, the convergence of the sectoral approaches that seemed to be reached with programmes such as the Territorial Employment Pacts

³⁹ EC, *Agenda 2000 ; pour une Union plus forte et plus large*, Communication COM(97)2000 vol 1 (1997)

⁴⁰ Jouen M, *The EU action in favour of local employment initiatives*, Notre Europe (2000)

⁴¹ EC, *Les Actions structurelles 2000-2006, commentaires et règlements*, EC publications (1999)

⁴² EC, *Pilot-Action ‘Third system and employment’*, Seminar Report, EC publications (1998); *List of the projects*, EC publications (1999); *synthesis of the action*, EC publications (2002)

weakened. Gradually, each of the three major components of the European or national policies – rural development, employment and social inclusion policy, and regional policy – started to follow their own paths.

While the aim of implementing more structured policies was stated in certain places⁴³ and certain programmes (for example in Objective 2 programmes in certain Member States), widespread support for local development was pushed back, or even disappeared completely from the agendas of public decision-makers and programme managers (Annex 4). This process was perhaps influenced by the atmosphere of economic boom that was reflected in the “dot com bubble” and the anticipated enlargement that served to increase the revenues of EU businesses.

2.1 Rural development

The separation of European policy for rural areas from the cohesion policy was conceived at the Cork Conference in November 1996, and completed at the Salzburg Conference in November 2003. Before this change, rural development had been a full part of the cohesion policy as its 5th objective, and declining rural areas benefited from integrated programmes co-financed by the ERDF, the ESF and the EAGGF Guidance Section. The revised regulations for 2000-2006 extended the eligibility of this policy to all rural areas. This development took shape after 2007 with the removal of the newly created rural development fund (EAFRD) from the Structural Funds.

This change in financial arrangements coincided with progressive separation of the rural development policy, even though financing remained theoretically possible from the ERDF and from the ESF⁴⁴. As regards political support for local rural development, its pathway was also peculiar as, contrary to other Community Initiatives, which raised mixed feelings, it had the constant and

⁴³ EC, *Renforcer la dimension locale de la stratégie européenne pour l’emploi* Communication COM (2001)629 (Nov 2001)

⁴⁴ EU Council, *General Regulation on the ERDF, ESF and Cohesion Fund*, (CE) 1083/2006 (11 July 2006)

unanimous support from Member States, the Commission, the European Parliament and all the stakeholders.

LEADER, as the first Community initiative – dating back to 1991 – comprised a full range of technical assistance tools, from support in project initiation to the exchange of experiences, including a pedagogical aid, and an observatory bringing together scientific experts⁴⁵. This success was attested by the decision of several Member States, including Spain and Finland, to duplicate the LEADER method to cover almost all of their territory while the LAGs labelled LEADER were by definition only a limited number in each country.

It was also taken up again as one of the pre-accession tools in the shape of SAPARD and the PREPARE network. One of the likely reasons for this success is the perceived flexibility of the Community Initiative and pro-activity of its co-ordinators, in the face of developments in the economic situation and of public action priorities⁴⁶. The proponents were able to provide concrete examples of the LEADER contributions to job creation, social inclusion, young people's professional insertion, improvement of neighbourhood services, inter-generational solidarity, training and education needs of the population, competitiveness of local companies, knowledge society, etc⁴⁷.

The third generation (2000-2006) took the name of LEADER+. It had the ambition of stimulating innovation in rural areas and consolidating the networking of LAGs, without calling into question the "LEADER method", a sort of validated methodological guide-book. Outside the Community initiative, rural development programmes were encouraged to support LEADER-type measures but a preliminary review⁴⁸ published in 2004 found great dis-

parities in the mainstreaming process, even though this was estimated at approximately 8% of EAGGF funding for rural development. While area-based and bottom-up approaches were often applied, decentralised management and financing, innovation and multi-sectoral integration were less common. There was a lack of networking and inter-territorial cooperation between areas funded by national programmes, while they remained effective in the framework of the Community Initiative Programme. This observation concretely demonstrated one aspect of the EU added-value intervention.

For the current programming period, another formula was envisaged with the "mainstreaming" of LEADER as one of the priority axes of the EAFRD. Increasing funds are being allocated to the CAP Second Pillar, thanks to the implementation of the "modulation" principle between the two Pillars. Under its Axis 4 (LEADER axis granted € 5,5 billion over 7 years), each operational programme allocates funding to (i) local development strategies through regional or national selection processes, (ii) inter-territorial cooperation projects and (iii) the networking of LAGs. It is estimated that more than 2,100 LAGS are currently implementing local development strategies throughout the EU⁴⁹.

2.2 Employment, equal opportunities and social inclusion

In 2000, the ESF was subject to a new reform, following a series of reports, including those written by the European Commission, which admitted the disappointing contribution of the ESF to the resolution of the unemployment issue and criticised the inadequacy of the programmes with regard to the evolving needs of Member States, regions, social actors and civil society⁵⁰. For the first time, the ESF intervention fields were brought into line with the priorities of the European Employment Strategy (EES), prefiguring their setting in accordance

45 See European Library for Rural development (<http://ec.europa.eu/agriculture/rur/leader2/rural-en/biblio/index.htm>)

46 Dargan L and Schucksmith M, *Innovatory economic development – comparative report, Salzburg Conference (Nov 2003)*

47 See European Library for Rural development (<http://ec.europa.eu/agriculture/rur/leader2/rural-en/biblio/index.htm>)

48 ÖIR Managementdienste GmbH, *Methods for and success of mainstreaming LEADER innovations and approach into rural development (2004)*

49 EU rural Review n.1 – Oct 2009: http://ec.europa.eu/agriculture/rurdev/enrd/fms/documents/EU_Rural_Review1_en.pdf
50 EC, *Community Structural assistance and employment, Communication COM(96)109, (1996)*

with the Lisbon Strategy guidelines in which EES was included⁵¹.

The new approach took the name of Open Method of Coordination, which was to be a very sophisticated mechanism. This Open Method was to involve the combination of EU guidelines, national action plans, benchmarking exercises and peer reviews. Accordingly, the approach supported by the ESF and the EES tended on the one hand to encourage the policies driven at the national level and on the other hand to focus on labour supply rather than demand for labour by promoting active employment policies, training and the idea of “flexi-curity” that had been developed in Denmark⁵².

For local development, the local employment approach was favoured and highlighted by two communications⁵³ which opened and closed a large public consultation campaign. It was underlined that the lessons of previous programming were taken on board as much regarding the local initiatives supported by article 6 ESF as the targeted research-action on employment⁵⁴, the Territorial Employment Pacts, and the contribution of the social economy. In its 2001 communication, the Commission both pleaded for “coherent and integrated local strategies for employment” and expressed some doubts when noting that the regional policies initiated by Member States had a greater impact on the creation of local jobs than local development. In 2002, the annual report of the European Court of Auditors⁵⁵ cast a shadow over

51 Jouen M, *‘La stratégie européenne pour l’emploi local’ in Dehouese R L’Europe sans Bruxelles, une analyse de la méthode ouverte de coordination, Paris, L’Harmattan (2004)*

52 Per Kongshøj Madsen *‘The Danish model and flexicurity’ in Flexicurity, European Employment Observatory Review (Autumn 2006)* Marta Levai, Marius Haulica and Emilia Chengelova (Conference Papers on Hungary, Romania and Bulgaria) in *Flexicurity: key instrument for Local Employment Development Conference 3 October 2008 in Sofia* <http://www.eesbg.info>

53 EC, *Agir au niveau local pour l’emploi – donner une dimension locale à la stratégie européenne pour l’emploi COM (2000)196 (Avril 2000)*

EC, *Renforcer la dimension locale de la stratégie européenne pour l’emploi Communication COM (2001)629 (Nov 2001)*

54 EC, *Recherche-action ‘Développement local et emploi’ – évaluation des projets sélectionnés, EC publication (2000)*

55 European Court of auditors, *Special Report on local actions for employment, n. 4/2002 (2002) – EC, Answers to the Special Report, n. 13173/02 FIN 403 SOC 442 (Sept 2002) – EU Council, Draft conclusions n. 6611/03 (Feb 2003)*

local employment initiatives by questioning the efficiency of its public support and the lack of a comprehensive definition of local employment.

In the mainstream programmes, the ESF regulation made room for public support to innovative approaches at local level under the “local social capital” heading, which built on an Article 6 Innovative Action of the same name⁵⁶. This option was taken up by some Member States in their national programmes: Austria and Ireland mainstreamed the Territorial Employment Pacts; France kept its “PLIE” (Plans Locaux d’Insertion pour l’Emploi) however changing their name from Local plans for inclusion through economic development to Local plans for inclusion and employment. The United Kingdom continued the partnership approach developed with PEACE and INTEGRA in Northern Ireland. Germany opted for a measure called “social cities”⁵⁷. ESF Article 6 Innovative Actions continued with slightly different focus⁵⁸.

However, the momentum weakened progressively, as each annual revision of the guidelines for employment created an opportunity to lessen the reference to the local dimension. Finally it disappeared completely in 2001 at the expense of a growing priority placed on entrepreneurship. Jobs at the local level tended to be treated as jobs related to social inclusion, through the development of specific services such as childcare and healthcare.

In practice the lack of motivated and vigilant “shareholders” or owners of the programme (and not merely stakeholders), especially the local and regional public authorities as partners in the design of programmes, explain this ongoing drift away from the local approach⁵⁹

56 LRDP, *Evaluation of the Local social capital Pilot Project (1st year), study for EC (2000)*

57 IDELE seminars and thematic reports (www.ecotec.com/idele)

58 EC, *Implementing Innovative Actions in the framework of ESF article 6 (2000-2006), Communication COM (2000) 894 (2001)*

59 Lloyd P, *LED : harnessing the creativity of the local, conference presentation, DG EMPL Conference in Brussels (25 April 2008)*

and the low take-up by new Member States⁶⁰. This lack of ownership was complemented by the often repeated concern by Member States with presenting employment policies as a national competence, which had been reinforced by the way that the EES and the Open Method of Coordination operated⁶¹.

In 2005, it was officially recognised that the EU was far from reaching the Lisbon Strategy objectives⁶². As a consequence, the reference to local and regional authorities was introduced into the conclusions of the 2006 Spring Council meeting, but it was out of question to speak about local development⁶³. Indeed, the term ‘local’ tended to be associated with a level of governance or policy delivery, not at all connected with development dynamics. Moreover, the focus on a simplified slogan “growth and jobs” tended to reinforce the top-down and sectoral approaches⁶⁴.

The EQUAL programme designed for the period 2000-2006 took as a starting point the lessons of the previous Community Initiatives such as INTEGRA. It aimed at encouraging innovative partnerships to reduce social disparities and all forms of exclusion in connection with the labour market. The Commission provided guidelines, but in order to avoid confrontation with the susceptibilities of managing authorities, cooperation became trans-national; which meant that it was beyond its scope, as in previous Community Initiatives, to directly support the networks of local actors within one Member State⁶⁵. Instead, EQUAL tried to address the socio-economic actors’ problems through the national “filter”. It supported

60 ECOTEC, *The new Member States and local employment development : taking stock and planning for the future, study for EC* (Nov 2006)

61 MacPhail E, ‘Sub-national authorities and the OMC : new opportunity or the same old community ?’ in JCER vol.2 issue 1 (2007)

62 EC, *Lisbon Action Plan, SEC(2005) 192, Créer la croissance et l’emploi: un nouveau cycle de coordination intégrée de l’emploi et de l’économie, SEC(2005) 193* (2005)

63 EU Council, *Conclusions of the Presidency (23-24 March 2006)*

64 Rodrigues M, «L’Europe, orpheline d’une stratégie de développement et d’innovation» in Godet M et al. *Économie et nouvelles formes d’innovation dans les territoires Documentation française Paris* (forthcoming 2010)

65 Ministère des affaires sociales, du travail et de la solidarité, *Evaluation du PIC EQUAL en France 2001-2003* (2003)

both geographical and sector-based development partnerships, and succeeded in addressing issues and touching groups that were beyond the scope of other national or EU programmes⁶⁶. The existence of local strategies illustrated the will to adapt interventions to local contexts rather than to address geographical disparities or create local development dynamics. However, a weakness was that most of the partnerships in the new Member States were sector-based⁶⁷.

For the current programming period, reference is still made in the ESF regulations to “the involvement of local communities and enterprises and the promotion of local employment initiatives”⁶⁸ but under the “social inclusion and disadvantaged people interventions” heading. EQUAL, along with the other Community Initiatives, was dropped for the 2007-13 programming period but the ESF regulation allowed the Commission to keep a small budget available to bring financial support to learning networks of managing authorities. Whereas the local authorities and NGOs may be involved, there is no specific focus on bottom-up integrated employment or inclusion strategies. In practice the learning networks are mostly composed of the Member States’ Managing Authorities.

As a result of the mainstreaming process⁶⁹, Member States were again offered the possibility to opt for specific measures under the “Partnerships, pacts and initiatives through networking at the trans-national, national, regional and local levels in order to mobilise for reforms in the field of employment and labour market inclusiveness”. A review of the national programmes shows that it represents almost € 1 billion (a bit less than 1.5% of the ESF budget) and that a few Member States have taken it up (AT, ES, PT, FR, IT, PL and RO). The Eastern and Central European administrations seem only interested

66 ACORD International SA, *Evaluation intermédiaire du PIC EQUAL entre 2000 et 2002 Luxembourg* (2003)

67 EC *Fourth and final EU-wide evaluation report of the EQUAL Community Initiative from 2001 to 2006*, (2006)

68 EU Council, *Regulation on the ESF (CE) 1081/2006*, (5 July 2006)

69 Henriques JM, *Mainstreaming EQUAL products, Guide-Book EC publications* (2007)

in local development as a means to the issue of social and professional integration of the Roma communities. For the time being, the innovative actions tend to focus on social experimentation in which the local dimension is often present.

In its Communication “A shared commitment to employment⁷⁰”, the Commission referred to the local dimension of employment when dealing with business support and inclusive entrepreneurship. A new microfinance facility for employment was proposed by the Commission in June 2009 following a European Parliament motion⁷¹:

“Whereas the current financial crisis and its possible repercussions in the economy as a whole demonstrate the disadvantages of complex financial products and the need for considering ways of enhancing efficiency and having in place all possible channels for providing financing when businesses have reduced access to capital due to liquidity crunch, in particular in economically and socially disadvantaged regions, and, at the same time, underline the importance of institutions that focus their business on local development and that have a strong local connection and offer inclusive banking services to all economic actors”.

2.3 Economic and social cohesion, regional policy

For the 2000-2006 programming period, a distinction needs to be made between the EU-15 and the EU-10 (then EU-12). For the EU-15’s Member States, emphasis was placed on efficient management of the Structural Funds and increased subsidiarity, all of which pushed the regions to more or less continue on the same thematic paths as at the end of the previous programming period⁷². Local development was sometimes used as a lever to reach other more valued priorities, such as cluster development or business creation. However, local

development outputs did not raise much interest in comparison with the impressive economic and financial results of the exogenous development strategies, aiming at exporting products or attracting foreign direct investment⁷³.

With the removal of support to innovative actions in the ERDF regulations and the reduction of the number of Community Initiatives, pressure from the EU level diminished and the Commission progressively lost precise and direct knowledge of the evolution of local development and practices in the regions. An illustration of this lies in the fact that there has been no EU-wide horizontal report or thematic evaluation study available on local development for the last decade. Once the programmes were agreed, the Commission was not able to intervene to up-date or change thematic priorities. Very few Member States chose to devote part of their mainstream regional programmes to support either local economic development as such, or partnership and integrated approach (IRL, UK, DE...).

For the local development projects and their promoters, the only remaining possibility was to transform themselves into free-riders of the transnational cooperation strand of INTERREG III, completely misrepresented in relation to its initial purpose of focusing on spatial planning approaches. Another solution for existing local development strategies was to submit a bid for networking in the interregional cooperation strand of INTERREG III. However, the inter-cultural dimension of working transnationally was often an obstacle for local actors, and match-funding rules and administrative procedures were complex, which often dissuaded them. Moreover, both main priorities – technological innovation and local well-being – did not fit with the multiple dimensions of local development

⁷⁰ EC, *A shared commitment to employment, Communication COM (2009)257 (June 2009)*

⁷¹ A6 – 0041/2009 – adopted 20th January 2009

⁷² EC, *‘The impact of the cohesion policy’ in Growing regions, growing Europe : Fourth report on economic and social cohesion (2007)*

⁷³ Jouen M, *‘Endogenous local development versus foreign direct investment strategies: are there alternative regional strategies in EU 27?’ in Tönshoff S and Weida A, Where top-down, where bottom-up?, Peter Lang, Frankfurt am Main (2008)*

and the rigid selection of the projects by calls for proposals was frequently a barrier to entry⁷⁴.

URBAN II tended to focus on strategies to fight against social exclusion at the local level; it explicitly promoted place-based approach as well as partnership and integrated strategy but did not support whole economic development strategies. Evidence shows that local partnership was a factor critical to the success of Community Initiatives, to the extent that it was one of the crucial conditions to meet local needs and increase effectiveness of the delivered measures⁷⁵. Most URBAN II programmes had very limited resources and covered small populations.

In the candidate countries, ISPA was dedicated solely to hard investment, and even if networking was formally encouraged between candidates and EU 15 regions – for example through the City twinning arrangements of PHARE – the task was not easy as the financial regulations did not always fit together. In practice, this kind of learning-by-doing method tends to be time-consuming, especially when it concerns transition countries and development models that are not accompanied by any political discourse. The ensuing period from mid-2004 to 2006 created few opportunities to make major changes as the main concern of the new Member States was to develop the institutional capacity to manage the Funds and then increase their own absorption capacity for the allocated budget. Moreover the general economic context of rapid growth and soaring property markets pushed the Eastern European countries to continue attracting inward investment as a means to combat unemployment and to increase their GDP.

⁷⁴ Richard T, *Coopération territoriale européenne : le défi des programmes transnationaux Etude comparative des espaces de coopération de la Mer Baltique et de la Méditerranée (Interreg IIIB et démarrage des programmes IVB) document not published (Aug 2009)*
⁷⁵ GHK, *Ex-post evaluation of the URBAN I Programme, study for EC (2003)*
Partnership with the Cities – The URBAN Community Initiative (2003) (http://ec.europa.eu/regional_policy/sources/docgener/presenta/cities/cities-en.pdf)

For the 2007-2013 programming period, the contribution to the Lisbon Agenda priorities became the main concern of the Structural Funds. The earmarking constraints pushed the regions away from local development, both because it did not fit easily with the list of themes related to competitiveness and because its holistic nature clashed with the sector-based trend.

In urban areas, URBAN II had played a pedagogic role in the direction of local public decision makers at least in the EU-15 where it had been applied. Each region was encouraged to devote a part of its regional development programme to cities according to the URBAN methodology. The results of a first assessment of the urban dimension in the regional development programmes⁷⁶ show the perpetuation of a split between EU-15 and EU-12, the latter being tempted to favour physical investments at the local level. As regards citizens' participation in the programming phase and implementation of the actions, these seem to be rather weak in most programmes, despite their crucial importance. While foreseen in some EU-15 operational programmes, especially in France, Germany and Spain, the participation of civil society was almost absent in EU-12 programmes "*Because of the traditional centralism and paternalism, and the weak commitment of citizens at local level, the methodological experience and practice of citizens' participation at local urban level is limited*" (quoting the Romanian Ministry for development, public infrastructures and housing⁷⁷).

In 2003 a network to exchange experiences was created, the URBACT programme. This was an exchange-of-experience programme for the URBAN Community Initiative. Only limited resources were available to the URBACT projects, which did not include money for implementation. URBACT II in the current programming period introduced a number of innovations in programme design that strengthen the impact of the programme on the

⁷⁶ EC, *Renforcer la dimension urbaine, analyse des programmes opérationnels cofinancés par le FEDER pour la période 2007-2013, Document de travail (Nov. 2008)*
⁷⁷ *Ibid* p.45

ground. The creation of local support groups in each partner city and their task of preparing a local action plan on the project topic helped to anchor the exchange of experience of the networks and working groups in practical reality and give a legacy to the actions. However, as before, any implementation is dependent on the local action plans securing support from the ERDF and in some cases ESF operational programmes. An enhanced role for the Managing Authorities within the majority of URBACT II programmes and especially among the Fast Track programmes that form part of Regions for Economic Change (alongside selected INTERREG 4 C projects) will help to secure resources for the cities. By the mid point of the programme at the end of 2009, URBACT II had 45 projects in play with over 400 local support groups formed in upwards of 250 EU Cities and involving more than 5000 local actors.

Since the accession of many small or medium-sized new Member States, territorial cooperation has become a more valued issue, both at cross-border and macro-regional levels. In many countries, the positive reaction of local and regional authorities to the introduction in 2007 of a new legal instrument such as the European Grouping for Territorial Cooperation (EGTC) illustrates this concern. Local and regional authorities quickly seized this new opportunity to agree on multi-faceted cooperation projects under the heading of EGTC. With reference to the first EGTCs created, this new status seems flexible enough to fit small local cross-border and single purpose cooperation as well as multi-purpose cooperation uniting 10 million people and 5 regions. It may give a new impetus to local development practices, although it does not necessarily involve bottom-up and partnership approaches⁷⁸.

Finally, despite repeated calls for innovation in political speeches and EU guidelines, the nascent dynamism created by a mix of social innovation on the ground,

⁷⁸ METIS *The European Grouping for Territorial Cooperation, State of play and prospects, CoR study series (2009)*

new ways of delivering public services and ICT-led local community awareness has still not been reflected in cohesion policy.

2.4 Other EU programmes and policies

In the other EU programmes, the major new initiative comes from axis 4 of the European Fisheries Fund and the recent launching of the FARNET support unit which aims at building a 'learning platform' for areas and groups involved in strategies for sustainable development of fisheries. Its main objectives are: to build capacity in integrated territorial development by providing guidance and support to assist local fisheries groups and partnerships; to identify, test and transfer successful responses to the challenges facing fisheries areas; and to create a platform and a voice for fisheries areas by connecting local learning and innovation to broader debates. On paper at least, from a local development perspective, this LEADER-type adaptation of approaches to the development of coastal areas looks promising in its overall approach. It has the advantage of drawing on previous experience and maintaining a close link to added-value developments within production chains and stakeholder-based fisheries-management approaches.

A quick look at the potential among EU sectoral policies to support local initiatives confirms both the large variety of supply and its complexity from the local actors' point of view. The list is long and constantly changing as most of the programmes deliver support through competitive bids and adapt their focus according to new political priorities. This is particularly the case for the Competitive and Innovation Programme (CIP), which contains several sub-programmes for innovative local transport projects and innovative local energy projects, for LIFE+. This large variety of financial opportunities does not mean that local projects are easily able to gain support, nor that local development strategies are promoted. On the contrary, they tend to isolate thematic projects from the integrated strategy and adapt it to fit with the requirements of sectoral programmes.

Another potential resource derives from the 7th Framework research programme and its attempt to increase support to applied research in the socio-economic field. However, although the local dimension is present in several research networks on urban issues, rural issues and the social economy, local development as such has not been identified as a topic. In addition, the idea of a mutual learning process between the academic community and the practitioners is very difficult to bring about and is rarely seen in practice. This is precisely the obstacle that several promising research projects tried to address under the 6th Framework Programme, for example Katarsis⁷⁹, dealing with social inclusion and innovation, and Social Polis⁸⁰, aiming at creating a social platform on cities and social cohesion.

3 Lessons from the past: re-assessing added value

The assessment of the post-2000 period can appear disappointing compared to the dynamic initially promised by the support for local development in the 1990s.

A more detailed analysis allows us to moderate this opinion, or at least to include the reasons, in particular external factors, which led to this development; and to assess what local development continues to bring or could bring in the future.

It raises the question of the good appropriation of tools and methods developed in the earlier period which was characterised by high-unemployment in 15 Member States, the adequacy of local development with a new EU political context, and the role of evaluation in grasping the value brought by local development.

⁷⁹ <http://katarsis.ncl.ac.uk>
⁸⁰ www.socialpolis.eu

3.1 Tools and methodology

The period before 2000 saw the publication of key reports on the relevant tools to support local development.

The DG XVI Report on “Added value of local development and engineering”, dated 1994⁸¹, presents an impressive and accurate summary of the main lessons for policy tools and methods that is still valid. It highlighted the impact of local development experiments on the wealth of an area, from a political, cultural, environmental, social and economic viewpoint and stated guidelines in the form of principles for EU support policies.

These principles were:

- ‘transversality’ to allow the interaction between policies focused on infrastructures and those to support intangible investments (training, education, animation, social innovation, services to the business and to citizens),
- ‘scale’ to encourage networking and cooperation of small-size projects and companies,
- ‘lifting of enclaves’ to favour strategies creating value on the basis of quality and speed,
- ‘organisation’ insisting on the implementation of a gradual, integrated and lasting strategy.

It listed the conditions for an integrated approach to local development:

- a local support structure possessing several qualities: stability and permanence (between 5 to 10 years), variable structure of partnership between the public and the private sector and rural-urban authorities, cooperation between various levels of governance, integrated and comprehensive approach,
- financial tools encouraging risk-taking and local ‘roots’,
- a focus on the needs of the productive fabric,
- networks to exchange practices and transfer experiments.

⁸¹ CRIDEL Coordination, *Valeur ajoutée et ingénierie du développement local*, EC Studies on regional development, (1994)

Later, the LDEIs reports drawing from the evaluation reports for specific pilot-projects set out complementary aspects:

“Recent experience has shown that duration, area-based approach and partnership between the sectors involved are the most essential points ... although the proximity of beneficiaries and project organisers seems to be decisive in the start-up phase, it is important for initiatives to be able to count on support both at higher level (training, social partners, etc) as well as from a uniform and solid framework at national and international level (information, legal protection, finance, standards, taxation, infrastructure ...). Partnership should be regarded as two-dimensional: rather than being considered to be only a ‘horizontal’ arrangement bringing together all involved parties in the private and public sectors in a given territory, there is also a ‘vertical’ dimension with parties at different levels.”⁸² “While extending local and regional partnerships to include the private, voluntary and educational sectors is a relevant priority, it is worthwhile examining in detail the role entrusted to the decentralised public services, particularly those responsible for employment. They are essential partners, but they do not automatically make good local co-ordinators when it is a question of motivating a region to take charge of its own development.”⁸³

Regarding the guidelines for future policies and improving existing systems, the considerations were already clear:

“strengthening evaluation – social and environmental indicators should therefore be introduced for analysing developments and the attractiveness of a territory, integrating data relating to changes occurring locally in the private and public sectors; improving information; continue experimenting – EU support for experimentation should not be restricted under the guise of rationalisation, since it meets a need for the renewal of public

⁸² EC, *Lessons for the territorial and local employment pacts, First Report on local development and employment initiatives, Working paper of the services, OPOCE, CE 07 97 272 EN (1996)*

⁸³ EC, *The era of tailor-made jobs, Second Report on local development and employment initiatives, Working paper of the services, OPOCE, CE 09 97 220 EN (1998).*

*assistance and is sometimes the only means of expression for local innovation; permit joint financing by the Structural Funds; ensure trans-national visibility – in any event, EU added value presupposes the existence of trans-national support and coordination structures with the task of monitoring local experiments, divulging methods and capitalising on good practice – complying with the competition rules”.*⁸⁴

Prior to the launching of the 2000-2006 programmes, DG REGIO drew lessons from 15 years of experimentation in an internal report. Among others, it came to the following conclusions⁸⁵:

- that innovative actions on local development should be considered as prototypes and not as flag-ship policies for the beneficiaries;
- failures should be accepted and only a small number of successful experiments should be selected to be mainstreamed;
- topics should be carefully chosen not to duplicate the themes already promoted by mainstream programmes;
- direct management by the Commission should be accompanied by exceptional arrangements strictly defined as regards the financial and management rules; evaluation should be about method and process and not only about cost-effectiveness ratios; evaluation should help to re-orientate the scope of a programme if needed;
- exchanges of experiences should be about methods and practices, and would avoid projects that are highly dependent on the given context;
- added value should not be confused with the sustainability of a local initiative;
- and finally, it should be clear that the EU added value relies on the Commission's officials to interpret and anticipate changing situations and new challenges and to provide regional and local authorities with new methods and tools that may solve their problems.

⁸⁴ *Ibid*

⁸⁵ DG REGIO ‘Observations as regards the future innovative actions 2000-2006’ unpublished document (April 1999)

This brings us to putting the findings of recent evaluation reports into perspective. For example, the EQUAL evaluation report of 2006 put forward some considerations that are not new:

“On the basis of our fieldwork, we found that the success factors in the formation of a trans-national partnership included: a) choosing partners working on common issues and/or with similar target groups, and with comparable trans-national budgets; b) ensuring that there is a congruency or complementarity of interests and objectives; c) drafting a precise work plan and involving all partners in this exercise; d) taking into account that the construction of trans-nationality requires time.”⁸⁶

When it comes to financial management, the introduction of the global grant has been considered a significant step forward. While it has never been widely used, it inspired some fundamental reforms of the delivery mechanisms at national level and new governance arrangements which facilitated local development approaches. However, this effective empowerment tool is viewed as a threat by both the guardians of the subsidiarity principle and the defenders of the top-down approach. This explains why it has suffered continuous attacks, either open or hidden, and has generally been criticised by the financial controllers and auditors. During the last two decades, the “financialisation” of the economy and the globalisation of the banking system pushed the banks further from the real economy and the local actors. As a result, problems to access to credit and banking facilities (financial exclusion) became a growing issue for local project promoters, which both the micro-credit facility and the JASMINE initiative⁸⁷ are intended to tackle.

On the legal side, little progress has been made at EU level. The reality on the ground varies a lot, and has furthermore been complicated by an anarchic multiplication of new national statutes for non-profit organi-

⁸⁶ EC Fourth and final EU-wide evaluation report of the EQUAL Community Initiative from 2001 to 2006, (2006)

⁸⁷ www.eif.org/jasmine/

sations and social enterprise companies. For example, there has been the creation of new legal forms of Social Enterprise in Finland, of Scic and Scop in France, and of Community Interest Companies in the UK, each with different rules concerning asset protection, rates of return to investors and membership.

The overall but provisional conclusions are two-fold. First, it does not follow that knowing good lessons and possessing the instruments necessarily mean that it is easy for programme managers to implement them and for the EU desk officers to convince local actors to take them on board. Second, the reasonably good results achieved by local development projects did not prevent the decision-makers at the higher level – EU or national – from deciding to cut the funding or to put an end to the programmes. Possible explanations of this state of play are multiple and range from political choice to lack of information. However, it is interesting to explore four specific issues, which are still subject to discussion and controversy.

1. The sustainability issue covers different things which merit separate treatment. First, the ability of projects to last after the period of public financing too often appeared to constitute a determining criterion of success of the programme, demonstrating that it had made it possible to select good projects and to endow them with the means necessary for their independent development. In fact, this evaluation criterion should only be valid for start-up programmes. If the objective of the local development initiative is to support innovative projects or approaches, a rather high rate of failure should be foreseen⁸⁸ and projects should be assessed on the degree of change and innovation that they introduced⁸⁹. However, such a focus for evaluation studies would require anticipating the results and making a preliminary diagnosis of the current public policies failures.

⁸⁸ EC, *Actions-pilotes en faveur des chômeurs de longue durée de plus de 40 ans – ligne B2-605 du budget général 1995, Rapport final DG REGIO (1998)*

⁸⁹ Moolaert F et al. *Towards alternative models of local innovation in Urban Studies* vol. 42, n.11 (2005)

Second, a distinction should be made between the different kinds of beneficiaries and their ability to survive without public funding. On the one hand, the continual movement of birth and death of new initiatives would rather support the idea that they intrinsically need a high level of ongoing and sustained public financing. However, some of the projects could be submitted to a specific threshold if they provide services or activities close to the market. On the other hand, the need to sustain core agencies that are providing quasi-public services and technical assistance is not really arguable; their sustainability should be evaluated on the basis of the relevance of their tasks for the area and for the public concerned.

2. Peer reviews and bench-marking have been actively promoted in the framework of the Lisbon Strategy. While they may sometimes be useful to help Member States reform their sectoral policies in a coordinated way, they do not seem suitable to supporting local development as it requires more adaptation to the local context than standardisation.

3. Mainstreaming, which is taken here to mean the transfer and integration of the lessons drawn from a particular experience or innovation in wider public policies is an old concern of supporters of local development. This buzz word brought together almost everybody at the turn of the century. But the agreement relied on a misunderstanding as mainstreaming was also favoured by National administrations which supported it as a way of simplifying the programmes and reducing the EU budget. For local development, the experience of the last decade of mainstreaming is viewed as being at best disappointing and to some extent a trap.

For example, far from trying “(i) to provide a common framework for analysis; (ii) to identify which features could be incorporated in public policies; (iii) to explore

*new ideas” as expected by the European LEADER Observatory,”*⁹⁰ mainstreaming resulted in a dilution of the local development approach in the sector-based logic of the operational programmes for rural development. This evolution was predictable when considering traditional mentalities and delivery procedures. The challenge was clearly stated in 2004 by a study⁹¹ endorsed by the Commission, which highlighted the obstacles and challenges overcome by successful rural groups and the policies and provisions to be made in order to ensure a propitious governance context. 23 recommendations were listed and regrouped under three headings dealing with:

- the removal of the administrative and structural barriers (e.g. simplified funding rules such as multi-sectoral and pluri-annual funding, clearly-targeted and measurable objectives instead of a detailed list of eligible activities, transparent conditions for global grant implementation, decentralised governance mode, accelerated institutional capacity building),
- the provision of strong financial, technical and political incentives for mainstreaming,
- and the setting-up of a European networking device (RURAL-ACT) to catalyse cooperation projects between the old and new Members States.

It is interesting to note that the study also advised the Commission to create “a LEADER-type Community action to experiment new pathways and procedures of local development” in order to face the lack of experience in endogenous local development in the new Member States. Unfortunately, this advice was not taken on board for the 2007-2013 programming period.

The same concern was expressed in the fourth and final EU-wide evaluation study of EQUAL⁹² as it stated in 2006

⁹⁰ Kolosy K, *Rural governance and the European LEADER initiative*, Ph D thesis, Aberdeen University department of geography (2004)

⁹¹ ÖIR Managementdienste GmbH, *Methods for and success of mainstreaming LEADER innovations and approach into rural development*, study for EC (2004)

⁹² EC Fourth and final EU-wide evaluation report of the EQUAL Community Initiative from 2001 to 2006, (2006)

that “*the contribution of the mainstreaming principle to the added value of the programme has been so far limited*”. In this case too, “*networking and mainstreaming have worked well inside EQUAL but had little impact outside*”. Very similar conclusions to the LEADER mainstreaming study were drawn, as regards the “*essential co-ordination role for the Commission in matters of trans-nationality*” and the EU added-value.

Second, sharing with other national authorities the view that a local development policy could not hope to deal with the full range of problems facing areas⁹³, the Commission did not create the practical conditions for good mainstreaming. No strong internal coordination mechanisms were created between the geographical units and those in charge of the Community Initiatives, in order to anticipate and to facilitate the mainstreaming process, neither in DG REGIO nor in DG EMPL⁹⁴. Moreover, since the operational and methodological tools have been dropped or not updated, the desk officers in the geographic units were in a difficult position to provide any technical or intellectual support to the managing authorities. Where material survives from earlier periods it does so on websites that are themselves designed in traditional formats without the modern interactivity that is expected by users in a Web 2.0 world.

More generally, with the exception of non-mainstreaming extreme situations, several types of mainstreaming seem to be currently at work. A distinction could be made between the multiplication/diffusion model which consists in extending the geographical coverage and spreading the method in other programmes (e.g. LEADER history); the national network model which transforms the EU experimentation in a national programme (e.g. PRODER in Spain and Portugal, POMO in Finland, Area partnerships in Ireland); the vertical model which creates room for a special

priority in the development programme (e.g. URBAN history and the urban dimension in the regional programmes) and the horizontal model experimented in the Netherlands. Each of these models would need thorough examination and be submitted to a discussion of its merits and pitfalls.

4. Partnership remains a big issue, even if approaches to it have changed overtime. Initially, it was an obvious method for the European Commission to overcome the filter of national administrations and break the vicious circle of under-development in some regions⁹⁵. Certainly, local development helped to extend the number of partners in the private sector and in civil society that may participate in the design and the implementation of integrated strategies aimed at improving the quality of life, the level of human resources, productivity, incomes, demography and the physical environment. It revealed itself to be a key instrument of collective commitment, easing the mobilisation of the vibrant forces of a locality for a given objective, thereby even contributing to the quality of democracy, better efficiency of public expenditure and true effectiveness of public policies. The main obstacles for a good partnership remain valid⁹⁶: first, partnership needs to fit with the objective and the tasks it plans to fulfil (i.e. for example, the classical distinction between a strategic partnership and an implementation partnership); second, it requires a culture of dialogue and trust. The latter is not given *per se* and calls for external support, training and other capacity-building interventions. The increased diversity of Member States in the EU since 2004 may have represented an additional obstacle.

3.2 Policy focus and timeliness

For the last decade, the general picture has become more blurred at the same time. It was also made more

⁹³ EC, *Renforcer la dimension locale de la stratégie européenne pour l'emploi* Communication COM (2001) 629 (Nov 2001)
 Batchler J *Future of the cohesion policy and integrated local development*, Conference Report Prague (2009)
⁹⁴ EC *Fourth and final EU-wide evaluation report of the EQUAL Community Initiative from 2001 to 2006*, (2006)

⁹⁵ Constantly acknowledged in the EU Cohesion Reports and repeated by the Barca Report, *An agenda for a reformed cohesion policy: a placed-based approach to meeting EU challenges and expectations*, study for EC (2009)
⁹⁶ Turok I, *Area-based partnerships in Ireland: collaborative planning in practice?* EURA conference paper (May 2001)

complex in the absence of a regular follow-up of EU and national support policies.

Firstly, in general, one can consider those National governments, local and regional authorities, and local groups who had made use of local development and were familiarised with all its components (partnership, programming, integration, strategic approach, etc.) during the previous decade. In many cases they have completely assimilated them and to a certain extent standardised their approach. This is so in the Nordic countries, but also in Austria, Portugal, Ireland, Spain and more generally in rural areas. Despite the decline and even cessation of some local initiatives, the learning process they have engaged in, even where they have been short-lived has challenged traditional, sectoral and top-down practices.

Secondly, the first decade of the twenty-first century suffered from a weakness of clear objectives in national policies and in European guidelines about how to give backing to local development schemes. They were presented as an instrument, a possible option in the ESF or ERDF programmes, but without showing what they could be used for. The situation was not helped by the lack of any deep reflection on political objectives related to local development in a profoundly changing political and socio-economic context in the Agenda 2000 process, similar to that provided by the 1993 White Paper.

The low level of interest among those who were not already practising local development and, later of the new Member States, can be explained at the same time by the optional status of support to local development in the cohesion policy menu and also by the lack of guidance on how to implement local development approaches, since technical assistance offices had been closed, the budgets allocated to the Community initiatives and to the pilot projects considerably reduced (from 10% to 5% of the cohesion policy budget), and the relationship between the EU level and the local level reduced.

In the absence of clear aims for local development in the regional programmes, the operators felt free to assemble groups of local projects rather than to engage their cities or regions in conceiving and implementing genuine integrated strategies of territorial development. Moreover, EU intervention under the Lisbon Strategy and under the new Structural Funds programming for 2007-13 focused on growth and not on a wider concept of development. This deficiency was largely underlined by Fabrizio Barca who suggested that EU interventions should in the future focus on European public goods.

Lastly, for new Member States and in the context of the 2000s, the concept of local development did not appear to support their priorities for economic development and in particular the growth imperative. The main concern of both the EU and the candidate countries was to achieve economic transition and the modernisation of the economic fabric through macroeconomic or financial measures and by a growth model based on foreign direct investments in anticipation of the enlargement of the Single Market. This largely reached its target since the influx of foreign capital⁹⁷ allowed the Eastern European countries to record substantial productivity gains because the foreign-owned companies increased the average⁹⁸. By 2002, the rate of foreign trade openness of these countries reached on average 80% for more than half of the EU-15 (56%)⁹⁹.

The second priority concerned accessibility of the region and improvement or modernisation of the network infrastructures (e.g. public service utilities such as energy, transport, water and waste) and amply justified the high appropriations of the Cohesion Fund. Experience highlights, however, certain methodological gaps. Indeed, recourse to the public-private partnership is only viable if public local, regional or national admin-

⁹⁷ e.g. rising to 14% GDP in SK and 8.2% GDP in CZ in 2002

⁹⁸ in 2002, for manufacturing industry, the productivity of the foreign-owned companies was twice higher than that of the local companies

⁹⁹ DREE - Dossier, Elargissement de l'Union européenne : un nouveau marché, Ministère de l'économie, des finances et de l'industrie, Paris (2004)

istrations are able to be good contracting authorities, in other words if the administrative staffs have at the same time the technical skills and the necessary institutional capacities to avoid being out-negotiated by sophisticated private-sector counterparts. The experience of cross-border leasing in many Member States including Germany suggests that few public authorities really understand the minutiae of these types of complex contracts.

As regards the other economic fields related to the quality of life (for example, health, waste management, environment, climate change, agriculture, and education), modernisation requires strong mobilisation of the population if they are to succeed in wider terms than just through infrastructure investment. In the past, the discourse on deregulation and the personal enrichment prospects functioned to some extent, making it possible to have sacrifices and inequalities considered acceptable as temporary or to encourage the citizens to solve their problems by themselves by calling for the private sector to mitigate the shortcomings of the public services. While this model was satisfactory for a large majority of the EU-12 citizens, it also marginalised a part of the population, such as the least educated persons, the inhabitants of rural areas, Roma and elderly people. As the economic fever of the last decade dies down, social challenges add to the new political challenges such as the integration of migrants, ageing, competitiveness (without reliance on foreign direct investment), global warming, energy dependence, local public services and food security.

Moreover, reinforced by the severity of the financial crisis, the growing debate about the right balance between the endogenous and the exogenous focus in a development strategy sheds new light on the continuing need for local development¹⁰⁰.

¹⁰⁰ Jouen M, 'Le rôle et la place des facteurs endogènes dans le développement des territoires' in Godet M et al. *Économie et nouvelles formes d'innovation dans les territoires* Documentation française Paris (forthcoming 2010)

3.3 Re-assessing the added value of local development

While evaluation is generally recognised as part of a learning process for the beneficiaries and the management authorities, it still represents a major problem for the local development initiatives. The majority of pilot projects and other support policies conducted during the second half of the 1990s were subject to evaluations which *ex-post* created doubts as to their political relevance (too much direct support of the projects from the EU level), their efficiency in relation to the national policies (windfall effects, overbid effects) and underlined limited quantitative results.

In fact, the problem is about two different issues: the effectiveness of the local development projects and bottom-up approaches which benefited from the support programmes, and the usual diffuse character of interventions supporting experimentation. This double problem arose distinctly from the 2002 report¹⁰¹ of the Court of Auditors on ESF Local employment actions. The Court criticized both the absence of a basic precise definition of local employment and the overlap with other programmes.

The evaluation issues were subject to constant recommendations from the beginning, in particular in the regular reports on LDEIs¹⁰², stressing the need to adapt the evaluation criteria, in a more qualitative direction, in order to take into account the rather slow development cycle of the bottom-up approach. The evaluators made many suggestions: some of them stressed the need to acknowledge the overall process associated with local development, and a territorial approach based on diffuse socio-economic dynamics¹⁰³; others insisted on

¹⁰¹ European Court of auditors, *Special Report on local actions for employment*, n. 4/2002 (2002) – EC, *Answers to the Special Report*, n. 13173/02 FIN 403 SOC 442 (Sept 2002) – EU Council, *Draft conclusions* n. 6611/03 (Feb 2003)

¹⁰² EC, *The era of tailor-made jobs, Second Report on local development and employment initiatives, Working paper of the services*, OPOCE, CE 09 97 220 EN (1998).

¹⁰³ Saraceno E, 'The evaluation of local policy making in Europe – learning from the LEADER Community Initiative' in *Evaluation 1999*, vol 5 p439-457, Sage Publications (London) (1999)

the specific character of local development – its inputs as well as its outputs – which are not always easy to capture, e.g. the bottom-up nature of partnerships¹⁰⁴ or the integration principle. Others again considered that it was crucial to maintain or to develop self-assessment methods and other types of evaluation, i.e. cross-national evaluation¹⁰⁵. It remains unclear whether these recommendations have been followed in the implementation of new evaluation studies.

However this debate questions the relevance of the concept of performance applied to local development and the need to enlarge the scope of the evaluation, taking into account the so-called added value, at micro and macro-levels.

At micro-level, the qualitative contribution of local development and its learning process have often been recognised by experts¹⁰⁶. They tend to converge on three main results¹⁰⁷: to overcome market failures, to improve local capacity and to facilitate empowerment. As regards LEADER, its added value was summarised in the 2004 mainstreaming study as follows: better use of local resources, expansion of the social capital, interactive learning process, empowerment of people, gain in quality in local or regional governance, increased efficiency in programme implementation and disbursement of funds. Generally speaking, the added value of local development initiatives covers its main outcomes: quality of life, amenities, modernisation, social cohesion, social capital and democracy.

However, it is widely acknowledged that these achievements are always submitted to specific frameworks and methodological conditions, which are usually designated as “success factors”. There are too many lists for these

¹⁰⁴ Pykkänen P, ‘Lessons learnt and future challenges of the LEADER method – a case from Finland’ in *The rural citizen: governance, culture and wellbeing in the 21st century*, Plymouth (2006)

¹⁰⁵ EC Fourth and final EU-wide evaluation report of the EQUAL Community Initiative from 2001 to 2006, (2006)

¹⁰⁶ See the references in the annex

¹⁰⁷ Walsh J, ‘Theory and practice: recent experience in Ireland’ in Alden J and Boland Ph, *Regional development strategies: A European perspective* :, RSA (1999)

factors. They have not changed dramatically over time and differ only on the ranking of the factors¹⁰⁸.

The most recent list was drafted at the Prague Conference on “The future of the cohesion policy and integrated local development” in March 2009. It includes the following elements:

- long-term framework,
- appropriate management capacity,
- commitment of all parties,
- sustainable development approach,
- tailored measures (with a place-specific mix of hard and soft measures),
- cooperation between local actors,
- subsidiarity (i.e. decentralised context),
- connectivity and networking,
- inspiration and leadership,
- a supportive financial and legal framework.

Critical mass, relevant area basis and the availability of support structures should probably be added to this list.

However, the framework may be insufficient if the local initiatives do not use a sort of a tool-box, which corresponds to the inputs of local development. It includes:

- a true and enlarged partnership,
- a multi-sectoral and comprehensive strategy,
- and dedicated delivery mechanisms.

Experience shows that tools may be different, depending on the life cycle of the projects (i.e. experimentation phase, development phase, research phase, mainstreaming), and the development of an area.

From a macro-level viewpoint, it is necessary to recognise the merit and effectiveness of the complete range of measures, including support for local development that the national and regional stakeholders had at their disposal at the turn of the century. The spill-over effect

¹⁰⁸ See the references in the annex

of the new technologies associated with the flexibility of labour markets may largely explain, for the better (reduced unemployment) and for the worse (precariousness and poor quality of the new jobs), the absence of negative social consequences of the explosion of the ‘dot com internet bubble’ in 2000, and the ensuing steady growth in the majority of the EU-15. But these can also be attributed to the supportive and experimental policy followed during the 1994-99 period.

Since the beginning, little attention has been paid to the objective of social change, intrinsic to any development policy¹⁰⁹, and therefore the need for a policy to support local development. The academic literature identifies three mechanisms to spread social innovation¹¹⁰: imitation, coercion (regulation) and conformity to values (new legitimacy). Local development may be useful in two of them – i.e. imitation and values: it produces innovation and good practices likely to be diffused to peers; it works in engaging civil society in participatory processes; it aims at creating shared ideas and practices, and accordingly to speed up changes in mentality in a flexible way, and also to facilitate the upholding of standards.

The analysis of practices at local level shows that “successful strategies” shifted from a narrow economic and social focus to a larger objective that could be seen as part of sustainable development according to differing definitions, and should include some creative or innovative components¹¹¹.

The impact of rural local development is a genuine demographic rebirth, noted in almost all EU-15 members and put forward by OECD¹¹² as a “paradigm shift”. It ends with the conclusion that rural areas deserve to

¹⁰⁹ Which can be seen according to Amartya Sen in *Development as a freedom*, as “a process of expanding real freedoms that people enjoy”

¹¹⁰ Klein JL and Denis Harrisson *L’innovation sociale – émergence et effets sur la transformation des sociétés* (PUQ, Québec, 2007)

¹¹¹ Moulaert F et al. *Towards alternative models of local innovation in Urban Studies* vol. 42, n.11 (2005)

¹¹² OECD, *The new rural paradigm: policies and governance*, OECD publications (2006)

be looked at as places that demonstrate the potential to develop and no longer as problematic and backward territories. However, disadvantaged places still remain even if their situation results mainly from natural or structural handicaps. Provided that the same policies are implemented, such a positive evolution seems also possible in the EU-12 in the medium to long term¹¹³.

For urban policies, there is a striking contrast between local politicians’ attitudes when faced with socio-economic and environmental issues, independently of their political options. On the one hand, mayors or other policy makers feel disappointed and impotent vis-à-vis social exclusion in disadvantaged inner or outer parts of cities, a feeling that may be summarised in two sentences “*We have already been testing everything for 20 years*”, and “*Even if we get results, they are mere drops in the ocean*”¹¹⁴. On the other hand they express enthusiasm for strategies related to the environment, energy savings, technological and social innovation, which testifies to the rapid spread of the Local Agenda 21 movement. It should be noted that in these cases EU support is often required more in terms of labelling than of co-financing and more to support the networks than to finance the actual projects (e.g. the ‘Covenant of Mayors’). This in turn raises the question of the relationship between the potential of local development and the size of the problems that require national and regional level intervention and regulation¹¹⁵.

¹¹³ Van der Ploeg J, *Rural mobilisation and the mobilisation of local actors*, Conference Paper Salzburg Conference (Nov 2003)

¹¹⁴ Heard in the Eurocities Annual Congress in Manchester in 2006

¹¹⁵ Townsend P., *Poverty in the UK*, Penguin books (1979) quoted in Glennerster H et al. *Poverty, social exclusion and neighbourhood: studying the area-bases of social exclusion*, CASE Paper London (Nov 1999)

Amin A., “Le soutien au local au Royaume-Uni : entre recul politique et engagement solidaire” in *L’innovation sociale - émergence et effets sur la transformation des sociétés*, Klein JL et Harrisson D, Presses de l’université du Québec (2007)

3 Conclusion

In conclusion, despite changing priorities and a changing context, the EU interventions have been outstanding for local development. It seems that local development fulfils different functions, depending on the socio-economic contexts and the stage in the economic cycle. It may be good both during and after an economic crisis when the creation of new opportunities is dramatically needed, or in a growth period when it is necessary to narrow the gap between the winners and the losers (that could be groups of people or places), to address the problems faced by the most excluded people or the remotest areas. Thus, the association frequently made by policy makers and politicians between social exclusion and local development during the 2000s may be understood to be the reflection of a focus on its “repairing” function during a relatively prosperous decade. Hence, the 2008-2009 crisis re-opens avenues for a wider spectrum of policy options for local development.

Following this assumption, tools and methods may differ slightly according to the objectives of local development: creating a new path of development or targeting marginalised areas or groups. Thus, adaptations will obviously be required to take into account the needs arising out of the crisis, the changing expectations of the population, and ‘new’ challenges such as globalisation, climate change, ageing, and food and energy shortage.

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ANNEX 2

ACADEMIC AND GREY LITERATURE ON LOCAL DEVELOPMENT

CONTENT SUMMARY

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References

Introduction

a) The academic literature on Local Development

The majority of literature in this field has been produced by a limited number of key academic persons or Member States universities and national research units. These researches relate to largely common topics such as entrepreneurship, SMEs, job creation and local development, local employment initiatives (LEIs), technological innovation, rural development, social economy, etc. These researches are also related to specific cultural and socio-economic contexts such as community development in the UK and IRL, or the industrial districts in Italy.¹¹⁶

Most of these researchers¹¹⁷ have been actively involved in trans-national academic networks, such as the European Branch of the Regional Science Association, (on endogenous development during the 80s and 90s), the European Network of Innovative Milieu on SMEs (GREMI), the European Research Network on Social Economy and Enterprises (EMES), the European Network for Economic Self Help and Local Development (EURONET) and/or within EU (and OECD) research or action-research programmes. These organisations have contributed to the dissemination and mainstreaming of results of these collaborative works and their transformation into policies. The European Commission (EC) has played a major role in this field, with its greater financial capacity, tendering processes, programmes, sponsoring of research and action research, conferences, support for trans-national networks and their associated expertise, and its exten-

¹¹⁶ National research agenda may have been induced by the type of areas in which local development problems emerged and had to be addressed and where initiatives mushroomed. It was the case for remote rural areas in FR, IE, ES and PT, for manufacturing areas facing restructuring, employment dislocation and firms closing and relocation such as company-town, harbours, mining areas, neighbourhoods or core cities, industrial or old craft districts in the UK, DE or SW.

¹¹⁷ Researches and widely publicized books written in the USA have been inspiring sources. A few eminent American scholars often teaching in Europe, wrote and publicized articles and books, such as East-coast universities Professors Charles Sabel, Michael Piore and Robert Putnam, in the 80s and 90s and Californian's university Professors Alan Scott and Michael Storper - play an important role in this knowledge production and dissemination process of academic literature on local and regional development and governance. Organisations such as the OECD and the CEC played a key role in this dissemination process both from the USA and within Europe.

sive sources and channels of information, dissemination and promotion of good practices.

Despite the large literature on local development in regional economic reviews (such as *Regional Studies* or the *Revue d'Economie Régionale et Urbaine*), only a few journals dedicated to local development have been created over the same period. The majority are published in English and in the UK. Their editorial boards include a majority of British scholars with a few members from other European countries, the USA and the Commonwealth countries. The most notable is *Local Economy*. It was founded in 1986 by the late Professor Sam Aaronovitch from the Local Economy Policy Unit (LEPU) at London South Bank University. It has published 24 volumes of 6 to 8 yearly issues. This journal brings together policy analysts, researchers and practitioners concerned with local economic policies and social justice. Its aims are to make academic research accessible to anyone working in the broad field of local economic and social change. Another important review is *Entrepreneurship and Regional Development*, founded in 1989 by Irish consultant Gerald Sweeney, addressing entrepreneurship vitality and innovation as central factors in economic development. Its board includes academics from 9 European countries, plus USA and Canada. 22 volumes have been published of 4 to 8 yearly issues. Other journals such as *Local environment and Regional and Federal Studies* also refer to LD issues (see www.tandf.co.uk).

A few academic handbooks have been written on local development used by students. Several classic US handbooks have been used by European scholars and practitioners (Blakely 1989, Bingham and Mier 1993, Blair 1995).

Other manuals have been published in the EU Member States, such as Italy and France (Becattini 1989, Garofoli 1991, Greffe 2002, Teisserenc 2002).

b) The grey literature on local development

Most of it has been produced and disseminated by supra-national organisations. It takes the form of empirical or action-research reports, studies, conference contributions, information and communication material, evaluation reports, often commissioned to academic, experts and consultants and connected with policies.

It has mostly been produced by the European Commission:

- DG V / Employment and ESF art 6 on local employment initiatives, local action plan for employment, local social capital, etc
- DG XVI / REGIO and ERDF's art 10 programmes on innovation on endogenous, local development, employment and territorial pacts and urban development;
- DG VI / AGRI, on rural development,
- Forward Studies Unit, on Local Development and Employment Initiatives
- DG XXIII / ENTR, on SMES and social economy
- DG Research (Projects such as Katarsis (FP6; priority 7) and Social Polis (FP7) on Cities and social cohesion;
- and other European Agencies such as the Dublin Foundation

Other productions are due to:

- OECD with LEED programme and Territorial Development Service; www.oecd.org
- UN organisations such as ILO¹¹⁸, UNIDO, UNEP/Environment Programme (with ICLEI/IULA on Agenda 21), UNDP on human development and the World Bank.¹¹⁹

¹¹⁸ The ILO is active in promoting Local Economic Development in various capacities and the Web site has a range of LED resources including LED Technical Cooperation and a range of downloadable LED Publications. <http://www.ilo.org/>

Canzanelli, Giancarlo and Giordano Dichter. (2001). *Local Economic Development, Human Development and Decent Work. ILO Working Paper intends to provide an overview of LED 'best practices' from some international organizations and countries.* <http://www.ilo.org/public/english/universitas/publi.htm>

UNIDO has produced studies on SME Cluster/Network Development and Business Partnership program, and Business Incubators. <http://www.unido.org/>

¹¹⁹ The World Bank has designed a number of tools to determine the economic potential of an area for determining local competitiveness. The World Bank's Business Environment Web site offers tools for

A large part of this grey literature is devoted to the evaluation of LD (in terms of achievement, assessment, methods and instruments):

- by the EC and related to most of EU programmes, such as Poverty 3, ILDE, TEP, CIPs (Leader, Adapt, Equal) and thematic evaluations of the mainstream programmes under ERDF and ESF;
- by the OECD LEED programme (1992, 2004, 2008).

1 Endogenous potential and self reliance

1.1 Endogenous development

This theory or approach has been based on a critique of 50s and 60s regional development theories and policies which produced unsatisfactory and unbalanced results in relation to expectations and to financial resources allocated by national governments. These 'traditional regional policies' emphasized the key role of mobility of capital and labour in affecting regional disparities, the promotion of investments by external firm's through capital incentives, administrative constraints and planning agreements with large private and public corporations. These interventions were combined with the role of welfare state in supporting income transfers and public sector employment aiming to promote greater interregional equity. Evidence showed that these policies were unable to promote self-sustained development of regions.

Endogenous development is based on the assumption that the major factors affecting development are rather immobile such as physical infrastructures, labour skills, local industry structures, technical know-how, local social end organisational structures. Economy should stop

assessing the business environment of the local area. These include surveys including expert and elite surveys, performance based firm level surveys, and constraints surveys; indicators of national and regional and local competitiveness, as well as information on transaction costs. In addition, the Bank's database of competitiveness indicators is a collection of 49 indicators to quickly assess economic performance and the environment for competitive business development in a large number of countries. Of particular interest are the infrastructure and investment climate indicators.

being too dependent on external decision, but is considered a result of choice of local entrepreneurs and cooperative relationships among local stakeholders (Brugger 1986, Stöhr 1986, Garofoli and Latella 1989, Konsolas 1990, Tykkylainen 1992, Jouen 2008).

1.2 Community development

Its renewal, in countries such as the UK, Ireland and the Nordic countries had the same origin as local development initiatives (LEIs) and endogenous development action or, in some countries with social economy and local inclusion initiatives. It has been subject to research, surveys and evaluation of achievements of community enterprises, community coops and community self help groups (Calouste Gulbenkian Foundation 1981, Grant 1984, Chanan 1992, Community Development Foundation 1999, Twelvetrees. 1998, Conroy 1998, Dale 2002, Skinner and Wilson 2002).

1.3 Social capital

The well known seminal work by Robert Putnam – based on research conducted in Italy and later in the USA- was based on vitality and engagement of civil societies and citizens as stakeholders in local/community/neighbourhoods development. Social capital commonly refers to the stocks of social trust, norms, and networks that people can draw upon in order to solve common problems. Two main dimensions were emphasized: social glue i.e. degree to which people take part in group life (bonding social capital) and social bridges or bridging social capital, which are the links between groups. Social capital is related to social cohesion and inclusion and it is recognised that both ‘have a strong local dimension’ (Putnam 1992, Dei Ottati 1994, Knack and Keefer 1997, Fannie Mae Foundation 1998, Loranca-Garcia 2000, Putnam 2002, CONSCISE 2001-2003, Bagnasco 2001, Ballet et Guillon 2003, Ponthieux 2006).

The World Bank has supported considerable research on this topic www.worldbank.org

The ESF (article 6) set up a programme ‘local social capital’, which was not clearly related to this then little known concept but instead supported pilot actions on community development finance and microfinance.

The Dublin Foundation has funded three research studies on Social capital in industrialised region and in rural areas, www.eurofound.eu.int

With the rise of the so-called knowledge society, a new series of research studies highlight the potential of local regeneration associated with cultural development and information technologies. Social capital appears both as an input and an output of creativity and social innovation (Florida 2002, Anderson 2007, Klein and Harrisson 2007, Castells 1997, Castells 2009).

2 Local employment

As a result of grass-roots initiatives and collective projects, local stakeholders gave responses to growing unemployment, serving unmet needs and generating new sources of incomes by promoting local development initiatives. These local employment initiatives then became local development and employment initiatives (LDEIs) and were promoted by the OECD, the EC (DG EMPL, REGIO) and several Member States’ support programmes. LDEIs have been the subject of many enquiries, reviews, surveys and analysis. Types and characteristics of promoters, objectives, functions, sources of funding, sustainability and achievements have been described. The LDEI movement led to case studies analysis and identification of best practices,” - and to theoretical considerations (W Stöhr 1993). Major EU policy reports, such as the 1993 J. Delors White Book on *Growth, Competitiveness and Employment*, provided an official recognition and rationale of the LDEIs concept.

2.1 Local employment initiatives

During the 80s a first wave of LEIs and of publications were seen at the transnational level (OECD 1985 and its collection of LEIs Notebooks).

Under the support of DG V - Employment, there was a large documentation produced by the Elise information Programme, support to networks such as TURN (network of LEIs promoted by trade unions) and EGLEI (network of 120 local development agencies) and other action-research programmes 1983-1998) such as:

- Series of *Consultations of actors at the local level in 1984-86* POVERTY and ERGO (inclusion of long term unemployed at local level) programmes;
- The Local Employment Development Action (LEDA) Programmes (phases 1, 2 and 3) 1986-1996 - a network of 50 local areas/labour markets. (Humphreys, 1996).
- Selected action-research projects on Local employment development 1997-1998, report 2000).

These were complemented by inventories and reviews at a national level (The Federal Ministry of Social Administration 1983, Strati 1987, Gaudin 1982, Arocena 1986, Greffe 1988, Verhoef 1984, See also, in the UK, publications by The Planning Exchange and the Journal of the Centre for Employment initiative).

2.2 Local development and employment initiatives

During the 90s the EU Forward Studies Unit explored the economic potential of a second wave of Local Employment Development Initiatives (LDEIs) in 19 fields of activities at local level and collected best practices examples from all over Europe. (EC 1995, EC 1996, EC 1996, Defeyt 1996, Henriques 1996, Cette 1998, Jimenez, Barreiro y Sanchez 1998, Cachon 1998, Jouen 2000, Monteiro 2004).

2.3 Local labour markets

Some complementary works were devoted to local labour market analysis and employment development

dynamics within travel-to-work or *bassins d'emploi* defined as local functional areas and places where local actors can cooperate and act in order to manage jobs and skills supply and demand adjustment, promote training, employment and development initiatives (Campbell and Duffy 1996, Lloyd and Ramsden 2000, OECD 1998, OECD 2002, OECD 2006).

2.4 Employment pacts

This work on local initiatives points out the need to prevent dispersion and to integrate or include local development initiatives into territorial pacts and local action plans. The 'Employment Territorial Pacts' were designed on the basis of an Italian scheme and managed by DG REGIO, AGRI and EMPL. It was structured on several principles: involvement of local social partners and other local actors within partnerships, bottom-up approach, integration and innovation. Surveys and evaluation of the 89 EU pacts jointly funded by ESF, EAGGF and FEDER have been produced (EC 1997, 1999, Staniscia 2003).

These programmes and their evaluation have inspired the so-called local dimension of the European Employment Strategy (EES) – from 1997 to 2003 - and pilot projects such as 'Acting locally' and 'Preparatory measures for a local commitment to employment' (see *historical review*). Within these policy frameworks and programmes, most grey literature produced was focussed on consultation of local stakeholders, promotional campaign, description of the role of each category of key players, reviews of lessons from past and current experience, definition of local employment indicators, possible use of benchmarking and impact-evaluation of these local actions and local plans. The more recent work related with the local dimension of the EES was produced in the IDELE series 2003-2006 for dissemination and exchanging good practices in 12 seminars¹²⁰).

During this period – 1995 up to now - not much academic work on this topic was produced, except on

¹²⁰ <http://www.ecotec.com/idele/>

local partnership seen as a new form of employment governance.

3 Local economy

3.1 Firms' generation, entrepreneurship and job creation

LD approaches promoted in a time of growing unemployment and industrial restructuring, with a high priority on employment development, have been boosted by research proving that employment growth was closely related of the 'turbulence' of birth of new firms and of net employment change in existing SMEs, rather than of interregional firm mobility and large corporation development. Against the debate was open by highly publicized US work (Berger 1982 Birch 1983 Hickman 1988).

The role of the small and medium size companies was popularised by books published by Schumacher (1980) and Mc Robie (1981).

Reports and articles reporting results of national and regional investigations and – often comparative - surveys - in and within Member States were published over the 90s by the *Entrepreneurial and Regional Development Journal* and other academic reviews, together with DG EMPL and OECD reports and publications (EC 1981, Todd 1984, CENSIS 1984, Karsten 1985, Keeble and Wever 1988, Brunetta 1988, Lloyd and Ramsden 1999, Medeiros, 1997).

Most surveys investigating the firm generation processes at a regional level, point out that enterprise creation is linked with its environment and that different types of local supporting networks were at stake in this process. SME generation was described 'as a matter of local networks' and innovativeness. It was described, not as an individual venture, but as a 'locally based-social actors dynamics' or an 'action system' combining individual start ups (or small group of social and commu-

nity entrepreneurs) bringing entrepreneurial motivations - not reduced to profit-making - , local conditions and environment , and a mobilisation of several support networks such as friends and family as potential moral and financing support; local peers and existing businesses, local institutional, technical and financing supports from local authorities, chambers, intermediary organisations and local branches of national support policies such as PES, training schemes, etc. including structures such as workplaces, incubators, local enterprises' agencies, etc. (Arocena 1983, Drucker: 1985, OECD 1998, OECD 2000, Carbognin 1999).

3.2 From industrial districts to clusters

Discussions on 'flexible specialisation', on local embeddedness and networks of firms have produced a literature based on a large number of concepts such as industrial districts, local productive systems, innovative milieus and clusters, and more recently, on learning regions and interactive learning, innovation networks, regional and local innovative systems, technology districts, local and regional competitiveness. They are closely related with the observation of a "resurgence of regional economies" by Michael Storper. A large and more general literature was devoted to SMEs and their role in job creation, export and competitiveness, with or without reference to their local environment and 'anchoring' in local areas and to their contribution to the development of the place where they locate (Ernst & Young 1999).

Researches were initiated in Italy on processes of 'diffuse industrialisation' in the Third Italy's industrial districts – an old Marshallian concept which was 'rediscovered' by Professor Becattini and other Italian scholars (Bagnasco, Brusco Bellandi, Garofoli) and closely related to SMEs studies. Italy was also the field work of major US academic such as Sabel and Piore, on flexible specialisation, inter-firm cooperation and endogenous development. It was, largely disseminated across EU (and OECD) countries by international studies such as ILS/OIT and provoked a

huge amount of research within economic geography and regional studies (Beccatini 1987, Brusco, Sebastiano and Righi 1987, Garofoli e Mazzoni 1994, Crunch 2001, Crouch 2004, Sengenberger 1990, Pyke and W Sengenberger 1992, Guiso & Scivardi, 2007).

With extensive research in many countries and on services, the notion of local productive systems emerged as less specific than the Italian context and referring to more diversified forms of aggregation of local firms and of 'core or distinctive competencies'.(OECD and DATAR 2001 and 2002).

An important contribution was provided by the *Groupe de Recherche Européen sur les Milieux Innovateurs* (GREMI) research programmes on 'innovative milieux', defined as environmental, cognitive and organisational place within which local firms can get access to technological resources and operate within networks. They point out that technology is not a residual factor but a contextual and endogenous one, largely adopted locally because of proximity and acquired through cumulative mutual learning, according to the need of local firms and their past accumulated experience and skills (Aydalot 1986, Camagni 1991, Maillat et Perrin 1992, Maillat, Quévit & Sen 1993).

More recent research work was devoted to clusters and territorial competitiveness. Clusters are defined as geographical concentration of groups of industries sharing common or complementary markets, suppliers or workforce skills, within which firms and other local actors are formally and informally interlinked through their activities. Industry clusters are both functional and spatial. Main characteristics are specialisation, geographical scope and interactions, generating economic synergies. They became an important component of metropolitan economies' presenting various economy of scale and production of tacit and informal knowledge and contributing to regional competitiveness.

Research was introduced and publicized by Michael Por-

ter, who identified traded clusters, local service clusters and resource clusters (Porter 1998, 1990, 2000).

In the EU, an significant amount of research was devoted to clusters (Enright 1996, Roelandt and den Hertog 1998, Belleflame 2000, Ketels 2000, OECD 2001, EC 2003, Raines 2003, Isaksen and E.Haug 2002, Martin & Sunley 2003, DTI 2003, Anderson 2004, Solvell 2003, DIACT 2005, Jouen 2008).

4 Area-based economic development

Research on endogenous development was partly related to a core-periphery model providing a conceptual framework for studying the spatial pattern of regional inequality and linked with the dependency theory. In-depth analysis and economic changes pointed out the diversification and modification of these development patterns. Sub-regional areas from the core such as coal-fields, manufacturing under restructuring and urban neighbourhood were declining while some areas from the periphery succeeded in attracting footloose industry and tourism, in promoting small firm development and in spreading of technology boosted by local endogenous development actions.

In managing change and restructuring of these territories shifts occurred from top-down policies instruments led by national administrations to more area-based local strategies and plans. Support by new regional development boards or agencies and by national support programmes has required the growing involvement of local government and community actors in the development of their areas. As a consequence, rural and urban economics tend to integrate many local economic development concepts and instruments (Barca 2009).

4.1 Rural development

In rural areas, local initiatives were closely connected with the creation of new firms and development in agriculture processing, other industries, tourism and business, personal, social and public services. They have been supported, in several Member States by setting up Rural Development Agencies, the creation of priority areas for specially deprived areas and preparation of local rural development programmes, including a strategic statements and annual work programme. Such approach was based on the concept of integrated development and conceived as a bottom-up approach since it was largely based on application for project funding from individuals and community groups as well as local councils, and responded creatively to the needs of each rural area. Emphasis was given to industrialisation of the rural area, to farm diversification and then to tourism and environmental development. Such approach was legitimated by the EU report on the future on the rural society and boosted by the LEADER Community Initiative. Technical assistance and the Rural Observatory brought in experts, produced descriptions of good practices and tools presented in fact sheets, Leader Magazine special focus, etc.

More recently the OECD has defined a new rural paradigm, based on the competitiveness potential of rural areas, their ability to value local assets and to exploit local unused resources (see EC - DG Agri 1989, LEDA 1991 and the literature produced by LEADER observatory and contact point especially under Leader 1 and 2 of definition and design of the 'leader method' among which can be quoted LEADER Observatory 2000, OECD 1992, OECD 1994, OECD 1995, OECD 2006, O'Conneide and Cuddy 1992, Dargan and Schucksmith 2003, Bryden and Hart 2004, The Countryside Agency 2004).

4.2 Urban areas

In urban areas, following the emergence of pockets of high unemployment and poverty, urban decay and riots, the local approach was focussed on the analysis of dis-

tressed neighbourhoods and on policy responses based on regeneration and revitalisation. These areas have been the subject of surveys, data bases of deprivation statistics and analysis in order to understand the causes of deprivation and cumulative problems and to design new area-based and community economic and social development responses. Urban policy programmes, based on LDEIs, enterprise development, local strategic revitalisation plans development, subject to evaluation, area-based social programmes were not very successful. They highlight the difficulties faced by the large mainstream organisations in reaching into disadvantaged neighbourhoods and to particular target groups - especially women, youth, elderly, disabled and ethnic minority groups.

The European Commission supported the Local Integration/partnership Action (LIA) and the '*Quartiers en crise*' network as well as working groups of *Eurocities*. It advocated an area-based approach to the regeneration of deprived urban areas under the Structural Funds, integrating economic, social, cultural, environmental, transport and security aspects. In parallel, since the beginning of the 90s, both active urban practices and dynamic theoretical works paved the way for new urban policy thinking, combining social and environmental concerns. The 'sustainable city' was subsequently promoted (DG V Network of 'quartiers en crise', EC 2000, Chanan 1997, OECD 1998, Department of the Environment, Transport and the Regions. 1998, Ramsden 2005, Froessler, Geoghegan, Soto and Van Bemmelen 2007, Moulaert 2000).

During the last decade, researches and grey reports were devoted to the role of cities in a global economy, on the dynamics of agglomeration, on their role as springboard of regional competitiveness and on the sustainability of their environments. Other reports refer to networks of learning cities (and regions), creative cities and transition cities which are transiting towards a low carbon future.(OECD 2006) and since 2005 the work produced within URBACT I and II. (Economic & Social Research

Council UK Department of the Environment 1997, Brangwyn & Hopkins 2008, Hopkins & Lipman 2008, Veltz 1996).

4.3 Local economic development

Literature related to this issue has been produced mostly during the 90s. Some reports provided overviews and theoretical basis (DG Regio 1994 by CRIDEL, Greffe 1992, OECD 1993, OECD 1999, Pizzinato 1997, Coffey and Polese 1998, Wong, 1998, Bennington 1986, Canzanelli 2001, Vasquez Barquero 1997, Rencontres Europe-Amérique du Nord 1989, Brunhes 2000, IFP Lokale Okonomie 2008).

This notion of local development became quite blurred, encompassing different meaning and definitions, ranging from local government's economic development policies to the larger notion of territorial development, understood as an umbrella definition for actions taken at the sub-national – regional and/or local - levels and within rural and urban areas.

5 Local sustainability

Environment was an important field of generation of LDEIs and at least 6 of the 19 domains were related to this sector. Following the UN Earth Summit, in 1992, the local dimension of environmental problems was promoted by ICLEI¹²¹ (International Council for Local Environmental Initiatives) and pushed by the 'Curitiba commitment for sustainable urban development' signed by 45 cities willing to turn their engagement into true action plan. Within Agenda 21, - which was one of the major outcome of the summit, - local areas – mostly cities -

¹²¹ *The International Council for Local Environmental Initiatives (ICLEI) is the international environmental agency for local governments. ICLEI's mission is to build and serve a worldwide movement of local governments to achieve tangible improvements in global environmental and sustainable development conditions through cumulative local actions, a membership organisation of 500 cities associated to the Union of local Authorities (IULA). It is actively involved in the implementation of Agenda 21 of the UN Environment Programme launched at the 1991 Rio de Janeiro conference. See 'Initiatives' :ICLEI monthly Newsletter; and Agenda 21 secretariat . www.iclei.org*

have undertaken 'Local action plan for sustainable development', on the basis of commonly defined principles (public participation, cooperation with citizens initiatives and the private sector, consistent local authorities environment policy, fostering of preventive action, 'polluter pays' principle). Guide for local authorities have been prepared and disseminated largely (Local government management Board 1993, Miljø-og Energiministeriet 1997, Jørgensen 1997).

The EC (DG ENV) has supported this movement within its Fifth Action programme on the Environment and funded another 'Guide for Local Authorities 1983). Further support came from the World Bank within its programme (with UNDP and UN Centre for Human Settlement) entitled: '*Towards Environment Strategies for Cities*'.

In the process of production and implementation of Agenda 21 and other Local Action Plans; tools have been designed and used such as urban environment indicators, urban environmental management system and assessment, ecological planning techniques, experiments in the management of finance and investment, training for civil servants, environmental education at schools and information and awareness kits for citizen, etc.

More recent production was devoted to local plan for climate change and 'transition' from external dependency (in energy, food, jobs) to endogenous local production and relocation of activities in order to reduce imports' or 'smart growth strategies'. Building green communities or eco neighbourhoods is also a new direction towards local sustainability (Douthwaite and Strohalm 1996, Robertson 1999, Welford 1995, Agyeman and Evans 1996, Schleicher-Tappeser 1997, INSURED 1998, Breton 2008, Rouet 2007, Rubino 2006, Stephen 2005, Cooper & Phillip 2004, Mollard 2004, Persson 2003, Transition towns network).

6 Social economy, local services and social inclusion

6.1 Social economy and new entrepreneurship

All EU Member States are recording a remarkable growth of the third sector i.e. in socio-economic initiatives which belong neither to the private for profit sector nor to the public sector. A large number of LDEIs and social inclusion local projects have been promoted by non-profit, voluntary, charitable and community organisations. In the 80s many closing private firms have been bought by workers and turned into workers coops. In many European countries new legal frameworks of social firms and organisations have been set up such as social coops in Italy and Portugal. (Bagnasco & Trigilia 1993).

This rediscovery and revival of the social economy has inspired research work – such as the Yale University International Program on non-profit organisations involving 150 researchers, which defined the theoretical basis of this non-profit sector and publishes the international scientific journal “*Non Profit and Voluntary Sector Quarterly*”.

In Europe, the International Centre of Research and Information on the Public and Cooperative Economy (CIRIEC) and EMES have produced many reports. The subject has been subject of a DG EMPL pilot action on the ‘third system’.1997-2000) which refers to a diverse range of organisations outside the traditional public and private sectors, encompassing co-operatives, mutual aid, associations, foundations, charities, voluntary and not-for profit organisations.

The specific contribution of social economy enterprises and initiatives to local development is connected with 3 processes: they may internalise external effects in linking social and economic dimensions; they compensate asymmetries of information and generate new produc-

tion behaviours and they may reduce moral hazard while generating social capital, according to Greffe (2006) (Campbell, Borzaga, Olabe, Greffe, Lloyd, Granger and Shearman 1999, Commission Européenne 1999, OECD. 2003, CIRIEC 2000, Delai 2005).

Limitations of both concepts of “non-profit” sector and of the ‘social economy’ led researchers from the EMES network to focus on the realities of social enterprises, in term of type of entrepreneurship, products, methods of organisations and production and new market relations, leading to a working definition of 4 economic criteria and of 5 predominantly social indicators and to a theory of social enterprise. (Borzaga, and Santuari 1998, Gomez de la Iglesia 2002, OECD 1999, Borzaga and Defourny 2001).

A new generation of social economy initiatives has emerged during the last decade which refers in Italy to ‘external solidarity’ (Self help, *économie solidaire*) i.e. enterprising ‘for them’ - mostly persons in needs or socially excluded - as opposed to ‘enterprising for myself’ (private profit making business) and ‘enterprising for us’ (cooperative and traditional social economy ventures). See Council of Europe *European Platform on ethical and solidarity - based initiatives a data basis of citizens initiatives in Europe* (80 innovative experiences) (Laville. 2007, Amin Ash 2009, Hausner 2009, Johannisova 2004).

6.2 Local services and social inclusion

These notions have been discussed in connection with the decentralisation of the welfare-state, the involvement of customers and communities in definition of their social needs and the search for improving the delivery of social services. They are also questioning the way in which often centralised welfare state reach beneficiaries, respond to their social needs, involved them into social programmes and deliver properly. In addition, responsive and flexible response against social exclusion requires decentralisation and involvement of local actors. This

is a particular issue in the increasingly diverse settings of the larger cities. (Meir 1993, Lloyd 1996, Percy-Smith and Sanderson 1992, Alcock Craig, Lawless, Pearson and Robinson 1998, Campbell, 1998, Wistow, Knapp, Hardy and Allen 1994, Kovalainen and Simonen 1998, Dublin Foundation 1993, Dublin Foundation 2003, EU (MOC) Peer reviews on social inclusion (a few topics), Mengin 1989, Cauquil 2004).

The discussion has been active in some EU countries, such as IT, in order to address problems of welfare state congestion, ill-functioning, poor performances and financial crisis (CESPE 2003, Martelli 2006). It also applies to inclusion of minorities or discriminated groups within local communities (OECD 2006).

7 Governance

Since mid 70s a dual process of devolution of responsibilities from central to local governments and from public to private (profit and on profit) sectors took place in many Member States. It was nurtured by an abundant literature by policy analysts and reference to concepts such as urban regime, growth coalition, policy networks, multilevel governance and public-private partnerships. In addition, some works have followed the local implication of economic and governance 'transition 'in Central and Eastern Europe (OECD 1996, EU 2001, Sabel and O'Donnell 2001, OECD 2002, OECD 2005, CEC 2009, Calame 2003, Keating, and Hooghe 1996, Kolher-Koch, 1998).

7.1 Local authorities

Local authorities make a major contribution to the local economy through the infrastructure and support services they provide and they promote, through direct employment and the jobs they sustain, through their expenditures and that of their employees. During the three last decades, most of the local authorities sought to develop their strategic role as instigators and facilitators

of economic and employment and - more recently - of environmental development. In a context of decentralisation and of multi-level governance, their role has been subject of many definition, regulation, and researches, but has also to be questioned. (OECD 1985, OECD 1986, OECD 1999, OECD 2001, ISEAT 2002, Enriques 1990, Bennington), see also Publications of the Centre for Local Economic Strategies and of the International Union of Local Authorities and Association Capacity Building Program (IULAACB) .

7.2 Local partnership

Local partnerships became a central structure of local development management and governance. The model which existed in very few Member States has been largely promoted by the EU, thanks to the Community Initiatives (such as the EQUAL development partnerships or the LEADER Local Action Groups).

Partnerships can be defined as an agreement between partners to work together to achieve common aims and a process to build relationships and get things done. To achieve this they need to share a vision, goals, way of working together and to pool skills and resources. Different types of partnerships can be identified such as networks, forums, temporary structure or more permanent and institutionalised one. They involve public and private actors working together to design area-based strategies, to adapt policy to local conditions and to take initiatives consistent with shared priorities. They have been promoted by governments as a tool to improve governance and address more systematically issues of economic development, employment, social cohesions and the quality of life. Improving local governance is considered as the main outcome of place-based partnerships.

A rich literature has been produced on this topic (OECD 1993, OECD & Sabel 1996, Caspar, Farrell & Thirion 1997, OECD 2001, Moseley 2003, Bennett and Krebs 1991, Campbell and Hutchinson 1998).

The Partnership principle has been subject to evaluation work, for example in Tavistock Institute and ECOTEC Research and Consulting Ltd (1999).

This was the first major thematic evaluation of this guiding principal of the EU Structural Funds. The study aimed at demonstrating the impacts of partnership at the different stages of the policy cycle as well as highlighting areas, which have scope for improvement. The study was undertaken by means of 54 case studies across the Union conducted by teams of national experts in accordance with a common methodology.

7.3 Citizen's participation and participatory planning

Participatory democracy is a process emphasizing the broad **participation** of constituents in the direction and operation of political systems. Participatory democracy strives to create opportunities for all citizens to make meaningful contributions to decision-making, and seeks to broaden the range of people who have access to such opportunities. Empowerment and capacity building are requirement to secure such participation in local development initiatives or strategies.

Participatory planning is an **urban planning** concept which emphasizes involving the community in the strategic and management processes of **urban planning** or community-level planning processes, urban or rural. It is often considered as part of **community development** processes.

Both concepts have been subject of researches in the context of reinforcing the role and involvement of the local civil society in development.¹²²(EU FP6 Priority 7,

¹²² *The World Bank's Participation Group Web site contains a variety of information on participation methods including key readings, tools and resources. It also provides information on mechanisms for the monitoring and evaluation of participation methods. Of particular interest is the section on good practice and lessons learned. The Participation Sourcebook, the Poverty Reduction Strategy Sourcebook, especially its chapter on participation are also key Bank documents that provide direction on participation.*

Dublin Foundation 1997, Chanan 1999, Decoster 2000, Donzelot & Epstein 2006, European Commission 1993, Marinetto 2003, Mothé 2006).

7.4 Financial instruments and engineering

Local development requires both engineering and highly skilled 'developers', together with a range of complementary public and private financial instruments. As a collective good, sustainable public support and funding are essential and finance engineering shall be able to help firms to fill gaps on the financial markets, to set up 'financial packaging', to match public and private money or to leverage money on one source from the other.

The EU programmes provide subsidies and loans which are matched by national public and private money. Global grants are a specific innovative, flexible and accountable instrument. They create a direct contractual link with intermediary organisations. Such grants are well adapted to funding of small or medium-size local development projects and SMEs. They have been used by programmes such as LEADER, DG XVI (REGIO) in 94-99 programming period in Objective 1 regions, ESF Article 7 on 'local social capital', etc. They have been subject to positive evaluation. The World bank has devoted many studies and evaluation on this topic. (CRIDEL 1994, DG Regio Sevilla seminar report 1993; OECD 2003, Bartik 199, Darce 1997, Dillinger 1995, El Daher 2000, El Daher 2001, Worley International Ltd. 2000).

EU member states provide additional and matching funds as well as a large range of tax incentives. New private financial mechanisms have been set up such as seed money, development capital and venture capital and ad hoc mechanism of collecting local saving and reinvesting it in local firms. More important are those related with to the funding of SMEs (equity, guarantee or loans) at the various stages of their development (Granger 1999, Lloyd and Ramsden 2000, Ramsden 2002).

Engineering and know-how are key components of efficient local development. It requires resources, tools and well trained 'developers'. It covers a large range of functions and services such as, for a local area, animation, advice and training, technical assistance, marketing of the area and attraction of inward investment, and for the enterprises, management of workspace, incubators, technological centres and centres of excellence, business services and labour force training.

Development agencies¹²³ which are managing these facilities as services play a major role in developing and providing these competencies.

A special category of technical support consists of manuals for practitioners, widely used for training development agents. They provide practical tools indicating the best approaches for designing, developing, implementing, monitoring and evaluating successful local employment development initiatives or strategies. The DG Employment has financed two handbooks for local actors:

- DG Employment, LEDA Programme 1991 and 1995 *Practical Manual on Local Employment and Economic Development* (published in 14 languages)
- DG Employment, IDELE, 2002-2004. *Practical Handbook on Developing Local Development Strategies*.

During the 80s & 90s, such manuals were complemented by local development agents and practitioners' exchange of experiences and training courses funded by DG Employment within the EGLEI exchange programme and the LEDA management training courses and Schools (DG Employment 1995, DG Employment 2004).

¹²³ The European Association of Development Agencies (EURADA) is a non profit-making membership organization that aims to promote regional economic development through dialogue with the European Commission. It supports the exchange of good practice among Members and transnational co-operation between regional development agencies. EURADA has a membership of around 150 development agencies from 25 countries of both the European Union and Central and Eastern Europe. The Web site provides information on Benchmarking and Projects, and access to a number of Position Papers. <http://www.eurada.org/>

Member States Public administrations or national agencies also published manuals on local development (Basque Regional Government 1994, DATAR 1986, 1987, 1988, 1989 and 1989, Lorthiois 1996, Strati 1996, Lyons and Hamlin 1990).

Conclusions

Local development is not a new paradigm of regional development. It may be defined as a 'generative metaphor'¹²⁴.

Local development assumptions, practices and policies emerged as a response to shortfall of both:

- classical and neo Keynesian economic growth models¹²⁵ in explaining regional factor growth and differences between regions, since large residuals factors normally remain unexplained;
- traditional regional policies of investment on infrastructures as a main way to compensate spatial disadvantages and macro employment policies implemented across the board and neglecting various dynamics local labour markets.

They claim that development of different territories follows different paths and that residuals factors can be explained by 'endogenous' or 'invisible' factors such as the role of individuals both as entrepreneurs and local stakeholders, specific environment and resources endowment and potentials; entrepreneurship and partnership become the corner-stone of the economic development.

¹²⁴ Defined as a frame of reference and processes for bringing new perspective into existence, ways of seeing one thing as another and enabling redefinition of a problem; its function is to liberate imagination and engender new understanding of problems; it creates new incentive for action and facilitates integration of practices or meaning of action.

D Schön. 'Generative metaphors' in A. Ortory (ed), *Metaphor and Thought*, Cambridge University Press, 1979. and P Marris. *Meaning and Action: Community Planning and Conception of Change*, Routledge, London, 1987.

¹²⁵ Factors such as perfect factor mobility and costs as location factors of productive activities for the former and approach of polarised development on growth pole with expected trickle down effects for the latter

However, there are no real local development theories, but within regional economics theories, some specific schools of thought which suggest to reformulate them. This is the case with development from below which argues for regions and local communities to take control of their own resources and institutions to create more sustainable jobs, to reinvest saving into the region and in small scale labour intensive local firms and to tailor development patterns to fit regional character. But both development from above and from below, which may be seen as complementary, share the same ‘economic base theory’¹²⁶.

Some other schools of thought challenge this ‘economic base theory’. It is the case of the endogenous development approach which points out that there is much to be gained by producing goods and services for local consumption in order to avoid external dependency or domination from large firms and from leading regions, and to sustain local economy and jobs in producing residential services. This is also the case of the smart growth approach, currently actively discussed in the USA - which justifies locally-based production of goods and energy by the growing costs of energy and by high emissions generated by imported products.

The grey literature tends to justify local development action as:

- a compensatory, corrective or resilient reaction in order to overcome negative impacts of employment dislocation, firms closing and growing unemployment and social exclusion;
- an adjustment to institutional change such as decentralisations inducing involvement of local government in the economic and employment development of localities;
- a springboard for development strategy fitting with lo-

¹²⁶ According to this theory, development of a region depends on its ability to raise the volume of exports relative to consumption of locally produced goods and services. It has been reformulated by the ‘new economic geography’ school of thought by KRUGMAN P. *Geography and trade*, MIT Press, Cambridge MA. (1991) and FUJITA M., KRUGMAN P., & VENABLES A. *The spatial economy: cities, regions and international trade*, MIT Press, Cambridge MA, (1999)

cal circumstances, context and a shared vision of the future.

The most common rationale of these local development schools of thought is based on the assumptions that:

- opportunities for growth exist in all various territories and functional areas and underutilised potential can be tapped
- they can be turned into integrated development projects
- as far as dynamic and committed local actors, cooperating within partnerships can get assistance and encouragement from supra local governments and other institutions such as universities, involved in the provision of various supports.

This rationale is in-line with and close to the OECD paradigm of new regional policy which inspired the Barca Report on territorial cohesion.

These assumptions or convictions, even without supporting evidence have inspired practices, initiatives and projects, strategies and action plans. Many of them have been designed and implemented within EU programmes (see *historic review*) and reported and evaluated in the grey literature.

This literature – and especially the evaluation reports and CEC communications – provide evidence that local development approaches bring a significant value added in the four following fields:

- i **Understanding new patterns of development**, for example the diversity of local factors that determine competitiveness and development potential of an area or the key role of factors such as the business environment providing ‘local collective competition goods’ or human capital stock available on local labour markets. Local approaches help to distinguish metropolitan or city regions, city neighbourhoods and towns within urban areas, or lagging, remote, dynamics and urban fringe areas

within the rural regions. They have inspired approaches followed by EU initiatives such as LEADER and URBAN. Highly differentiated local economic systems and clusters within which firms aggregate and actors interact and coordinate different activities or functions, are other examples of the relevance of this sub-regional segmented approach.

ii- **Addressing sub regional development problems.**

LDEIs have succeeded in generating new jobs in boosting both individual and social entrepreneurial activities and tapping local resources – including activation of human ones, use of people know how and organizational capacity which became main stimuli to revitalization of distressed areas and to competitiveness. Local development strategies have helped localities to optimize their productive potential, and less developed regions to diversify their production, promote tourism and specialise in niche products with higher value added. However difficulties in assessing such value added have made sustainability of these impacts questionable.

iii- **Improving governance.**

Involvement of local actors and partnerships into development projects' and strategies, is a more visible outcome of this approach and it can be seen as a concrete and active form of subsidiarity, which is one of the major EU principle of governance and participative democracy, acknowledged by the Maastricht Treaty. In a context of decentralisation and devolution, local development has facilitated and promoted new, active, energizing role by public authorities and the propensity of politico-administrative echelons to cooperate. The local level became one ladder of a multilevel governance framework, defined and promoted by the 2001 EU report on governance and recently by the Committee of Regions. Since most policy measures and projects are implemented locally, - even if they require supra local means of funding and technical support – such a level is of particular importance. Local development has strongly promoted the establishment of area-based public private partnership

which became a central instrument in mobilising new actors and new financial resources for development projects and has been largely asserted by EU community initiatives and the programming of the mainstream operational programmes within the structural funds.

iv- **Contributing to EU cohesion policy, territorial integration and improving financial mechanisms.**

This literature – and most recently the Barca report on place-based policy - suggests that local development should increase the efficiency of EU finance by promoting greater concentration of structural finance on the local level and through better management of local projects which have been selected on the basis of eligibility criteria, subject to monitoring and evaluation as compared with traditional public subsidies and aid. While the available evidence confirms that many LDEIs had an impact on social inclusion the impact of local development actions on a wider redistribution of wealth remains an open question.

v- **Promoting inter-territorial cooperation.**

Networking of projects of local dimension such as the Community Initiatives did and currently INTERREG and LEADER Programmes do, made a contribution to territorial cohesion and, at least symbolically, contributed to removal of borders inherited for centuries. This achievement shows that European integration and Europeanisation has more to do with the way in which actors are interconnected than in the definitive preponderance of a level of government.

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List of abbreviations

DG AGRI	Directorate General for Agriculture and Rural Development of the European Commission
DG EMPL	Directorate General for Employment, Social Affairs and Equal Opportunities of the European Commission
DG ENTR	Directorate General for Enterprise and Industry of the European Commission
DG ENV	Directorate General for Environment of the European Commission
DG MARE	Directorate General for Maritime Affairs and Fisheries of the European Commission
DG RDT	Directorate General for Research of the European Commission
DG REGIO	Directorate General for Regional Policy of the European Commission
EAGGF	European Agricultural Guidance and Guarantee Fund
EARDF	European Agriculture and Rural Development Fund
EC	European Commission
EFF	European Fisheries Fund
EQUAL	EU support for employment, training, equal opportunities and social inclusion
ERDF	European Regional Development Fund
ESF	European Social Fund
EU	European Union
FARNET	EU support to maritime areas
GDP	Gross Domestic Product
ILE	Initiatives Locales pour l'Emploi - Local Employment Initiatives
INTERREG	EU support for interregional and transnational cooperation
LDEI	Local Development and Employment Initiatives
LEADER	Liaison Entre Actions de Développement de l'Economie Rurale - EU support for rural areas
LEED	Local Economic and Employment Development Department of OECD
NGO	Non Governmental Organisation
NUTS	Nomenclature of Territorial Units for Statistics used provide a single uniform breakdown of territorial units for the production of regional statistics for the European Union
OECD	Organisation for Economic Co-operation and Development
SG	Secretariat General of the European Commission
SME	Small and Medium Enterprises
TEP	Territorial Employment Pact
UNDP	United Nations Development Programme
URBAN	EU support to urban development