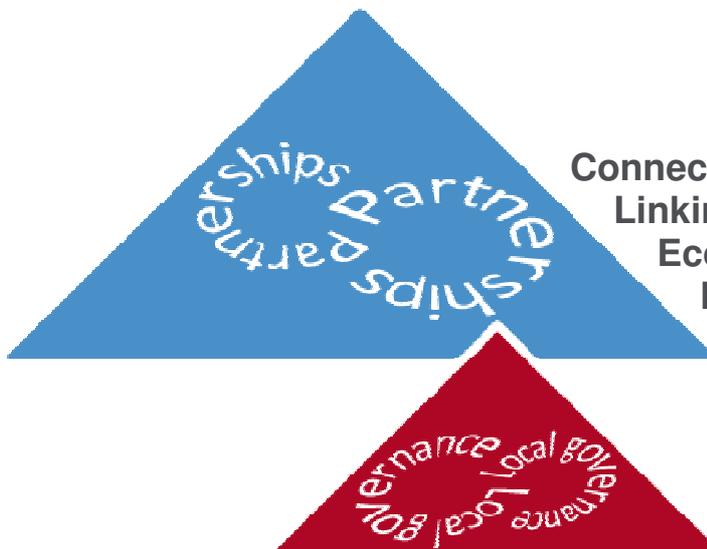


Series Forum on Partnerships and Local Governance
HANDBOOKS

Theme: Improving multi-level collaboration



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

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Multi-level governance

How local government and partnership actions are “wired into” mainstream systems of governance

In this paper the focus is on the way local government and partnership actions are “wired into” mainstream systems of governance. The aim is to explore how a given local association, partnership or government agency might be connected *vertically* with those elements that lie above it in the hierarchy of power and resources and *horizontally* with other local stakeholders, players and partners. For those whose ambition is to see local action more effectively applied within the policy environment, the paper argues that it is essential to understand where it fits into this matrix of connections. It also suggests that, once this is done, it will become clear that there is no simple prescription for the role of the local. What is or should be “local” has to be understood *in context* both in relation to the wider geographical setting (remote rural versus inner urban, for example) and with reference to the exiting hierarchy of governance. From this viewpoint it will become obvious that much of the promotional effort necessary to see an enhancement of the role of local actors in policy will probably need to be addressed to levels of governance higher than the local itself.

Local is not just a place where delivery happens, but where creative thinking for the design of policy and integrated forms of policy management can be brought to bear

From a more instrumental perspective, national and regional policymakers will also have to be persuaded that the local is *not just a place where delivery happens*. It is also somewhere where creative thinking for the design of policy and where more integrated forms of policy management can be brought to bear. The main point of this paper is, then, that persuading central policymakers to *do as much as possible locally as possible* is a good place to start in trying to make overall policies for employment and economic development more innovative and more “joined up”. This does not mean, of course, that local actors themselves should be passive recipients of decisions from above. While national and regional policy makers need to be encouraged to take active measures to improve the scope for devolution to local level, local actors should continue actively to instigate their own local initiatives and to capture maximum freedom to fill the policy gaps they see.

In the wider literature this area of interest forms part of the debate around what is often termed multi-level governance (MLG). What MLG describes has been called “a system of continuous negotiation among nested governments at *several territorial tiers*”. The focus is on an open, porous and flexible system of governance where continuing debates and adjustments are more the norm than some (probably never real) acceptance of a fixed hierarchy of government. The “territorial tiers” being referred to in relation to the European Union are normally the supra-national (EU), the national, the regional and the local levels. The idea of “continuous negotiation” is particularly important to our purpose here. It emphasises that powers - across and between the levels - are always under discussion and this reaffirms that there is always room for debate about what role the local level should be called upon to play. Another fundamental element of the MLG debate is the concept of *subsidiarity* – that is the proposition that policy action should be conducted at the lowest level in the system that is consistent with both effectiveness and efficiency. In short, then, the interest of this paper is, when looking at the complex “wiring” of governance structures, *where and how* subsidiarity should be applied to allow for powers to local

actors.¹

The 4 characteristics of MLG (multi-level governance) in Europe

Most commentators point to four characteristics of MLG in Europe under current conditions. All of them are recognisable in everyday debates on the role of local actors in the governance process:

- Firstly, that decision-making at all the territorial levels of governance is facing pressures for increased participation by *non-state actors* of all kinds.
- Secondly, that mapping the different territorial levels of decision-making has become more complex in the face of *overlapping administrative and political networks* involving a wider set of players.
- Thirdly, that under these circumstances *the role of the state is being transformed* as state actors become engaged more in strategies of coordination, steering and networking than in direct delivery and traditional public administration.
- Fourthly, in this changed and changing context, the *nature of democratic accountability* is being challenged with the boundary lines between representative and participative democracy becoming increasingly blurred.

The emergence of multi-stakeholder partnerships and their growing importance in governance is the clearest manifestation of how these processes can be seen playing themselves out. At the local level partnerships have been mushrooming across Europe – mobilising non-state actors, bringing different networks into contact with each other, transforming the role of the local (and in some cases national) state and bringing participative democracy strongly into play². Indeed, the last decade has seen local partnership bodies "colonise" whole areas of policymaking – particularly in employment and economic development. They appear, for example, to have had a special ability to satisfy growing demands for more "bottom-up" approaches to social and occupational integration. In particular, local partnership based organisations have been used widely in the delivery of active employment policies – particularly through their usefulness in tackling the complex barriers that keep disadvantaged groups out of the labour market. In more general terms, local partnerships have become an important device for the mobilisation of *local social capital* – for example through promoting volunteering and self-help, by sponsoring local multi-stakeholder development coalitions and by helping more widely to build of relations of trust between people. Quite why this has happened is the subject of extensive debate but there is an argument that the spectacular rise of these local

Local partnerships have become an important device for the mobilisation of local social capital

1 To look at the role of the local level in employment and economic development in the context of MLG it is clearly important not just to locate the lowest level of administrative governance in a given system and then examine what powers for local employment and development are ascribed to it. Local development is certainly strongly influenced by this but it tells us only part of the story

2 There is in some quarters an attempt to understand the role of the local within some more general reconstruction of overall governance. This is captured in the political movement for New Localism which is described by Stoker (2005) as "a strategy aimed at devolving power and resources away from central control and towards front-line managers, local democratic structures and local consumers and communities within an agreed framework of national administrative structures and policy priorities". There are certainly elements of this in what we go on to discuss here but our ambition is more limited.

partnerships (at least across the EU15) is less the product of some new emergent philosophy about how economy and society can confront the modern world and more an empirically observable set of responses by local people to real events - to localised unemployment and social exclusion and to local deficits in welfare and collective services provision³.

A Focus on Local Employment Development

The policy context is the *local employment development* (LED).

The focus for this paper is confined to that area of the local partnership debate that we can call *local employment development* (LED). It is against this policy context that we examine how local partnership actions can be effectively "wired into" the mainstream. This is particularly important given the importance in this particular policy discourse of the identification and dissemination of good practice. Any aspiration even to talk intelligently about, let alone transfer, such good local practice from place to place across the EU must try to see where the local sits - in context - within a changing governance process. Undoubtedly from what has just been said, current circumstances offer potentially far more opportunity for acting locally than in the past but such opportunity still has to be sought out and grasped and, for this, selecting the *right good practice for the right context* is vital.

Looking at 3 distinct areas of policy activity

From the LED perspective we are looking at three distinct (but naturally correlated) areas of policy activity where local action may, under the terms of MLG and of subsidiarity, be very differently positioned within the system of governance. These are:

a) Helping people into jobs and improving skills

a) Helping people into jobs and improving skills: supply-side actions where the subjects for the policy are the people currently both working and unemployed or in some form of education or training (the latter two being potentially available for work) – but all of whom can potentially supply more of labour/productivity than they currently do.

b) Economic Development and the creation of more and better jobs

b) Economic Development and the creation of more and better jobs: demand-side actions where the subjects for the policy are businesses or public employers whose activities produce (that is open up more of) the “job slots” that wage earners can supply their labour to fill.

c) Helping disadvantaged groups to access the labour market

c) Helping disadvantaged groups (those experiencing difficulty in gaining paid work) to access the labour market: social and economic inclusion where the subjects for the policy are people and groups at some distance from the labour market and where a diverse portfolio of measures is

3 What has been identified earlier as the “fertile ground” for the growth of local partnerships has, however, been highly differential across the Member States of the EU and every attempt at overall generalisation be qualified by this “health warning”.

4 A simple example might be where a dedicated local transport system is put into place to overcome geographical mobility problems.

5 This was recognised subsequently and a degree of dedicated funding for local partners is about to be made available through Local Area Agreements. These are being put in place in 2007-2008 to give greater opportunity for LSP partners to have more flexibility in designing their own programmes.

deemed to be needed to address their disadvantage. This means working from both the demand-side and the supply side – both by creating new jobs sources that are appropriate (sheltered workshops, for example) and helping to remove the barriers that impede access to jobs generally.

Local is what appears to work best in context

Some examples

There is no one-size-fits-all framework that looks the same for all three and it would be naïve to think in these terms. What should be "local" can, as was suggested earlier, best be defined by what appears to *work best in context* for the task in hand. For example, the scale efficient "most local" level of action for, say, a major national labour activation or skills development policy (as in (a) above) may well be sub-regional or even regional. By contrast, a policy for getting to the most disadvantaged groups into work (as in (c) above) will probably need to be local in a very real sense to capture the variety of social and cultural conditions that may be holding people back.

Historically speaking, as pointed out earlier, access to jobs and, in particular, helping disadvantaged groups access the labour market has been where local actors and partnership bodies have been best able to make their mark. The European initiative *Acting Locally for Employment* was, for example, a specific component of the 2000-2006 European Employment Strategy and considerable funding was provided to set up and support local partnerships working in the employment and social integration sphere. This had the effect of launching literally thousands of new local partnership bodies working to improve job access for disadvantaged groups across the EU15.

By contrast, in the case of policies for the creation of new jobs (as in (b) above), acting locally tended to be rather less important in the experience of the EU15. Policies to attract inward investment to promote innovation and to support indigenous small and medium enterprises have generally retained a predominantly national and regional focus. But there has still been an important local role for local Chambers of Commerce and Enterprise Agencies – chiefly in drawing businesses together for mutual support and giving them a collective voice in a local area. More recently, the growth of interest in social enterprise as a job creation instrument has also been identified with locally based activities.

"Local" is contextually defined and fluid, changes with the flow of circumstances and events and local players need to "go with the flow"

The fact is, then, that the local plays differently depending on the purpose of the policy action and who and what are the subjects of that action. "Local" in this sense is contextually defined and fluid. Similarly, the role attributed to local action is also by no means static. It changes with the flow of circumstances and events and local players need to "go with the flow" if they are to sustain themselves effectively against the complex dynamics of economic and social change. From this sort of perspective a good well-functioning local partnership body needs to seek *dynamic sustainability* - that is adopting a positive approach to change and being willing to mould itself continuously to changing circumstances to survive, with all the outcomes for its portfolio of activities and funding streams that this implies.

Governance Solutions to Facilitate Local Action

The clear advantage that local partnerships can display in adding value to local

Local partnerships can deal with complex, multi-faceted problems: local area problems needs *integrated local approaches*.

employment development is that (among other things) they can deal with complex, multi-faceted problems. As we have just described, they have tended to be able best to "colonise" those areas of policy where multiply-disadvantaged people face complex barriers trying to gain access to the labour market. Indeed, solving local area problems generally involves applying complex bundles of competencies; and it needs *integrated local approaches*. Naturally local partnerships need to involve other layers of governance to play their part – national and regional. It is here, however, that the traditional "policy silos" that normally constitute public policy delivery present their greatest problems for locally joined-up policy.

To take an example, most European States have policies designed to help the unemployed and the economically inactive to find ways into the labour market and with welfare state provisions under pressure everywhere this has become a prime feature of employment policy at the present time. Looked at from the central policy level (national or provincial) the task can look relatively one-dimensional – "find ways to get people into jobs" – and the instruments available to the Labour Ministry or the Public Employment Service will have to do with skills development, improving access to job information, "making work pay" in the sense of adjusting benefit levels. This or something very like it is the standard package.

The **value added** that comes from local partnership action is through getting the levels to work better by bringing different players together around a commonly agreed strategy

Looking at the same issue from the local level may, however, reveal an additional set of barriers to work access. While skills, labour market information and benefit levels will still have a powerful role, such factors as basic educational standards (numeracy and literacy), health, housing and social and geographical mobility, discrimination, cultural discontinuities and so on may well be the key impediments for those hardest to place in a job. To tackle these it is essential to take a more fully integrated approach and one that inevitably cuts across the established lines of public administration responsibility and that involves different levels in the governance system. The value added that comes from local partnership action is through getting the levels to work better by bringing different players together around a commonly agreed strategy. In this, the local actors themselves can exert both a creative and an informed delivery capability⁴.

Traditional "silo" approaches to policy, while naturally they have the advantage of offering clear lines of control and accountability for the public services, can be both inefficient and ineffective in dealing with those sorts of problems with complex multi-dimensional roots. The rise of local partnership bodies in the case of economic and social integration for marginalised groups is a de facto recognition of their special value in linking together the vertical (silos and levels) with the horizontal (multiple stakeholders). So, unbundling the ways actions are initiated, managed and implemented can help us to understand both the complexities of the system we are dealing with and the wide scope that exists for different, perhaps more efficient and effective, ways of connecting the levels together to get the best (local) results. It is to this that we now turn.

Unpacking Policy Actions in MLG

Policy of any kind needs to be *conceptualised (C)*, to

To help give a more realistic edge to the grand generalisations just made, let us see how the sorts of practical policies that constitute the three components of local employment development might be unpacked more realistically - both by types of policy actions and by level of governance (national, regional and local). Table 1

be *managed (M)* and to be *implemented (I)*

below enables us to explore the dimensions of this. Let us first suggest that policy of any kind needs to be *conceptualised (C)*, designed or thought up. Second, let us accept that policy needs to be *managed (M)* or, in European Commission speak, programmed. Finally, a policy needs to be *implemented (I)* or delivered.

Table 1. Policy Stages: Definition of Terms

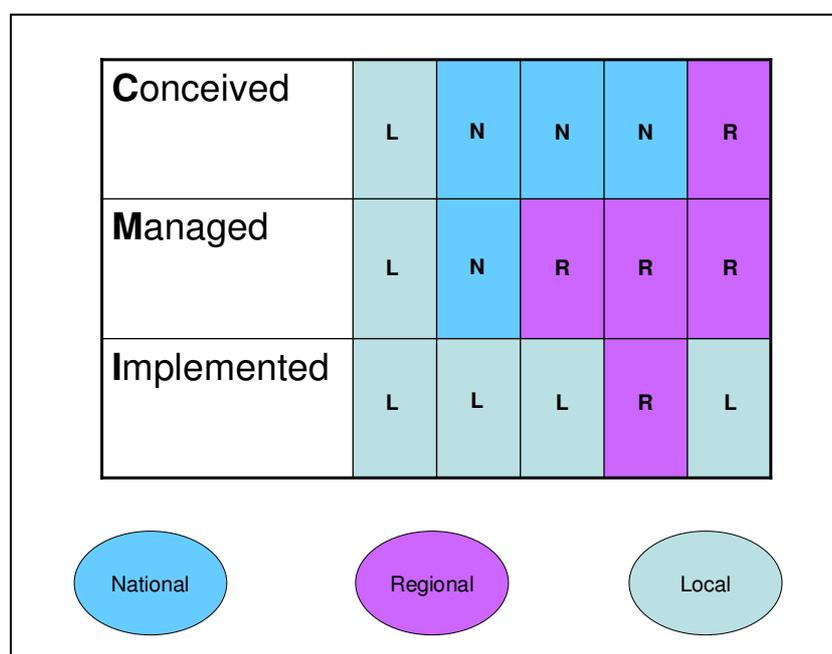
Policy Stage	Definition
Conception (C)	The determination of overall policy (strategy) and responsibility for the broad allocation of resources (budgeting).
Management (M)	Designing the programme for the allocation of spend. This involves: the setting of strategy; the allocation of funds to objectives; the setting of rules for drawing down and accounting for spend; establishing the principles for performance evaluation.
Implementation (I)	Taking responsibility for one or more elements of a policy or programme and being responsible for the tasks that follow through to direct delivery to the final client, beneficiary or service consumer.

Combinations of Actions with a Local Component:

Some examples

All three of these, admittedly oversimplified, policy stages can take place at one level within the policy hierarchy (say national) or across all three levels (national, regional and local) or in other meaningful combinations. This brings us to a possible picture such as Figure 1 below.

Figure 1. Combinations of Actions with a Local Component



The first column of Figure 1 shows, for example, the case where all three policy stages are operationalised at the local level – perhaps a local action to design, manage and implement the building of a village hall where none has been provided by government. The second column of the diagram shows a situation where the

action is conceived and managed nationally but handed down to local actors for implementation – perhaps a national programme for engaging older workers - implemented through a series of local partnerships. The third column sets out a possibility where the actions are conceived at national level and then handed down to regions for management with the local level responsible for implementation. This is perhaps the orthodox Public Employment Service model. The fourth column shows a case where the region is the lowest level for the management and implementation of a national policy. This is perhaps the sort of model applied to inward investment and advanced technology support programmes on the demand side. The last (fifth) column is one more typical of federal/regional systems where the actions are conceived and managed regionally and then passed to the local level for implementation. The details of what kind of policy actions might fit where are less important than the aim to show the flexibilities and degrees of freedom available when "wiring" the local into the governance system.

From this perspective it seems obvious to make the point that the *simultaneous* conception, management and implementation of policy (the first column of Figure 1) is not the only interesting possibility for local policy development. The local has many potential roles to play depending on the policy domain involved and the existing governance context. If there is a normative statement to make about the best role of the local overall, it is probably that - wherever possible - it would be advantageous to devolve as much conceptualisation/design and management of local employment development policy to the lowest level in the system consistent with efficiency and effectiveness (the subsidiarity principle).

Local has many potential roles to play depending on the policy domain involved and the existing governance context: the **subsidiarity principle**

The proposition emerging, the, is that by unbundling the ways in which policy actions are initiated, managed and implemented we can begin to understand the system and the wide scope that exists for different, perhaps more efficient and effective, ways of connecting the levels together to get the best (local) results. We have shown that although policy actions can be conceived locally, managed locally and implemented locally this is a relatively rare circumstance. It is much more common for higher (regional and national) tiers of government to be involved at some stage. A key role for local actors in this case is to *exert their influence upwards* – making a conscious strategic input to influence the (national and regional) policy process, to help in the design of effective actions and to be ready to offer judgments about efficiency and effectiveness from a local perspective.

Local actors should *exert their influence upwards* making a conscious strategic input to influence the (national and regional) policy process

The Rationales for Local Action

When we go back to the roots of local employment development in the EU15, as we pointed out earlier it was those local actions that dealt with spatially localised unemployment and social exclusion that proved to be the most highly valued. But of course this was against a *particular time and place context*. From the perspective of many of the newer States of the EU in the current context, there is an argument that where overall unemployment may stand at 20 percent or more, it may be hard at the outset to persuade national policymakers to tackle it by a bottom up local partnership approach. Not least this is because our learned experience shows that this takes time and though the quality of outcomes may be high the quantity is slow to build up. Another policy domain where we might speculate from past experience that local action has a special role to play is in addressing specifically geographical inequalities. In this case, there is good evidence of successes across the EU15 in

Local action has a special role to play in addressing specifically geographical inequalities both in

urban and rural area

tackling the contrasting problems of both urban and rural areas. For cities, we can point to good practice in helping to build (re-build) a sense of purpose and civic pride in those areas that captured the blight of the development process rather than its fruits. Local neighbourhood partnerships have become a normal part of the urban scene in most such environments in the EU15. For rural areas, the whole web of activity that has spun out under the EU LEADER programme represents a classic example of how local actions can come into play to blunt the sharp edges of change as rural areas undergo transformation.

Example: EU LEADER

Local approaches can offer some components of a "social safety net" for looking after the most vulnerable groups

There is, then, a strong case to be made that *local approaches widely offered* can do more than get people into jobs and help ameliorate social exclusion. On the wider canvas of local development they can help mobilise people to address their own problems in concert. They can offer some components of a "social safety net" for looking after the most vulnerable. What has to be clear in all this, however, is that, while history and past good practice will have undoubted learning value, reading the context and then finding approaches to identify where local action can best add value has to be the best advice.

Some Illustrative Examples of LED in Context

Some examples about the way local partnerships are connected into the governance process

In what follows, a number of examples have been selected where, consistent with the theme of MLG, there are lessons to be learned about the way local partnerships are connected into the governance process. They are not necessarily directly about employment, but the lessons are equally applicable regardless of the direct outcome to be focussed on.

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

The drive for local people to capture a stake for themselves in the system of governance normally comes from the recognition that some community need is not addressed or is inadequately addressed by public services and that self-determined action may be the answer. The feature of this category of local action is that it would normally be community led and, where possible, community owned but, for success, it probably also needs support from other elements in the system of governance. This form of partnership needs to find an organisational vehicle to bring individual members of the community together. In the classic case, C, M and I from our earlier model (Table 1) come together by an act of local sponsorship. The Trångsviksbolaget AB case study from Sweden offers us a good illustrative example.

Example 1:
Trångsviksbolaget AB,
Sweden

Trångsviken is a village of some 700 inhabitants and 70 businesses in the northern Swedish county of Jämtland. The county is roughly the size of the Netherlands but only has 121,000 inhabitants spread across 8 municipalities. In the early-1980s local people realised that their future was under threat from under-investment in key community facilities and services including the meeting hall, library, post office, church, school and childcare. Without these key pillars of local life it was believed that a sustainable social and business community would be difficult to maintain. The local authorities, while sympathetic, were not in a position directly to provide the assistance needed and the community came to the view that it had to act on its own behalf. A vision for the future grew up around the idea of creating a new community building to provide new premises for existing facilities and to become a seedbed for new cooperative activities. A board drawn from

individuals with key professional skills from within the community was formed to progress the vision. While it took almost ten years, the community secured the support of the local authority, the County Administration Board and national government representatives who agreed to provide 60% of the construction costs of the community centre with the remaining 40% supplied by the community itself.

Since its opening in 1992, the centre has produced an operating profit each year. It contains a meeting hall, library, post office, church, bank, restaurant, gymnasium, music school, day-care, after-school care, computer centre, masseuse, solarium, handicrafts and business conference facilities and services and office facilities. As part of the process, around 60 businesses in the community organised themselves into a Trade Association to provide support for the continued development of the community and in 2000 this was formed into a new joint-stock company, Trångsviksbolaget AB. The company is wholly owned by the Trångsviken community whose individuals and businesses invested 1.5 million crowns in initial share-capital followed by a further 1.2 million crowns in 2003. The formal goal of the company is the support of long-term community development and its legal status gives it a more powerful voice in negotiations with banks and the public authorities.

Successful ingredients:

1. Local community needed to be "wired together" with both higher levels of governance and with business
2. The aim was long-run sustainability
3. Other than public sources of funding

It was both the tenacity of the community in attempting to tackle their own problems and the willingness (in the long run) of the local administrative institutions to change their mindset that made the venture possible. But what is important here is that a number of critical ingredients were needed for success. First, there was a recognition that the local community needed to be "wired together" with both higher levels of governance and with business for the venture to become more than a "one-off" local project. Second, the aim was long-run sustainability and to achieve this, once the wider stakeholder group was in place, there was seen to be a need for a new institutional vehicle – the community owned joint-stock company. Third, there was a recognition of the need to look for other than public sources of funding in the form of loan and equity finance.

Trying to engineer co-ordination and integration among agencies acting locally from different levels of governance

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

While there are many examples of the different ways this has been achieved across Europe, the Local Strategic Partnerships initiative in England offers a number of important lessons. This forms part of the National Strategy for Neighbourhood

Example 2: the Local Strategic Partnerships initiative in England, UK

Renewal designed to address the continuing deprivation in many districts and neighbourhoods across England. Public service delivery in England involves large numbers of government departments and agencies operating at different spatial levels and across different, but linked, policy areas. A view had been emerging in the late 1990's that policy and governance was too disconnected, that this led to underperformance in public services and institutions and that this was most pronounced in the most economically and socially deprived areas. To counter this, the government introduced a new initiative called Neighbourhood Renewal in 2001. One element of this was the plan to introduce Local Strategic Partnerships (LSPs). A set of statutory, non-executive organisations without earmarked funding of their own. they were designed to bring together local authorities, health services, the public employment service (PES), community groups, businesses and other stakeholders to coordinate and facilitate more "joined-up" delivery of local public services in particular target areas. Their activity was to be focussed on the 88 most deprived English districts.

As an example of the sort of "wiring up" we have been exploring, the overall policy management of LSPs in England was conducted by means of a set of centrally imposed indicators and targets. These were designed to link local performance directly into the national strategy for neighbourhood renewal, consistent with the overall policy of central government to allow a degree of policy decentralisation but only within the defined limits of nationally set performance indicators. From the perspective of many local partners this was seen as giving a stronger weighting in the initiative toward central rather than local control. As non-statutory, non-funded bodies the LSPs had, for example, no scope to initiate their own activity unless statutory body partners allocated funding or they were able to acquire external grant aid. The centralised influence on funding was exaggerated by the additional pressures on the major potential funders (the local arms of national agencies) to focus on their own core departmental activities that were also driven by national targets.

What we can learn from this with respect to our subject of "wiring up" local partnerships is that in the balance of horizontal versus vertical linkages the relative power of resources and the rights to disburse them may be more significant than the organisational shape of the multi-stakeholder partnership body. Where the partnership principle is faithfully applied in establishing the *form and function* of the organisation (as in the LSP) it does not necessarily follow that the ability of the local players to be creative (C) and to manage their own programmes (M) is assured. Creating the form will not necessarily deliver the function. In the case of the English LSPs it can be argued that the arrival of the more formally defined model of local partnership, while undoubtedly welcome, was not in its initial form at least⁵, one that significantly helped local players to convert their creativity into action on their own terms. Since LSPs had no funding of their own, they were reliant on the resources provided by the dominant partners who naturally insisted on having a greater say in how it was used.

So what we have here is a type of vertical and horizontal "wiring up" that focuses attention on the need to join up policy initiatives for a given local area and that is dedicated to bringing a wide variety of local stakeholders into play. This is entirely laudable in its own terms as one step along the road to adding value to the local in the process of development. What is also evident from this example are the

Successful ingredients:

1. Attention on the need to join up policy initiative for a given local area and that is dedicated to bringing a wide variety of local stakeholders into play
2. Delicate balance to be achieved between the need for central control/accountability and the need to liberate local creativity/offer local ownership = sequenced process

sorts of problems that can arise where this kind of partnership has to operate within the framework of New Public Management philosophy - with its dependence on strong central lines of accountability set out through performance targets. There is a delicate balance to be achieved between the need for central control and accountability and the need to liberate local creativity and offer local ownership. It may be the case that under some circumstances, as in the UK example, there has to be a *sequenced process* - with the structure and forms of joined-up local governance put in place first to *build confidence and the first steps of capacity building* before, at a later stage, a financial model for giving greater control to local actors can be introduced.

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

It is clear from what has been said that one of the key problems that needs to be addressed in dealing with local development is the *sheer complexity* of what is to be confronted in some contexts (major cities for example). For contexts where accountability and regulation are central to the culture of governance it can be argued that there is a tendency for systems to be insufficiently “light footed” to cope with the complexity and dynamics of local development. There is often also a perceived need for the public authorities to find a way to act at arms-length from some aspects of the development process. One solution to this dilemma can be to bring into play a particular kind of intermediary organisation that can respond flexibly and appropriately to make things work better. Such an organisation could take the role of *development engineer* - pulling together complex bundles of funds and competencies from a variety of sources and packaging and brokering them to make them useful to organisations at local level. In this case, the rationale is to fill the gap created by the need for a *broker* to act between the public authorities and the complex population represented by local partnership bodies. In terms of the conceptual framework set out earlier, the task in this case is to build links between C M and I by appointing an *arms-length agency* to do it. A special ability of the best of these organisations is that they can “read” the world as it changes and act to offer *dynamically sustainable* solutions to local people and places. We can explore this idea through three case examples - SEP Ltd in central Scotland, GSuB mbH in Berlin and Pobal in Ireland.

Example 3: Strathclyde European Partnership Ltd (SEP Ltd) in Scotland, UK

Key role: to act as an interface between the regional government, local actors and the EC. As a private company SEP Ltd is seen to be able to make decisions quicker and more cost-effectively than public bodies

Strathclyde European Partnership Ltd (SEP Ltd), in Scotland provides a brokering service for the administration, allocation and coordination of European funds in Strathclyde. Its key role is to act as an interface between the regional government (Scottish Executive), local actors and the European Commission. As a private company SEP Ltd is seen to be able to make decisions quicker and more cost-effectively than public bodies. Around 200 other groups and agencies work in partnership with SEP Ltd including elements of Scottish regional government, local authorities, local enterprise companies, further and higher education, voluntary and community organisations and the environmental and equality agencies. The special value of its role comes from the fact that it is both deeply embedded in the Strathclyde Region and has sufficient freedom of action through its company format to “make things happen” more quickly and creatively than the public authorities and representative bodies.

Example 4: GSuB mbH, Germany

Following the same line, GSuB mbH, Germany was set up in 1991 as an agency

Key role: to reliably administer public funds and to transfer these to third parties

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

Example 5: Pobal (formerly Area Development Management Ltd), Ireland

Key role: It occupies an important intermediary position between the Irish national government and the area and community partnerships across the country

A third example that illustrates the "broker" role is Pobal (formerly Area Development Management Ltd) in Ireland. This is a long-established feature of the local partnership governance scene in Ireland. Unlike SEP and GSuB its remit is a national rather than regional one within the context of a small country. Functionally, Pobal carries out those sorts of brokering and engineering functions discussed in the two previous cases. It occupies an important intermediary position between the Irish national government and the area and community partnerships across the country. Like SEP, it has a primary role as an intermediary for the allocation of European funds to local partnership bodies – handling the process through an arms-length framework contract. Under its wing there are around 70 Area and Community Partnership Companies in Ireland funded under the Local Development Social Inclusion Programme (LDSIP) of the National Development Plan. These vary considerably in size from county-based structures to smaller local bodies. They were originally supported by EU funds but are now funded by the national government. Pobal (like SEP and GSuB) also supports local activity by providing advice, guidance and research to partnerships and assists them in their attempts to influence the development of national policy.

The value of "brokerage devices" that can help to bridge the gaps between players at different levels and with different statutory functions

What we can see from these examples is the value of "brokerage devices" that can help to bridge the gaps between players at different levels and with different statutory functions. What this approach can offer is a degree of "creative governance engineering" to find solutions where institutional or legal barriers stand in the way of solutions to the "wiring up" process. These sorts of organisations – operating on the basis of commercial rather than constitutional law – have the capability to introduce the sorts of flexibilities that law-bound institutions are unable to apply to their actions. But they still offer clear lines of accountability through the "customer-contractor" relationship with government. The not-for-profit or state agency format (whatever is allowed in the context of local law) can be used to create such bodies so that they can be used as intermediaries to pull together and "wire up" small scale local players - giving them additional scale economies that they lack when operating alone. Such bodies also provide a means for large numbers of smaller local organisations to capture finance and material support without the constitutional government bodies being faced with the administrative and political difficulties that come with having to make resource allocation choices at the micro scale. One of the great features of these sorts of intermediary bodies is that they can also open the door to more creative forms of sustainable funding in the form of trade-revenue based finance and loan and equity based funds to be brought into the local development process – helping to alleviate the "grant dependency" that so often sees local projects fall by the wayside when funding finishes .

Conclusion: Multi-level Governance, the Local and Globalisation

Local is where the complex pressures of globalisation and economic and social transformation are played out in practice

Value added: to allow local actors and partnerships the space and resources they need to come up with flexible responses to change and, as a result, to meet their own and society's needs more effectively.

Europe of difference: the EU27 are responding differentially to these sorts of challenges

Doing as much as possible as locally as possible has to be an axiom of good governance and sound policy

The local level is, then, not simply the instrument of government policies coming from higher levels. Ultimately, the local is where the complex pressures of globalisation and economic and social transformation are played out in practice. In response to these external pressures a clear trend has been for local people to come together on their own initiative to capture some development on their own terms. It is one of the paradoxes of globalisation that it tends have people search for some sense of local identity as they try to re-capture some control to their daily lives. Of course, some groups and places have more voice and economic power than others in trying to achieve this. But such local movements can still capture a new sense of mutualism and introduce new forms of solidarity that can play well even under the most unpromising circumstances. Thus, in the face of globalisation, there is evidence that action at the local level is becoming relatively more important for good governance. Formal powers are being more widely devolved by governments and funding is being made more available for local initiatives (through national or EU sources) in the majority of the EU 15 Member States. The value added that can come from this is to allow local actors and partnerships the space and resources they need to come up with flexible responses to change and, as a result, to meet their own and society's needs more effectively.

However, we need to be aware that governments across the EU27 are responding differentially to these sorts of challenges and that what we are witnessing is a "Europe of difference". The processes we have been describing are operating at differential speeds and the driving forces behind them are different from local place to local place. In some countries, the dominant force is the political movement toward decentralisation. In others, it is the search for new economic models – many of them exploring how to involve NGOs and social enterprises in public service delivery. More widely, there is also a newly emerging acknowledgement that much more locally oriented policy is going to be needed to attack economic exclusion and the effects of demographic ageing. What is clear is that in the outcome there will need to be a great deal more *variety* in the ways that public policy plays itself out to meet these needs. In order to match the variety of the possible solutions to the variety of the problems being faced it is clear that *doing as much as possible as locally as possible* has to be an axiom of good governance and sound policy. This applies both to wider issues of public service delivery in general and specifically to our area of interest here – local employment development.