

# The Congress of Local and Regional Authorities



## Chamber of Regions

**16<sup>th</sup> PLENARY SESSION**  
**CPR(16)3REP**  
13 February 2009

### **Good governance: a key factor for the sustainable economic development of regions**

Uno Aldegren, Sweden (R, SOC)

Explanatory Memorandum  
Committee on Sustainable Development

#### Summary:

Regions in Europe are subject to profound transformations as a consequence of global phenomena. They are facing new economic challenges and also have to adapt to demographic trends, improve their energy efficiency and combat climate change. Their future in a globalised world depends largely on their creativity, their capacity to innovate and their ability to foster cooperation.

Sustainable economic development is not only dependent on tangible assets or on human capital. Regional authorities' good governance practices, their ethical conduct and their capacity to promote a climate of confidence with citizens and local stakeholders are essential elements to reinforce regional attractiveness.

To achieve this, as advocated in the European Charter of Regional Democracy, greater regional autonomy, effective application of the principle of subsidiarity and new forms of political participation are required.

R: Chamber of Regions / L: Chamber of Local Authorities  
ILDG: Independent and Liberal Democrat Group of the Congress  
EPP/CD: Group European People's Party – Christian Democrats of the Congress  
SOC: Socialist Group of the Congress  
NR: Member not belonging to a Political Group of the Congress



## TABLE OF CONTENTS

Introduction .....	3
1. Regions addressing global challenges .....	5
2. Dynamic regions for good regional governance: promoting the interface between the State and citizens.....	6
3. Regions facilitating networks and partnerships .....	9
Conclusion .....	11
Appendix: Summary of the case studies on local and regional governance for sustainable economic development.....	13

## **Introduction**

### *The extent of the challenge*

There is a growing concern in European countries, and indeed worldwide, that current economic practices and mechanisms are insufficiently regulated and unable to offer an adequate response to the growing disparities of wealth and social and territorial cohesion. Whilst much of the response to the current crisis must be found, for the most part, at the international and national level, regions have a duty to anticipate and accompany the economic transformations through good regional governance. Transparency of decision-making, efficient management, citizens' empowerment and the rule of law are indispensable in order to reinforce citizens' links with their locality and support innovation and sustainable economic development.

Political institutions and politicians throughout Europe are facing a crisis of public confidence as revealed by people's disengagement from politics, low turnout at elections, a rise in extremism and declining civic commitment. Related to this, citizens are not confident that their governments and territorial authorities have the capacity to guarantee economic stability and access to jobs and services. The gap between rich and poor is growing and social cohesion is not necessarily considered a priority either by policy makers or by some sections of society preoccupied with individual considerations.

There is also rising concern at the increasingly clear evidence of a global environmental crisis and an emerging awareness of the link between uncontrolled growth, damage to the environment and exhaustion of natural resources.

Good governance is essential for preventing conflicts, for greater political stability and for facilitating economic and social progress. Specifically, the regional level of governance can offer an effective interface between global issues and the concerns of citizens. If the political, economic, environmental and social challenges are to be solved, regional authorities need to renew their practices and rebuild trust between citizens and public institutions.

They need to provide a good governance framework which promotes greater transparency and accountability in decision-making processes and which guarantees democracy, human rights and the rule of law. Citizens should be able to fully participate in the elaboration and implementation of policies which impact on their lives and on their environment. Processes need to be orientated towards the creation of sustainable territories where people want to live and work, now and in the future.

Good governance also means providing the adequate framework to foster growth through innovation, entrepreneurship and individual risk-taking in the economic sector. But sustainable growth cannot take place without human capital, and regional authorities need to foster excellence in education, research and training.

It is the responsibility of public authorities to ensure that economic growth is not developed at the expense of social and territorial cohesion. Part and parcel of sustainable governance is the provision of adequate public and social services to ensure that social and regional disparities are diminished (rather than broadened).

New forms of political organisation are indispensable for good governance. They are necessarily based on sound practices, greater political, administrative and financial efficiency and offer additional guarantees of democracy by increasing citizens' opportunities to play an active role in political and civil life.

This report presents the ways that strong regions can put into practice the good governance practices and examines the most effective ways of promoting economic development without sacrificing environmental, social and territorial cohesion. Four case studies from Sweden, Poland and the Czech Republic are included in the Appendix.

### *International texts on good governance*

Strengthening good governance practices is necessary at all governmental levels and reinforcing local participation and public ethics are crucial to building a healthy democracy and reducing regional and territorial tensions which are potential sources of conflict. Promoting good governance based on democracy, the rule of law and respect for human rights forms a key part of the democracy building and stability pact programmes of the Council of Europe.

Since its ratification 20 years ago, the European Charter of Local Self-Government<sup>1</sup> of the Congress has provided territorial authorities with a powerful legal instrument to reinforce effective and efficient local self-government. It represented an evolution of our understanding of democracy and has played a pioneering role in the recognition of locally elected bodies as a fundamental democratic principle and in the right of communities to take responsibility for their own affairs.

The Charter is a binding instrument which is monitored by the Congress through country-by-country monitoring exercises to assess situations at local and regional level, fact-finding missions to look into cases of potential violations and observation of local and regional elections to oversee the Charter's practical application to the electoral process.

Underlying the Charter is the recognition that the principle of subsidiarity is a key factor in strengthening good territorial governance. It provides a tool to promote ethical behaviour by local authorities as well as transparency in public management and decision-making. Its implementation throughout Europe has led to a democracy which is more citizen-oriented, more participatory and therefore more effective.

Furthermore, given the growing role and place of regions in the construction of Europe, the Congress adopted the European Charter of Regional Democracy<sup>2</sup> in May 2008. This new instrument for regionalisation is the first legal text laying down the tenets of regional democracy and offering a common reference system and a benchmarking tool for the regional tier. It underlines the added value of greater regionalisation based on the respect of territorial integrity, the principles of good governance, participation of citizens and the reaffirmation of local self-government.

The Charter offers a variety of models for regional autonomy which can serve to preserve and enhance regional identity and development in the political, economic, social and cultural spheres and which could also be used in settling territorial disputes. Its implementation is expected to make a valuable contribution to territorial cohesion by boosting transfrontier and interregional cooperation and the creation of networks of regions and transfrontier regions. This Charter has not yet been adopted by the Committee of Ministers and the Congress invites the Council of Europe member States to take the steps favourable to its adoption.

For its part, the Parliamentary Assembly has already supported the action of the Congress and has recently adopted Recommendation<sup>3</sup> on Regionalisation in Europe which highlights the importance of the principles of subsidiarity, of regionalism, of self-government and of federalism in enhancing democracy, guaranteeing greater political stability and reducing ethnic and cultural tensions. This text reflects the high degree of regionalisation in a majority of Council of Europe member States and suggests that this development offers an additional guarantee to democracy as it enhances citizens' opportunities to play an active role in political affairs.

The Committee of the Regions Political Priorities 2008-2010<sup>4</sup> also emphasise the need to reinforce Europe's multi-level governance system as a way to promote Europe's values, legitimacy and efficiency. Multi-level governance, whereby public power is divided into two or more layers of government, offers a more flexible governance system which favours efficiency, coherence and economies of scale as well as encouraging people's trust in governance.

---

<sup>1</sup> [European Charter of Local Self-Government](#)

<sup>2</sup> [European Charter of Regional Democracy](#)

<sup>3</sup> Parliamentary Assembly Recommendation 1811(2007) on Regionalisation in Europe

<sup>4</sup> <http://www.cor.europa.eu/pages/DetailTemplate.aspx?view=detail&id=f619739c-87a8-462e-9e0b-d279b87e248c>

And finally, at the intergovernmental level, at the Council of Europe Conference on good local and regional governance – the European challenge, held in Valencia in October 2007<sup>1</sup>, the European Ministers responsible for local and regional government adopted the Strategy on Innovation and Good Governance at Local Level<sup>2</sup> which outlined twelve principles of good democratic governance at local level.

The issue of good governance is also at the heart of the Council of Europe Forum for the Future of Democracy which invites member states and civil society to strengthen democracy, political freedoms and citizen's participation at all tiers of governance. The Forum organises an annual event and has developed into a permanent part of the European political landscape, facilitating the exchange of ideas, information and examples of best practices, as well as discussions on possible future action.

The relationship between good governance and environmental sustainability is well established in international texts; the 1992 Rio Declaration on Environment and Development<sup>3</sup> underlined the need for these two concepts to be associated. The 1998 UNECE Aarhus Convention on Access to Information, Public Participation in Decision-making and Access to Justice in Environmental Matters<sup>4</sup> links government accountability and environmental protection and insists that sustainable development can be achieved only through the active participation in policy-making of all stakeholders.

## **1. Regions addressing global challenges**

### *Good regional governance as an asset*

The radical changes brought about by the globalisation of the world economy such as deregulation, free movement of capital, goods, services and people, have enabled more countries and regions to be part of the global economy and benefit from opportunities for greater production, advanced manufacturing and a growth of the knowledge society.

However, the benefits of globalisation are unbalanced with some regions able to take advantage of the opportunities offered for economic and social development whilst others suffer a strong negative impact as they are peripheral to, or excluded from, the phenomena. Regional and social disparities are growing faster today than before.

Globalisation has meant that production of goods and services can be relocated to almost anywhere in the world. In order to respond to this, many countries have adapted their legislation, regulation and fiscal policies to discourage industry and businesses from moving abroad. As a consequence, states, and therefore regions too, are forced to adopt similar policies in order to maintain sound public finances, solid macroeconomic policies and attract foreign investment.

Furthermore, the shorter time-cycles for production, distribution and consumption are placing a strain on many regions which are not able to facilitate the changes required for a more rapid reaction. In addition to these challenges, the globalisation of technology, information, finance and trade bring wholly new problems for governments at all levels.

The regional level of governance, situated in-between citizens and the global market, is particularly well-placed to promote sustainable economic strategies. Good regional governance entails providing the adequate framework to manage the effects of globalisation through regional policies of economic stimulation, sustainable development, social solidarity and the safeguarding of regional identities. Territorial authorities need to promote a balance between enabling entrepreneurship and protecting social and territorial cohesion.

Good regional governance should support and nurture specific regional features, cultural identities and endogenous potential in order to consolidate their place in a competitive world. Finding an alternative to economic standardisation and globalisation is becoming an increasingly decisive component of good governance and regional economic development.

---

1 Valencia Declaration (MCL-15(2007) 5 Final

2 [http://www.coe.int/T/E/Legal\\_Affairs/Local\\_and\\_regional\\_Democracy/](http://www.coe.int/T/E/Legal_Affairs/Local_and_regional_Democracy/)

3 <http://www.unep.org/Documents/Multilingual/Default.asp?DocumentID=78&ArticleID=1163>

4 <http://www.unece.org/env/pp/>

Modern theories of growth are highly relevant to good regional governance. They focus on the importance of trust and human capital rather than financial capital and insist that both social and physical infrastructures are central to long-term economic growth. Connected to these ideas are the systems of taxes and transformation and three variables that are considered to be strongly related to growth: the rate of investment, the level of education and the income per capita compared to other countries.

From these theories, we can conclude that politics of growth need to be sustainable and have a perspective of about 10 to 15 years. There is a need to focus on creating the necessary conditions for growth. The regional competitive edge demands constant renewal and collaboration between players, especially between business life and the public sector. Working strategically requires a clear vision and explicit goals on the one hand, and reinforced institutional capacities on the other hand.

### *Sustainability, an essential element of good governance*

The notion of limits to growth was first proposed by the Club of Rome in 1972. Its suggestion that the planet would not be able to cope with consequences of a rapidly growing world population and finite resources was controversial and seemed to be disproved by decades of strong economic growth.

However, an understanding of ecosystems as fragile and under threat is now commonplace and the concept of sustainability is now beginning to be addressed in public policies at all administrative levels. The politics of growth are no longer a task only for governments and consequently there is a need for dialogue, participation and a bottom-up approach in order to reflect this reality and ensure that all citizens feel a part of the decision-making processes and empowered to influence the decisions which impact on their well-being and on the well-being of future generations.

The situation and conditions facing each region are very varied and, taken together with their approaches to education, leadership and entrepreneurship, they respond differently to the challenge of sustainable growth. These factors largely depend on the shape of the democratic functionality in each region, and such democratic functionality and civic commitment are prerequisites for sustainable growth.

Many rural areas, particularly in more sparsely populated zones, face an accumulation of disadvantages due to their distance from economic and social centres, higher infrastructure costs, out-migration and demographic ageing. Many of Europe's regions are facing the seemingly unstoppable encroachment of urban zones into rural land. On this issue, regional authorities are well-placed to understand the inter-dependence between the two zones. Good regional governance facilitates an improvement of the links between rural and urban areas and this is essential for the territorial and social cohesion of both.

Sustainable spatial planning is with a prerequisite for regional competitiveness. People want to live in areas an unpolluted, quality environment where public authorities work together with the community to foster and protect a sustainable environment. Not only do they want open space for leisure and nature activities, but they also demand, for example, policies to reclaim derelict land which both frees up land for residential or commercial land use and helps clean up a previously polluted area.

Moreover, sustainable development is a rapidly expanding sector which offers social and economic opportunities. Indeed, the production of eco-friendly products and services is a growth industry with new skills and jobs being created in, for example, the renewable energy and energy efficiency sectors, in organic agriculture and in sustainable tourism.

## **2. Dynamic regions for good regional governance: promoting the interface between the State and citizens**

Regions are the building blocks of the national economy. Countries need competitive, dynamic regions if they are to achieve their economic and social objectives as the regional level is particularly appropriate for mobilising a critical mass of partners able both to promote innovation and to implement it effectively at grass-roots level.

The regional level of government should be in a position to promote regional strengths and resources and find a balance between European and national policies and the requirements and aspirations of their locality.

#### *Trust, leadership and a clear vision at the heart of good governance*

Successful regional development is dependent on territorial democracy and a high level of trust among the citizens on the one hand, and between citizens and politicians, on the other hand. Democracy in a region recalls the “circle of trust” between a region, the business community and civil society. The starting-point of a “circle of democracy” is the formal mandate of the region.

Trust helps build the foundations for a climate conducive to growth and confidence. At the same time it makes civic mobilisation for regional development strategies easier. These in turn bring legitimacy to the leadership and contribute to the acceptance of the institutional framework, which is a prerequisite for civic legitimacy among citizens.<sup>1</sup>

Having a political vision and goals - which are framed by clear leadership and made explicit - is fundamental to the success of a regional development strategy. The strategy needs to be both desirable and endorsed by key actors and civil society as a whole. Building trust through good governance means that citizens are able to participate in long-term policy making and the subsequent transparency in decision-making helps, in particular, to prevent corruption and favouritism.

#### *Regions as vectors of sustainable growth*

As a response to growing economic and social challenges, territorial authorities have taken on increased responsibilities for the economic development of their regions. These challenges include continual restructuring or relocation of large companies and their factories, the financial vulnerability of many small and medium-sized enterprises (SMEs), the soaring cost of the social budgets, the high cost of labour and the passive nature of national employment funds which are mostly used for unemployment benefits rather than for job creation.

Good regional governance implies a regional responsibility for their economic development and the introduction of resolute policies for growth based on the interaction between business, scientific and educational institutions, public stakeholders and civil society. As natural as it is for companies in a region to be active in the economy, of equal importance is the involvement and commitment of elected politicians, public authorities and other representatives of civil society. On the one hand, the local culture should encourage entrepreneurship, individual risk-taking and stimulate competition between different producers. On the other hand, it needs to maintain and enhance social and human capital.

There are a number of criteria that can be used when assessing the type of regional development required. Strategies chosen depend on each region, its geography and its particular circumstances. Subsidiarity is therefore important in order for a region to be able to develop in the way that best corresponds to its particular conditions and which encourages a more efficient use of resources. Currently, many of the factors which affect regional growth and competitiveness are determined by national politics.

There is a need for a clear definition of powers and responsibility of each level of governance in order to resolve the current fragmentation of economic development support services throughout Europe. This fragmentation is particularly due to overlapping intervention planes and an accumulation of layers, controls and operators (European, national and regional).<sup>2</sup>

From the perspective of businesses, entrepreneurship does not happen in a vacuum; building regional strengths primarily concerns finding the best ways of organising production and other activities. Sound economic development is dependent on a functioning society with good infrastructures, well-developed public and private services and an environment supportive to sustainable growth.

---

<sup>1</sup> Lidström A, 2006, Local contexts for democracy and economic development: connecting political trust and the local business climates, Umeå Working Papers in Political Science, no 1: Berglund, A-K, 2006 Kommunens kraft I den regionala utvecklingen, draft.

<sup>2</sup> EURADA Dossiers New Economy, III Regional Governance

A region can strengthen its capacity to build a sustainable, economically-sound community by enhancing three arenas which are examined below: the business arena, the attractiveness arena and the human resources arena.

#### *Facilitating economic development*

The attitude of the territorial leadership towards entrepreneurship and towards collaborating with the business sector is of great significance to the creation of a fruitful business climate. Regional economic development strategies need to build on a consensus developed between the different stakeholders and offer a shared vision and explicit policies for its implementation.

Public authorities can be slow to change to new circumstances and to respond to the rapidly-evolving requirements of the private sector. Regions need to improve their reactivity if they are to attract entrepreneurship and favour innovation. Furthermore, they need to ensure that their regulatory and administrative procedures are simplified to encourage and not hinder businesses. Linked to this, they also need to undertake strategies to attract inward investment and support industrial promotion.

Increasingly, the competitiveness of a territory is determined by a set of intangible assets; it is no longer the case that rich regions have the strongest economic development. Indeed, 'weak' regions may become drivers of the economy while rich regions may fall into crisis because they are unable to re-convert their traditional economies.

Regional support to nurture the business sector can be of either a direct or indirect nature. Direct support includes financial services such as grants, loans, guarantees, venture capital, and underwriting guarantees of appropriate financial mechanisms. Non-financial services include information provision, advice and training.

Indirect support also covers the provision of intermediate structures such as development agencies, venture capital companies and technology transfer agencies. Developing local economic structures is also required with the creation of enterprise centres, incubators, industrial parks, science and technology parks and first stop shops.

Regions can also support SMEs, which may not have the necessary skills or resources to keep up with the rapid evolutions in technology and product provision, by offering technological watch and economic intelligence schemes which provide a service to help analyse and integrate these changes.

In this context, it is also important to note that territorial authorities are often the main employer and service provider of their region and that this provides them with an opportunity to act as role models through innovative approaches and the introduction of efficient and sustainable services which foster more open and cohesive communities.

#### *Building up regional attractiveness*

Globalisation and the rapid pace of economic, technological and social change are creating a new paradigm whereby competition between European regions to attract businesses, skilled people and entrepreneurship is increasing. Sound governance practices should enable each region to build on its strengths and create its own unique solution in order to highlight its attractiveness. The attractiveness of an area is experienced through its tangible and intangible assets.

A healthy, sustainable environment which values its cultural and natural assets attracts well-trained and highly-mobile sections of the population for whom the issues of sustainability and eco-friendliness can play an important part in their decision of where to locate themselves and their businesses.

Adequate infrastructures, especially roads, railroads, ports, airports, and telecommunication backbones are not only key factors in developing a region's economic strengths, they are also essential to its attractiveness.

Likewise, the provision of adequate education, cultural, health and social services plays a key role in people's location choices. Regions need to protect and develop territorial equality and cohesion, not



only for reasons of solidarity, but also to ensure that even those people who have the choice to live elsewhere choose to remain or locate to the area.

### *Developing human resources*

Europe is experiencing a fundamental shift away from its industrial and manufacturing bases towards service, knowledge and innovation economies. The real added value of a region is the quality of its workforce, particularly their level of skills and of training. For a region to flourish it needs to promote and support high standards of education, training, research and development.

Good regional governance implies support for education and training in order to increase investment in human capital and foster high standards of intelligence, knowledge and entrepreneurship. Regions need to improve the adaptability of workers and enterprises as well as attract and retain workers, increase the labour supply and modernise social protection.

Regional development strategies should take an integrated approach and tackle the problems of employment supply and demand at the same time; care must be taken not to create jobs if the skills required are not available locally. Similarly, training courses will not have an impact if the corresponding vacancies do not exist.

Specialisation and increased knowledge of the workforce offers a means towards economic and social consolidation as does networking between the different regional players involved in creating, transmitting and applying knowledge. Improving skills among the work force in a region is an important part of good governance approaches and is an important tool for making a region less economically vulnerable.

### **3. Regions facilitating networks and partnerships**

An important component of good regional governance lies in a territorial authority's capacity to facilitate synergies and create clusters, networks and cooperation. Indeed, there is a need to strengthen governance at infra-state level with a view to promoting the regional level as a grassroots strategic authority able to build networks, partnerships and trans-boundary groupings between regions.

Partnerships are an essential means of boosting regional development as they consolidate and expand the competencies of the different actors. Such policies need to build upon the endogenous resources of the territories and take a bottom-up approach to development which reinforces the potential of initiatives and of local stakeholders. The effectiveness of such initiatives is maximized through broad partnerships which bring together the different socio-economic actors, the public and private sector, and educational and research bodies in order to ensure an optimal organisation of resources.

The 'triple helix model'<sup>1</sup> of private-public partnerships (PPPs) describes co-operation between universities, private organisations and public bodies which aims to increase innovativeness. Within this structure, the researchers are seeking scientific results, the enterprises and investors are seeking expansion and profit, and the policy makers are seeking sustainable economic development.

The rationale behind such partnerships is that, as a general rule, the private sector is more efficient in managing projects and functions as a source of innovation in regional development policy making. Meanwhile, the public sector is required to fill the gaps left by a market economy and ensure that questions of equity and social and territorial cohesion remain at the heart of regional policy-making. A clear division of responsibilities and good coordination between all the partners is essential for such cooperation.

Partnerships are also formed for specific activities, for example, technology transfer programmes to enable industries, universities, public authorities and other institutions to share skills, and scientific and technological developments with a view to making knowledge and findings accessible to a larger

---

<sup>1</sup> Etzkowitz & Leydesdorff, 1995

audience. The findings can be developed and exploited for new products, processes, applications, materials or services. The involvement of public authorities in such strategies is increasingly important given the complexity of the stakes.

#### *Cluster policies to strengthen regional innovation*

Clusters build upon the reciprocal relationship between companies and their vicinity. They enable companies in a region to work together to achieve a competitiveness which is measured in the ability to renew production methods and react flexibly to new challenges.<sup>1</sup> They are important drivers of innovation and contribute to the sustainable development of industry and services and to the creation of 'regions of knowledge'. A successful cluster requires strong cooperation between businesses, educational and research bodies and access to highly-skilled human capital.

A cluster is a "geographical concentration of companies specialised in one sector, which are linked with specific suppliers and other enterprises in interrelated industries and which compete but also cooperate with one another...there must be mutual trust between cluster members, and they must share certain objectives and priorities so as to achieve full coordination in a multi-level context."<sup>2</sup>

Good regional governance facilitates these new linkages and cooperation between industry, public bodies, and non-governmental organisations, together with a number of knowledge-specific players such as academic and research institutions, private or public research centres, science and technology parks, technopoles, innovation agencies, innovative enterprises, local development agencies and financial bodies.

For regions to create an environment in which clusters and poles of excellence can flourish, they should offer guarantees of suitable financial instruments which encourage innovation and sustainable growth and ensure that their administrative and regulatory procedures are not hindering their development. Experience has shown that such clusters and poles tend to evolve naturally and that creating them artificially is likely to end in failure.

Territorial authorities also need to promote the activities of clusters nationally and internationally and encourage trans-regional and trans-frontier partnerships. The right public policy can help create a brand image of the region – and the cluster – so as to increase its opportunities for external growth.

#### *Trans-frontier cooperation*

Regional good governance means building bridges between regions and between neighbouring countries. Trans-frontier cooperation offers a means for neighbouring regions and states to improve the efficiency and effectiveness of their public service provision through the sharing of facilities and services across national boundaries. It also offers a powerful tool to coordinate policies of mutual interest, for example in the field of regional planning and development.

Good governance is particularly important where there are social or cultural tensions between peoples. Trans-frontier cooperation can offer a response to latent conflict by promoting confidence-building strategies to create stability and by involving the populations in constructive exchanges. Such approaches can increase tolerance, understanding and good-neighbourly relations between populations.

The Congress 'European Outline Convention on Transfrontier Co-operation between Territorial Communities or Authorities' offers a framework for regions to build co-operation in such fields as regional, urban and rural development, environmental protection, the improvement of public facilities and services and mutual assistance in emergencies.

Further examples of successful networks include the Euroregion projects initiated by the Congress such as the Adriatic Euroregion and the Black Sea Euroregion. These aim to develop cross-border and regional cooperation in order to achieve greater prosperity, stability and security of their populations.

---

<sup>1</sup> Jan Edling, *Tillväxtens regionala logik - Region Skåne 2007*

<sup>2</sup> Opinion of the Committee of the Regions on Clusters and Cluster Policy, ECOS-IV-024, adopted by the Committee of the Regions on 19 June 2008

## **Conclusion**

Good regional governance means taking an integrated approach to regional development where environmental, economic, social and cultural dimensions are included in policies from the start and are not addressed in a fragmented way. Such approaches are necessary in order to compensate for the limitations of market economies.

Leadership and a shared vision are essential to effective regional development strategies. These should be elaborated through close consultation and dialogue with all stakeholders to ensure that the approach responds to the real needs of the population. In this way social trust is enhanced and the legitimacy of democratic institutions is reinforced.

Regional economic success is no longer restricted to those areas which are traditionally wealthy or which have access to natural resources. Amongst the deciding factors today are the quality of the human resources and the existence of a climate of trust and confidence. With this in mind, territorial authorities need to focus on building educational excellence, participating in the knowledge-based economy and facilitating entrepreneurship and innovation in the business sector.

Partnerships, clusters, sector based groupings and trans-frontier cooperation can be decisive in sustainable regional growth. Investment in infrastructures, particularly transport and telecommunications is essential for the requisite mobility of ideas, people, goods and finance.

Implementing the principle of subsidiarity is a prerequisite to healthy regional development as many regions are currently unable to fully implement the regional development strategies they may wish to undertake as they do not have the necessary administrative or regulatory powers. For good multi-level governance, it is essential that subsidiarity means a real transfer of powers and financial resources and that the regulatory framework allows for meaningful decentralised decision-making and not merely the accumulation of successive layers of administration.

In many European countries regional autonomy is weak and it is the nation-State that sets the agenda for all the political levels. The European Charter of Regional Democracy of the Congress is a legal instrument which offers Europe's regions, for the first time, a common reference framework and a set of guidelines to accompany States through regional evolution in Europe. It aims to recognise the exercise of regional self-government as a major element for democratic governance.



## **Appendix: Summary of the case studies on local and regional governance for sustainable economic development**

In order to discuss the hypotheses outlined in this report, four case studies have been undertaken and are presented here.

These four examples have in common that the localities have had to face significant economic and political challenges during the 1990s. In these cases, the political leadership has been explicit, choosing to face the situation by working with a clear vision. This strategic approach does not stop with the making of more or less probable visions. Rather, they have been completed with concrete development plans, and in the making of these plans, the citizens and the civil society have been invited to take part to greater or lesser degrees.

Poland and the Czech Republic have recently gone from a system of planned economy to a modern liberal market economy and their democratic tradition is younger than in the Swedish examples.

Significant in the localities studied for this report is that the person in charge of economic developments and the mayor or regional leader maintained an open and continuous dialogue with local businesses. The territorial authorities have tried to understand and satisfy the business sector's requirements. Communication, combined with activities, has resulted in building trust between business and the public authorities. This kind of trust offers a valuable first step to deepening the relations between public bodies and local businesses and to providing the framework necessary for sustainable growth.

### ***Skåne region (Sweden)***

The mandate to coordinate the development of Skåne through region-wide development programmes which consist of visions, goals and strategic activities has been successful. The main problem still facing the region is the weak link between the public authorities and the citizens although this has improved since the development strategy was initiated.

Skåne is densely populated with about 1.2 million inhabitants and has an advantageous geographical position – close to Germany and Denmark on one side and Poland on the other side.

Region Skåne is a regional public body founded in January 1999 with responsibility for the development of Skåne until 2010. Region Skåne has the mandate to coordinate the development of Skåne by putting forward development programmes for the whole region including visions, goals and strategic activities. Regional transport and infrastructure is one activity, another is cultural policy. However, the main and most prioritised responsibility is as head of Skåne's health and medical care organisation.

The regionalisation that began in Sweden at this time can loosely be described as a way of shifting from "regional policy" to "politics of the region", i.e. the need to promote the advantages of each region. These developments led to the need to mobilise citizens in order to reinforce democratic participation. Regarding the national economy, Skåne was in a peripheral situation in Sweden since Sweden physically ends in Malmö and there was no bridge.

#### *The regional development strategy*

During the nineties, Skåne was hit by the financial crisis and many jobs were lost. Skåne was organised through three different public ownerships at the time and the situation led to regional confusion, especially with regards to transportation issues.

Region Skåne has been responsible for putting forward a regional development plan. First, the SWOT (Strengths, Weaknesses, Opportunities, Threats) analysis was undertaken. Following this the regional development was based on four goals: attractiveness, growth, balance and sustainability. Each activity is connected to one of these goals. The development work is often carried out through partnerships, in which case Region Skåne is always the lead partner.

One of the motives behind experimenting in increased self-governance was to increase the commitment of the citizens. Surveys have shown that the experiences of Region Skåne have created legitimacy for regional decision-making. The strengthened democratic connection with citizens indicates an increased awareness of the region and its mandate, primarily through civil society and through the support that the region has experienced.

### ***Wroclav municipality and Lower Silesia (Poland)***

This case study shows how the city of Wroclav, having been given a clear mandate, has had a powerful impact on regional development in Lower Silesia.

The Lower Silesia Province is in south-western Poland, has a population of 2.9 million, occupies 6.4% of its area, and is one of the country's 16 provinces. It is divided into 30 counties (powiat), including four municipal counties and 169 communes, or municipalities. The capital of the Province is Wroclaw, one of the country's main economic, scientific and cultural centres.

In 1995, this part of Poland was facing a difficult situation. The transit to a market economy was ongoing and this created passivity and concern among the population. Some groups of people made great fortunes at the expense of others. The unemployment rate was especially high in some parts of the region and there was massive migration, mostly to the United Kingdom and Germany.

At the time, Poland had an administrative system which meant a politically weak regional level – 49 units at this level and one strong national level. Today, the region of Lower Silesia is a directly elected body and is ruled by a majority. There are five members of the Board, and the Council consists of 36 members. There is a discussion in Poland about increasing the regional mandate to give the regions more influence. Today, they have a mandate for the running of some hospitals, some schools, international cooperation, issues of culture and environment and they co-own some infrastructure with the national government. The region is financed by the State. It cooperates with municipalities and districts, but has no supervising or leading function.

#### *The regional development strategy*

The tough situation created an acceptance from below of the need for measures to be taken. In order to create conditions necessary for economic growth, the national government established either normal or special economic zones. In the special economic zones set up in places with very high unemployment, certain tax subsidies were allowed. The so-called normal zones – like Wroclaw – were created to support the development of hard and soft infrastructure. Wroclaw undertook the economic risk involved, even if some financial support was received from the national government. Clear, strong leadership has been crucial in the success of these zones.

Lower Silesia started developing a vision already in 1998 and the strategy was decided upon in 2005 in its regional development plan which runs until 2020. The plan takes into account the strengths and weaknesses of the region and sets goals for development. It provides the foundation for the "Regional Operation Programme 2007-2013" which is relatively detailed.

According to analysts worldwide, Lower Silesia ranks among Poland's fastest-developing regions. The factors making it attractive to business are the following: Lower Silesia is one of Poland's border provinces, it has very good domestic and international rail, road and air connections; its local market is large, while at the same time the potential of the local industry is significant and human resources are ample and varied. Indeed, Lower Silesia has benefited from a number of large investments over the last few years, for example LG Electronics with 12 000 employees, Electrolux with 1 700 employees and FAGOR with 1200 employees.

In terms of the economy, Lower Silesia Province is Poland's leading supplier of many types of industrial goods. The region ranks first in the production of electrical turbo-machines, domestic refrigerators, deep freezers, washing machines, spin-driers and cookers, table porcelain and china, and crystal glass. It is second in the production of cotton and cotton-like fabrics, detergents, machinery and tools for the construction industry, for road building and for land development industries.

Tourism also plays an important role in the region's economy. Thanks to favourable natural conditions, a high number of historical buildings and the relatively well-developed infrastructure, Lower Silesia is one of Poland's main tourist regions<sup>1</sup>.

### ***Eskilstuna municipality, Södermanland (Sweden)***

Eskilstuna is a small city 100 kilometres west of Stockholm. From the middle of the 19th century until about 1970, Eskilstuna experienced very good development. In about 1970, things started to change, illustrated by an accelerating decrease of population, rising unemployment, a higher crime rate, empty houses and apartment buildings as well as low self esteem among the people who still lived there and among the municipal leaders.

Today, 93 000 inhabitants live in Eskilstuna, and it is the biggest municipality in the county of Södermanland. However, the city has still to reach the numbers of population that it enjoyed during the industrial days of glory in the 1970s. Its current annual population increase is about 1 000 persons. In 2007 there were 4 468 companies in Eskilstuna, of which 3 038 are companies run by one owner. Seventy-five of them, of which 36 have more than 100 employees, employ 49% of the labour force. The biggest lines of business are property and company services, trade, production and construction<sup>2</sup>.

The development of Eskilstuna has been dramatic since 1998. At that time, unemployment was about 20% and the average wage in Eskilstuna was among the lowest in the country. The population was very low compared to the 1960s and 1970s. The tradition of industrial production in Eskilstuna created a sort of a social heritage in the mid-nineties, and an industrial mentality regarding education and knowledge. It was necessary to make changes in Eskilstuna if the negative spiral were to be turned around.

#### *The local development strategy*

In the mid 1990s, when the crisis was at its worst, the need for change was the greatest, but the conditions for radical changes were also high. The diverse policies that followed were based on a clear political leadership combined with the knowledge that successful change must involve many sections of civil society such as industry and businesses, voluntary organisations and individual citizens.

Initially, the changes were mostly a municipal matter. However, cooperation between the municipality and the university management were built up, for example the elaboration of a programme for professors. A marketing company was founded, owned mainly by other companies. At the same time, local identity and progress was valued and the new was supposed to be connected to the old.

A measure which was important, both in practice and symbolically, was the building of the Svealandsbanan railway between Eskilstuna and Stockholm in 1997, which shortened the trip by 45 minutes.

The new successful strategy consists of six part-strategies which were influenced by internal analyses of the situation carried out by responsible politicians in cooperation with Eskilstuna's municipal business strategist:

- i. use infrastructure investments for a changed geographical positioning;
- ii. use the presence and expansion of the higher education institution to change the attitude towards education and make it a positive thing;
- iii. implement the vision of development and progress in a way that is visible to citizens and makes them a part of the success;
- iv. identify actual and potential clusters and support development within them by networking, educational infrastructures etc;
- v. develop arenas of cooperation between public and private participants where political leadership is shown and a common vision created;

---

<sup>1</sup> [http://www.re4m.eu/Lower\\_Silesia.asp](http://www.re4m.eu/Lower_Silesia.asp)

<sup>2</sup> Statistics from the municipal authorities of Eskilstuna

- vi. promote the strategic potential of the new “product” - an Eskilstuna rising from, and building on, earlier successes - internally first and then externally.

In 2001-2002, a strategy was formed for economic growth in Eskilstuna. A partnership was initiated, consisting of five representatives of the municipality and 25 representatives from business life, national authorities, labour organisations and non-profit organisations. It was important that the municipality was in an obvious minority, and that the discussions would be focused on the perspective of business and other participants.

The business sector was fully involved both through industrial organisations and bigger companies. Organisations were also involved, mostly trade union organisations, but others as well. The citizens were informed through a transparent process, consisting of articles and reporting in different media and public meetings about the strategy and progress.

There is no political disagreement about the importance of maintaining and developing favourable business conditions. The municipality does not experience current legislation as an obstacle to its efforts. It cooperates with other municipalities and with the public regional body, especially through the Stockholm Business Alliance (SBA), which provides opportunities for international cooperation.

In Eskilstuna, they are currently developing a vision for 2020 based on sustainable development and four strategic goals:

- Participation and engaged citizens,
- Good life conditions,
- Work for all and a good level of education,
- A good environment.

### ***Pardubice municipality (Czech Republic)***

Pardubice gained town status in 1340 and is situated on the junction of the Elbe and Chrudimka Rivers, about 100 kilometres west of Prague. The population was 89 245 in 2008, which is a big increase compared to 1970, but a decrease compared to 1991, when the city had 94 000 inhabitants. The population decrease is significant for all Czech cities except Prague.

Pardubice has a City Mayor and four deputy mayors with different responsibilities working full time on political issues. Elections are held every four years and participation in elections amounts to just over 40%, but seems to be increasing compared to the elections in 2002. The democratic process is marked by consensus.

The railway connections are good with daily trains to Prague, Warsaw, Moscow, Kosice, Vienna and Hamburg. There are also good connections to the main cities in the Czech Republic. The city is also connected through passenger and cargo air traffic. There are hopes to connect to the motorway system and to European waterways by canalising the Elbe River as far as the port in Pardubice<sup>1</sup>.

The town has a university founded in 1994 which used to be a college which had been established in 1950 and which has specialised in chemical technology since 1953. The number of students has increased from 3 500 in 1996 to 9 200 in 2008.

The chemical industry, represented by VCHZ Synthesia, the engineering industry in the hands of the TMS and Telsa electronics provided national strengths in total production figures, employed thousands of locals and fostered further development of the industrial sector even after the Velvet Revolution. The economic transformation after 1989 led to the demise of several companies (Tesla, TMS) and many others were forced to reduce their production and staffing levels significantly (Synthesia).

---

<sup>1</sup> <http://web.ipardubice.cz/page.php?what=page&page=139>



### *The local development strategy*

Pardubice was a city of heavy industry. At the end of the 1990s, the city started to develop a vision for its future. Companies, schools, universities etc. were invited to join and contribute to the city's first development plan from 1999-2007.

The Pardubice Committee for Strategic Development was formed in 1995 with 32 representatives from major Pardubice companies, schools, institutions, City Assembly members and municipality employees.

The city established a duty-free zone near the airport which has helped reduce unemployment. The new six-hectare free zone, the only one in the Czech Republic, offers a solid assembly, warehousing and manufacturing environment for local manufacturing and business companies. In the yearbook "City Czech Invest 2000", Pardubice rated as the most lucrative region for investments amongst all regional centres in the country.

The planning started with an analytical phase and lead to the identification of four critical areas:

- i. economic development,
- ii. Pardubice – the centre of the region,
- iii. environmental issues,
- iv. transportation.

Four strategic plans, preceded by a SWOT analysis, were made for the economic development of Pardubice. In 2004 all the city's strategic plans were merged into the Pardubice City Strategic Plan.

A new plan has been produced for the period 2007-2014. Through tough and strong political leadership, Pardubice offers opportunities and benefits from large investments for the industry-free zone which the city had developed. The planning document is revised continuously and provides the foundation for the city's budget planning.

Pardubice is a city with many sectors of industrial manufacturing business, in which the chemical and food-processing industry is dominant. The basis of Pardubice industry was laid a long time ago by the production of electro-technical and optical devices. Today, the city works strategically to create an image of Pardubice as the city of culture and sports. One measure is to look for investments in "clean production" and reject investments in heavy industry and logistics.

In order to develop business life, Pardubice participates in the zone of technology which has been founded outside the city. The city works with so-called green zones and brown zones. The latter are abandoned industry buildings where the city intends to make the area suitable for new constructions, often involving large demolitions.

Dialogue between the city and large- and mid-size companies falls a little short, but this is expected to improve through more meetings and personal contacts. Formal cooperation is taking place through the technology park.