

# Local development in Europe

## Assessment and prospects after the economic crisis



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For nearly 20 years, local development has featured among the multitude of instruments of Europe's cohesion policy. Seen by some as the leading edge of a post-industrial economy, by others as irrelevant and unrealistic, it has in fact been one cause of the unexpected renaissance of certain declining regions. Successfully promoted in the 1990s, local development became somewhat forgotten at the turn of the century, with attention turning to competitiveness as a response to the challenge of the knowledge economy and globalisation.

Since mid-2008, the idea of proximity has re-emerged in response to the prospect of a long period of economic uncertainty aggravated by major environmental and energy-related challenges. It was in this context that the conclusion of the European Commission's 5th Cohesion Report highlighted local development as a potential use for structural funds. Local development

has the capacity to strengthen cohesion within certain urban areas, social groups and peripheral regions, and to further achieve the objectives of the Europe 2020 strategy.

Almost 30 years after the first studies in central Italy and the United Kingdom, what do we know about local development? Why is the European Union interested? What role has the method played in European regional development? What have we learned about the best policies for supporting local development? What future does it have in the context of cohesion policy and national economic stimulus policies?

*This policy brief is based in particular on a study conducted by a team of experts coordinated by Marjorie Jouen at the request of the European Commission (DG REGIO) from October 2009 to April 2010.*

## What do we know about local development?

### An empirical definition

In the early 1980s, in countries hard hit by downturn in long-established industries, certain regions and small towns climbed back to economic growth by means of new small businesses and personal services, making use of their local value –human, natural or historical. This intriguing

phenomenon did not follow the model of major infrastructure projects and efforts to attract foreign capital. Different narratives attempted to explain it, with the emphasis on its circumstantial nature. With no single founding text, local development is defined empirically, with reference to sociology, economics, political science and geography.

This definition emphasises several other decisive factors: place (often a town, a parish, a valley, an employment catchment area, a neighbourhood, more rarely an administrative zone); partners from the public, private and non-profit sectors; and the collaborative methods of a unifying project.

Thus local development means territorial, integrated strategies which mobilise many local actors in the form of a partnership. Its short-term aim is to improve local living and working conditions, and its long-term ambition is structural change.

Its success can be explained by its capacity to solve local problems by mobilising local resources (human and financial) and available external resources (public or private finance) so as to create a path to prosperity and well-being – one which is potentially reproducible and exportable.

Such complexity distinguishes local development from other types of action initiated “from above”, aimed at creating new jobs or other activities. In other words, not everything local is necessary local development, whether it be municipal or infra-regional policies (such as those run by Italian provinces and French départements) or

the local consequences of decisions by national authorities or by external economic actors. The effects on employment, social cohesion and people’s autonomy are not the same.

### Several schools of thought

Academic literature on this subject does not offer specific theories of local development, but theories of regional economics and schools of thought which reformulate this with regard to its local aspects. Among these is the theory of “development from below”. This argues for local communities and regions to take control of their own resources and institutions in order to create lasting employment; for savings to be reinvested in labour-intensive local SMEs; and for the creation of tailored development plans. This approach gives local development a complementary function without bringing into question the economic basis of other models of development.

Others adopt a more radical position, arguing for the benefits of locally produced goods and services as a means of reducing a locality’s dependence on large firms or regions. To this school of thought can be added the recently-emerged “smart growth” theory which emphasises the role of local food and energy production in reducing greenhouse gas emissions.

#### IN LOCO Algarve - Serra do Caldeirão, Portugal

Starting as a regional youth group, mostly of women, working to stimulate local development in the hills of the central Algarve interior, IN LOCO gradually became a network of regional actors with several key functions: information, mediation, support and promotion of entrepreneurship. At first supported by the European rural development programme, LEADER, the organisation is now independent. It is at the origin of innovative projects in the areas of small scale farming, food processing, restaurants, rural tourism, vocational training, handicrafts, personal services, associations, producers’ organisations, nature conservation and local fairs.

## Why has the European Union become interested?

### A way forward for declining or threatened regions

At first, research on local development tried to identify alternatives to the tired “classical model” of industrial development, as promoted in the 1960s and 70s. While never a purely theoretical endeavour, research took place in an intellectual climate shaped by the *autogestion* ideas of May 1968 and socio-Christian ideals.

The search for new solutions for development was made more urgent in the 1980s by the impending European Community membership of Portugal and Spain. This posed two problems for the EC

10: that of modernising traditional industries facing new competition with low labour costs; and the need to slow the rural exodus, which was causing irredeemable population loss in certain regions.

European decision-makers quickly saw the benefits to be had in rethinking local development. They would be able to offer a new future to regions feeling left behind or threatened by the successes of European integration. Most of these regions were areas of industrial restructuring and rural decline, eligible for “objectives 2 and 5b<sup>1</sup> of cohesion policy between 1989 and 1999.

## Programmes of a somewhat experimental nature

Partly because of its innovative aspect and the specific nature of its beneficiaries, local development in the 1990s was a myriad of somewhat experimental programmes: innovative actions, pilot projects, community initiative programmes. At first closely associated with economic and social cohesion, support for local development later focused on unemployment reduction and social inclusion. Its programmes were co-financed by the ERDF (European Region Development Fund), the ESF (European Social Fund) or the European Agricultural Guidance and Guarantee Fund (EAGGF), depending on the area, the groups involved and the objective. These programmes accounted for up to 5% of the annual structural-fund budget.

At the end of the 1990s political leaders began to turn away from local development, seen as media-unfriendly. The new policy priorities changed due to the impending EU enlargement, a concern about focusing on the knowledge economy, and the lessening problem of unemployment.

From 2000, support for local development became almost exclusively the preserve of three EU programmes, of a more sectoral nature: URBAN for regional policy, EQUAL for social policy and employment, and LEADER for rural development policy.

Along with the succession of these programmes, the overall situation became more uncertain and complicated. The small number of projects and the lack of political support caused local development to lose its avant-garde character in relation to other regional programmes. There were fewer opportunities for local groups and other regional organisations running projects. Eligibility criteria increasingly focused on economic competitiveness; candidates often perceived strict financial constraints as disproportionate to the sums involved; the absence of methodological support at the European level provided little incentive for new regions to become involved. The changing transnational and interregional elements of the INTERREG programme, which became the “territorial cooperation objective” in the 2007-13 programme, illustrates this situation well.

### Merseyside Pathways, UK

Here was a rare attempt to apply an integrated local-development model to poor neighbourhoods across an entire metropolitan region, that of Liverpool, which in the 1980s suffered the worst fall in GDP/person and employment in the EU. In the framework of cohesion policy “objective 2”, the programme aimed to create jobs by bolstering the capacities of local partnerships. 38 zones were identified, covering around 500 000 inhabitants. Local Pathways groups including residents as well as other socio-economic actors were given the task of working out local strategies. From 1994 to 1999 this approach encouraged a change in mindsets and new confidence for the future among residents. The spirit lasted into the programme’s second phase, which created lasting structures, such as Job Enterprise and Training Centres and the ongoing Merseyside social enterprise network, which outlived the programme.

## What role has local development played in European regional development?

In 1994 the Commission laid out explicitly what it expected from local development, in the form of a list of objectives within the framework of cohesion policy. It must:

- make decision-makers aware of the importance of small-scale investment and non-material factors in regional development, and thus tilt the balance away from heavy infrastructure in European intervention;
- emancipate local people by giving them the means to shape their own future, and help them to take a full part in European integration;

- accelerate learning about sustainable development at the lowest level of government, by encouraging imitation in other similar regions and at higher levels of government (provincial, regional, national).

Subsequently, the effects of local development were often analysed in evaluation reports. These identified its content but struggled with the small scale of projects, the difficulty of finding a standardised approach, and more generally the impossibility of subjecting local development to traditional analysis of economic benefit. A 2004

1 Cohesion policy includes a number of “objectives” corresponding to specific regional situations. Their numbering and content has sometimes changed but in general “objective 1” indicates the least developed regions, with a GDP/inhabitant of less than 75% of the European average. Between 1989 and 1999, “objective 2” targeted areas of industrial restructuring and “objective 5b” declining rural areas.

study, covering the LEADER programme, sums up well the various positive impacts discovered: a better use of local resources, an increase in social capital, interactive learning, skills acquisition, progress in local and regional governance, increased effectiveness in programme implementation and management of funds.

More generally, at the micro-economic level, local development allows a local society and economy to overcome market failures, to improve regional capital and local skills, and to take responsibility. It has positive repercussions on quality of life, local amenities, local social cohesion, and democracy.

At the macro-economic level, the benefits of local development are apparent over the long term. Thus the capacity of certain economies to withstand the bursting of the IT bubble at the turn of the century was arguably due to choices inspired

by 1990s local-development theory – for example, Asturias in Spain, or the west of Ireland. The growing attractiveness of some rural areas which had previously seemed lost causes can also be linked to the catalysing effects of local development – for example France’s Limousin and Midi-Pyrénées regions, or Portugal’s Algarve. This is also the case (even if other factors were involved) of certain former industrial towns once stigmatised as ungovernable, and for which the term “shrinking city” was invented – examples being Liverpool (UK) or Leipzig (Germany).

In summary, experts see significant added value in local development to the extent that it offers a framework for understanding new means of development, solving small-scale development problems, improving governance, increasing the effectiveness of cohesion policy and promoting cooperation between regions.

#### Dundalk area partnership, Ireland

This medium-sized town near to the Northern Irish border suffered from extremely high structural unemployment at the end of the 1980s. The Dundalk area partnership was created in 1991 alongside eleven other pilot partnerships comprising public bodies, socio-economic actors and local civil society, with the support of “objective 1” European structural funds. In time it became an innovative platform for the local implementation of national policy, in a context of otherwise weak decentralisation. The model supported the development of small businesses, services for the unemployed, programmes to improve access to education, as well as infrastructure and environmental projects and a general effort to strengthen the social fabric. The businesses which participated in these partnerships are today stable pillars of their local communities. They are first to benefit from the publicly-financed local development social inclusion programme (LDSIP).

## What lessons can be drawn on the best support policies?

### The key conditions for success

As with the discovery of treasure, researchers have asked two questions about the “invention” of local development. Why in one place and not elsewhere? And how can this quasi-spontaneous phenomenon be extended?

Answers can be found in an abundant comparative literature on success factors for projects and on the optimal content of a policy of mainstreaming. This material has inspired numerous European and national programmes, which in turn have fed the research.

Backed up by this exchange between research and practice, experts today agree on the ideal characteristics of policy to encourage local development. It must:

- clearly define the target objectives for the region in question;
- divide tasks equitably between tiers of government and stakeholders;

- guarantee local people and project leaders methodological and technical support.

For a given group, project or region, success will depend on the presence of several factors: committed human resources; a dedicated support structure granting participants a means to act and acquire skills; specific financial instruments; a cooperative attitude and a climate of trust; a wide multi-sectoral partnership; committed actors and political leaders; and a clear division of work between the partners.

Although it appears wide-ranging and abstract, this list can be found almost entirely (and today, uniquely) in the regulations of LEADER axis 4 of the European Agricultural Fund for Rural Development (EAFRD) and FARNET axis 4 of the European Fisheries Fund (EFF) for the period 2007-13.

## A difficult mainstreaming

Researchers and project managers have always been concerned with how to mainstream local development – that is, how to move from prototype to assembly line, or to increase the scale and number of local initiatives while standardising their methodology.

In twenty years there has been no shortage of attempts, but success has been illusive. The largest and most complete effort at mainstreaming was the series of regional employment pacts launched in 1997 to give new impetus to regional development. With resources of € 1.6bn over 2 years, of which € 480M from the three structural funds (ERDF, ESF, EAGGF-Orientation), they led to the creation of 54 400 jobs. However, the option on offer in the menu of regional development programmes from 2000 was mostly not chosen by member states and the pacts did not lead to large-scale mainstreaming. They remain present in the Austrian programmes.

Sometimes regions and member states have taken over programmes launched at the European level, for example rural development programmes (Proder in Portugal and Spain, POMO in Finland) or area partnerships (Ireland). In France, the creation of pays and their contracts fall into this category. But after a few years a certain weariness has appeared, manifested in less attention given to methodology and a tendency towards management at the expense of innovation.

During the two recent programmes (2000-2006 and 2007-2013), given the termination of certain innovative actions and European initiatives, the EU has made efforts to hand back local development to the national and regional levels. Most experts agree that this has been a failure, characterised by a dilution of the original idea, a loss of visibility and fewer interventions, as much for urban areas (URBAN) as for jobs and social inclusion (EQUAL).

### Cserehát, a border micro-region of Hungary

The Cserehát region is one of the least developed rural areas in Hungary. It is situated in the north-east of the country, extending over the border with Slovakia. The region contains 116 villages and a total population of 100 000.

The “Cserehát” programme was launched in November 2005 by the regional UNDP (United Nations Development Programme) office as part of an agreement signed with the Hungarian government. It consisted of personalised assistance to support small-scale local projects. Local development was predominantly at the town level, and aimed at increasing social capital.

Starting in 2007 the main local actors cooperated in formulating a development plan and applying for funds from such sources as the LEADER+ programme, the Norwegian fund, schemes of the OFA national jobs agency such as “For a more liveable village”, as well as European programmes supported by the ERDF and the ESF.

## What future for local development?

### A poor economic context, paradoxically an opportunity

It is a paradox that the economic downturn creates an opening that could be profitable for local development. Already, the property and banking crises have influenced the public debate, boosting the idea that human well-being and the environment might be measured as part of the wealth of nations. They have also revealed once again the continued economic marginality of regions on the periphery of globalisation. There have been several recent proposals for indicators more advanced than those of the UNDP and for a more thorough analysis of the negative externalities of agglomerations. If these instruments were to come into effect, they would represent a solid basis, hitherto lacking, for discussing the pros and cons of a locally-based economy and a re-

localisation of production to certain regions. The political and technical legitimacy of local development could then grow.

Although a poor candidate for standardisation and systematisation, in times of crisis and high unemployment local development continues to produce the same positive outcomes for which it became known. This is surely an avenue to be explored for helping to boost regions and towns hard hit by economic downturn, without regard to how long their countries have been EU members. Certain stubborn problems in Central and Eastern Europe cannot be solved simply by an emphasis on innovation and technology, just like those encountered in the 1980s and 90s in isolated rural areas and poor urban neighbourhoods of the EU15.

Over the last three decades local development has demonstrated a remarkable capacity to adapt to its context. This facility could today be called upon when facing new challenges relating to the environment, energy, demographics or technology.

Finally, in a context of increasingly tight public finance, a low-cost approach is surely attractive, even one that is demanding in terms of human resources. Moreover, it is generally accepted that local development is an instrument which strengthens the effectiveness and efficiency of public intervention in general and European structural funds in particular.

### **An instrument to help the transition to a new economic cycle**

The outlook for economic recovery in Europe is uncertain. However, with the Europe 2020 strategy launched last spring, the EU has set out objectives for the next decade's economic and social development. Support for local development could find its place here.

Europe 2020's emphasis on information and communication technologies could help accelerate two promising developments for local development. First, the internet has allowed the aggregation of small-scale demand at the world level and an increase in supply lifetime, thereby changing considerably the profitability threshold for local

products and services. The possibility for consumers to interact with suppliers gives a new opportunity to isolated regions and their economies, in particular in tourism and culture.

Second, the development of virtual communities seems to be inspiring certain young people with local development by means of geographically focused initiatives, such as [www.fixmystreet.com](http://www.fixmystreet.com) or [www.la27eregion.fr](http://www.la27eregion.fr). Their interests, ideas and ways of working make them a source of vitality for the future of local development.

The best solution today seems to consist of a better coordination of existing local-development programmes at European level, together with stronger encouragement for ERDF and ESF intervention in the form of a compulsory minimal allocation in regional development programmes, along with methodological support.

A final argument should be taken into account, and not an unimportant one for those who seek to strengthen European citizens' attachment to the EU. A package of measures to support local development which accounts for 5% of European regional development funds (ERDF, ESF, EFF, EAFRD) could affect one European in two. This way nearly 250 million citizens would see first-hand how the EU can help towards concrete achievements in which they themselves play a part ■

## **Find out more:**

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