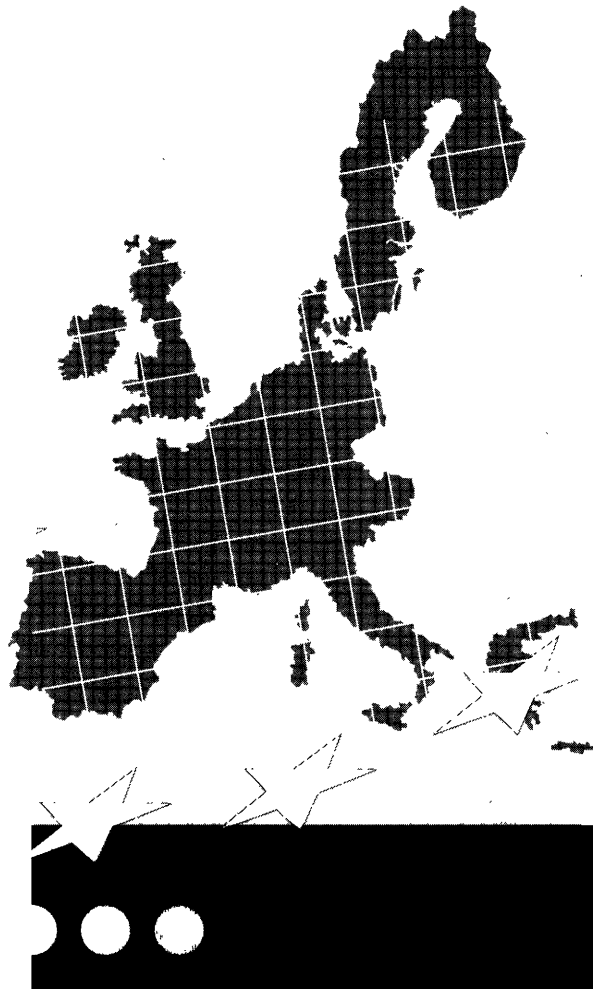
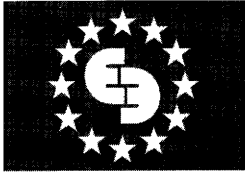




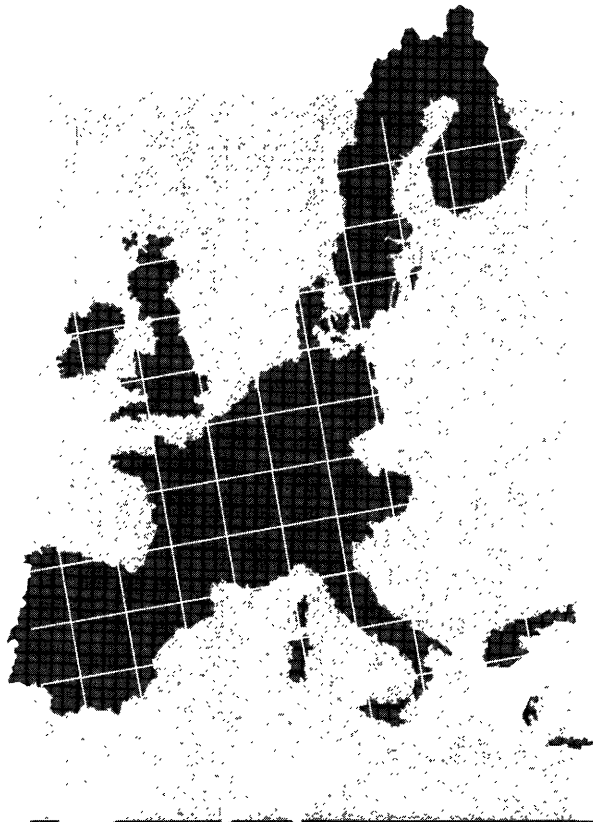
Economic and Social Committee
of the European Communities



Local development initiatives and regional policy



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* Opinion adopted at the Committee's 329th Plenary Session of 25 and 26 October 1995 (meeting of 25 October) by a large majority with three votes against and three abstentions.

I. PREFACE

Unemployment down to 7% by 2000: this is among the most optimistic forecasts given by Jacques DELORS in his White Paper. Achieving it would require ongoing growth, a favourable macroeconomic environment and the implementation of an active policy on jobs. Yet, as a figure, it is still perilously high.

The world today is marked by globalization, where growth and employment do not always go hand in hand. New avenues must therefore be explored to combat joblessness.

One solution not fully exploited up to now involves local development initiatives and new sources of employment.

Indeed, local development is a driving force behind renewed, balanced economic growth, in that it paves the way for endogenous development by mobilizing local resources while respecting specific local conditions and cultural roots. Both local players and the economic and social partners have a key role to play in this process.

This Economic and Social Committee initiative is based on the conclusions of the Essen summit and on the work of the European Commission. It is designed to help create lasting jobs by promoting a new, more balanced form of development buoyed up by self-supporting growth. Unemployment is the scourge of modern societies. This is one way of combatting it head-on.

The economic and social councils of the ten European Union Member States which have such councils gave full backing to this approach at the annual meeting of their presidents and secretaries-general held in Lisbon on 10 November 1995 which was largely dedicated to local development issues.

The second part of this publication contains the joint declaration adopted at that meeting; in drafting the declaration, the secretariat of the Portuguese Economic and Social Council gathered a wide range of background material which can be made available on request. (Portuguese Economic and Social Council, 8 rua João de Bastos, P-1400 LISBON, Fax (351) 1.3020666).

II. COMMITTEE OPINION ON LOCAL DEVELOPMENT INITIATIVES AND REGIONAL POLICY

Introduction

The scale of the mass unemployment currently besetting Europe is not unprecedented. However, it is quite different in character because it is much more concentrated in weaker categories such as young people, in less developed areas and in declining industrial areas.

Although the level of unemployment and the nature of underemployment in the EU differ from those of the United States, the exclusion generated by long-term unemployment is common to both.

The root cause is the restructuring prompted by the globalization of markets. However, mass unemployment in Europe cannot be solved by the partially successful remedy used in the United States, where income levels and the social protection situation have pushed an increasing proportion of employed people into conditions of virtual exclusion.

The remedy cannot lie solely in a list of things to avoid (protectionism, feather-bedding) or the creation of the right macroeconomic conditions including wage moderation, or changes in the labour market. The need to protect the European social model calls for an active employment policy to create permanent jobs.

According to the Commission's economic policy strategists, unemployment will fall from the present 11% to 7% by the year 2000 if the planned conditions - sustained growth lasting beyond the end of the decade and redeployment to low productivity sectors of labour shed in high-tech sectors - are met in full.

This makes it all the more necessary to focus attention on policies for boosting local development and providing new types of employment.

The Delors White Paper assigns a fundamental role to small and medium-sized firms, which it sees as offering the greatest job creation potential, and it proposes a series of actions to help them.

As regards the creation of new jobs and economic activities, the White Paper mentions the need to "strengthen the role of local economic and employment development through the decentralizing of public agency and government decision-making and expenditure, and support this by Community-wide inter-area cooperation designed to transfer know-how and experience"¹.

The Corfu European Council conclusions concerning steps to boost employment laid great stress on the role of local development, which was considered an essential element of the new sustainable development model advocated in the White Paper.

The measures for improving the employment situation recommended in the Conclusions of the Essen European Council of 9 and 10 December 1994 include "the promotion of initiatives, particularly at regional and local level, that create jobs which take account of new requirements, e.g. in the environmental and social services spheres."

The Council also noted "the experience of Denmark, Ireland and Portugal in developing a framework at national level and structures and procedures at local level, in order to support an integrated concept for development at local level."

This concern for small businesses and local development is not new; it has been the subject of specialist debate for at least twenty years. On 7 June 1984 the Council issued a Resolution on the contribution of local employment initiatives (LEI) to combating unemployment². The Resolution stated that such initiatives should be supported and stimulated by the Member States' policies accompanied by specific measures at Community level. Today, however, the phenomenon is taking on new and wider dimensions.

The widespread interest in this subject, with a view to the development of practical projects and targeted policies, springs from a recognition that business growth founded on large firms no longer regulates the overall development of society. This recognition has been triggered by the confluence of three equally important phenomena which began to emerge in the 1970s and subsequently took hold.

The first of these is the gradual sapping of the vitality of businesses run according to the Taylorist and Fordist principles which characterized the earlier major advances of the present century: scientific division of labour, mass production, large size and economies of scale.

Large industrial firms have diversified and smaller businesses have entered the arena. Organizational systems are moving away from the traditional tenets of Fordist standardization, in order to be more flexible and multi-skilled.

A second important factor is what sociologists have termed the move to a post-industrial society. Aside from the continuing debate as to what part industry plays in the development of the advanced countries, there is no denying that the integration of different production sectors (particularly, though not exclusively, between manufacturing and services) plays a large part in the consolidation of local systems.

The third factor is the impact which the globalization of the economy - and the greater competitiveness which it gener-

¹ White Paper on Growth, Competitiveness, Employment (page 149 of the English version).

² OJ No. C 161 of 21 June 1984, page 1.

ates - has on large businesses. These are obliged to carry out continual restructuring processes, bringing in new technologies, decentralizing production, and relocating. All this reduces their workforce.

The tendency among large and medium-sized firms to concentrate on their core activities encourages the establishment of new small and medium-sized manufacturing and service firms.

In its Opinion on the role of the public authorities in the partnership (Article 4 of the Framework Regulation), the Committee noted (points 1.4.6 - 1.4.6.4) that the extension of the partnership to the economic and social partners represented a change in the thinking behind Community regional policy, and that this change reflected the nature of the present recession and the difficulty of combining growth and employment.

The development of local economies has become a key plank of regional policy, as part of an approach which combines the promotion of endogenous development with a drive to attract external resources and activity. It therefore focuses on upgrading human resources, stimulating new business skills, and improving the business environment.

The Committee endorses the view that local development is crucial for extending the employment base - an area in which the EU lags some way behind the United States and Japan. It also thinks that Europe's cultural diversity is not sufficiently exploited, and on the contrary has been stifled by an over-centralized and largely central European development model.

A number of studies have demonstrated that the transfer of (even substantial) financial resources is not enough to trigger endogenous development mechanisms. It has been found that, given the same level of funding, some regions remain underdeveloped while others make a successful transition to internally driven forms of development.

The first objective of the present Opinion is to gain a clearer picture of which factors make the difference. The Section considers that "non-material" factors play a key role, notably the creation of synergies between the various local economic players.

Secondly, the Opinion will seek to answer the question posed at the Corfu European Council concerning the efficiency, in local development terms, of the structural policy instruments.

The Commission has answered this by drawing up a Working Paper that gives an inventory of Community action to support local development and employment³.

Thirdly, the Opinion will seek to convince Governments, regional and local authorities, and socio-economic organizations that local development is one of the main paths towards job creation.

The only bodies to have contributed to this so far are the Portuguese, Danish and Irish Governments, which submitted memoranda to the European Council setting out their strategy.

Definition of local development

Local development does not follow a standard pattern. This is the key to the special nature of the local dimension; each local situation is a separate microcosm which has its own special features and may follow specific development paths.

Making an investment in a specific locality simply means placing an investment there; it is not necessarily an example of local development. If it were, any activity would constitute local development.

The reason why some schemes succeed while others fail does not really lie in the production choices, as successes can be found in industry, services, agriculture or in varying combinations of the three. The real distinguishing feature is that successful schemes have managed to harness all the various local resources available.

The purpose of local initiatives is precisely this - to boost the capacity of a specific area to find its own development path. Hence an environment that is conducive to development is built up around the special features and assets of each area.

The strength of local initiatives is thus tied to the mobilization of a mix of economic and social factors, public intervention and private initiative, advanced technologies and more traditional requirements.

In **economic terms**, local development may be defined as a process of changing and enriching the economic structures of an area which forms a uniform cultural, social and economic entity. It also means the use for development purposes of all those resources which, from the outside and under other circumstances, would not even have been identified.

In **spatial terms**, it may be asked whether the area needs to be co-terminous with one or more administrative units, or whether it must have a certain political uniformity.

The area must have a minimum population and scale in order to reach a critical mass.

The area must, if possible, include both a population centre and its hinterland, so as to ensure that it includes a variety of material and non-material resources which can provide the basis for creation of a more developed, complex society.

In **social terms**, local development is characterized by the leading role of the local socio-economic players.

Local control of the development process is the factor which makes investment - whatever its source - into a local development action. This, then, is the key factor.

In **terms of its ultimate aim**, local development must seek to improve the living standards and quality of life of the local population.

³ SEC(94) 2199.

This improvement cannot be assessed solely in terms of the increase in capital and labour deployed. A more important yardstick is the extent to which it reduces local reliance on outside aid and boosts local communities' confidence in their own resources, and the manner in which it harnesses individuals in pursuit of shared community objectives.

The idea of "new forms of work" to meet the needs created by the recent socio-economic changes, fits into this well-established, systematic vision of local development.

The section of the White Paper entitled "Dealing with new needs" (Part A, page 19) mentions needs which "correspond to changes in lifestyles, the transformation of family structures, the increase in the number of working women, and the new aspirations of the elderly and of very old people", as well as the need to repair damage to the environment.

This mainly involves labour-intensive services which the private sector is only able to satisfy via the informal market and which are often too costly for public funding.

The establishment of a "social economy", in which private initiative and public support combine to match supply and demand, is a new departure.

A Commission study has estimated that three million jobs could be created in these "new employment sources", which can be broken down into 17 service sectors: home help; childminding; local shops and craftwork; assistance to young people facing difficulties and integration; improvement of housing; security; local public transport; refurbishment of public urban areas; tourism; the audiovisual sector; the cultural heritage; local cultural development; waste management; water resource management; protection and maintenance of natural areas; regulation and monitoring of pollution and related plant; new information and communications technologies.

General comments

Local development, the factors underpinning it, and the paths it follows, are currently a central concern of social scientists and economic policy makers.

Since the 1970s in particular, social scientists have produced a large body of research and theories on the conditions which allow strong local systems to emerge and prosper. Economists, sociologists and political scientists have combined forces to produce solid political economy work. Their interest is triggered by the question of whether such systems can be generalized. They therefore concentrate on the problem of disseminating the more advanced models and experiences.

Interests have also converged in the field of economic and development policies. Governments and economic authorities - mainly in Europe, but recently in other countries such as the United States - are according increasing importance to growth which does not rely solely on large companies. At EU level, this trend received formal recognition in the guidelines of the White Paper on Employment, which gave

priority to development strategies focusing on small and medium-sized businesses.

In many countries, the course of local development has not been mapped out in advance, and has not followed traditional, centrally planned paths.

This has led people to speak of the "socially constructed market", a term coined to stress the important role for local development purposes of factors other than the input of institutions and economic planning. These latter aspects obviously have their place, but are less important than others such as the capacity of the social partners (business and labour), in many respects acting independently, to create the conditions for market growth and local development.

The problem for the public authorities - principally the local authorities, but also those with a wider remit - is therefore to decide what instruments to deploy in order to nurture this "socially constructed market".

Although studies of this issue single out differing factors as being of particular importance, they all agree that the success of local development systems depends on a combination of factors.

The reasons for success are generally considered to be systemic. The main reason why some regions are more economically successful than others is that in these regions, many factors work in concert to give individual and group efforts a systemic coherence.

The most successful growth strategies have been founded on small and medium-sized enterprises. Such growth has generally also involved a technical and organizational modernization of production systems, enabling a transition from a relatively simple, low-cost economy to a capital-intensive, high productivity and high-pay economy.

However, taking the firm as the reference unit gives an incomplete picture of this type of development. The strategic capacities and potential of local economies spring from the fact that in various ways, small businesses can act like large ones. The most basic of these is the tendency, which has developed in these distinctive areas, to set up systems of firms.

The systems are often made up of neighbouring businesses. Here the unit of reference is the industrial district, as defined by Marshall. The simplest of these districts are characterized by a traditional specialization based on a pre-existing craft sector. They face greater market uncertainty, are concerned to keep costs low, and need to deploy their labour force more elastically.

There are also more complex systems producing several types of product, which may be interlinked. These systems are more like system-areas, in which businesses producing different goods, and different production sectors, are closely integrated. Linkage is often fostered by shared values and by the cohesive role of the public authorities.

In more complex cases, specialization by firms becomes more important, alongside greater diversification of production.

The related production cycles may be quite complex and varied, but they still centre on small and medium-sized production units.

As specialization grows, so the market served expands. Indeed local firms may even become world leaders in a given niche-market (or at least be one of the few specialist suppliers).

Although such development starts with manufacturing industry, the systemic functions tend to increase over time, with growing integration of different production sectors. Urban areas - even quite small towns - offer the most fertile sites for the growth of more complex economic structures and related service activities. As in some areas of Italy (usually on a sub-provincial level), the trigger for success has been the combination of a large industrialized urban centre with the development of industrial districts on its periphery, accompanied by the growth of various service industries, and in some cases a well developed agriculture sector too. These have combined to produce both solid, durable system-areas, and high levels of per capita income.

The switch to systemic organization is vital if growth is to be sustained over the longer term. It entails constant flexibility - as regards products, product mix and use of labour. Hence it requires businesses from different sectors to be able to operate as networks.

The network must also be in a position to constantly adapt and innovate. Only by regular renewal, by enhancing the synergy between the various members, and by updating its organization and technologies, can it hope to meet the outside challenges which may confront it from two quarters. Firstly, from poorer countries enjoying lower labour costs and more flexible production. Secondly, from large companies which still have a propensity to influence economic trends and economic policy decisions.

Factors in local development

It is worth first examining the factors which have produced successful spontaneous local development in given areas.

A basic factor is the existence of a **widespread business culture**, very often based on skilled or craft workers. It tends to spring up in and around small or medium-sized towns which are culturally open and have a cosmopolitan knowledge of the markets. The distinguishing feature is a highly cohesive social fabric based on the rural family, and on community values conducive to contacts and cooperation between the different operators.

Such development cooperation gradually permeates local society in general, partly as a result of cultural factors such as the presence of shared political traditions or community features.

The family thus plays an important role, acting as a bulwark against business risks (through the presence within

the family of other income sources or of other service activities which it provides directly at low cost). The family can also become a full-scale economic unit, acting as a decision-making and activity centre, and providing the cheap, elastic labour force that is very important in the initial stages of local development. The pooling of family resources allows it to concert investment strategies and establish family businesses. Although the small businesses mainly originate in urban areas (small towns), family businesses manned by people formerly in agriculture make up the wider fabric of small craft firms.

An important factor in this network of cooperation is the attitude of the employees, as well as that of this swathe of new and micro-businesses. Their industrial relations system is based largely on the prevalence of common interests and of shared development objectives. The pre-existing community structures and relations of reciprocity make industrial disputes unlikely. The work force shares in the benefits of development, and the growth process is rooted in consensus and coordination.

A virtuous circle is thus established between various elements, all of them important for launching the development process. They must then be put on a new footing in order to sustain the process. The following are crucial: craft traditions which have not been wiped out by Fordist development; a long-standing familiarity with international markets; financial skills and resources, honed over time; and infrastructure which, even if limited, covers the whole reference area.

There are other, quite different, cases of spontaneous (but extremely disorderly) development which rely chiefly on the availability of a pool of cheap labour which can be exploited in undeclared or home work.

In such cases - especially when the industrial fabric is first being built - the mutual benefits for business and local communities are less clear, and are difficult to view positively.

It is only at a later stage that the intervention of the public authorities at various levels and in various ways becomes important.

Explicit policy moves at national level in support of local development are not widespread enough. Measures to assist small business systems - sometimes via a spin-off effect - do exist, such as the reduction of costs or certain fiscal and monetary policies. They generally provide incidental support which, by removing market constraints rather than introducing new ones, keeps up development momentum.

Greater influence is exerted at local level, both by district authorities and by larger bodies such as the regions. Here too, the public authorities' role, at least originally, was to create conditions conducive to development rather than actually to provide direct assistance. Public decisions have followed spontaneous development rather than shape it. Among the preferred forms of assistance we may cite the promotion of local financing bodies, the establishment of consortia of businesses and public authorities, the planning of local infrastructure, provision of economic information,

support for craft businesses, and vocational training. The local authorities may also promote new initiatives. Spatial planning influences business location decisions, and the local authorities can help by ensuring speedy administrative procedures and proper management.

However, the role of the authorities does not only concern the public economic assistance. It is even more important in other spheres, since it is they who can ensure that health, education, transport and household services run smoothly. The presence of an efficient network of services, and a soundly structured welfare system, sets the scene for balanced development and the reduction of certain costs. Institutional support thus aids modernization, while also encouraging social integration by reducing imbalances, disadvantages and possible sources of conflict.

Another characteristic of these development processes is the presence of non-material resources, to which attention has been drawn more recently. Local characteristics and cultures have enhanced human resources (both entrepreneurial and labour), and have also fostered the establishment of locally based specializations. These socio-cultural factors look set to assume increasing importance in the future.

The removal of excessive technological constraints has also had an effect. Technological innovation is no longer restricted to large firms, but may be within the reach of - or even promoted by - small, locally based businesses.

However, for this to be so, it is increasingly important to possess and nurture a solid human-resource capital.

Here too, the development of skills and knowhow, which has hitherto been largely spontaneous, now requires active intervention by the public authorities and by training agencies if it is to retain its beneficial effects.

There is now an overriding need for specialist but flexible craft and other skills, and this has implications for the training system, for company life and for industrial relations.

It is now established practice (and a practice which is vital in local systems too) to entrust people, at the various levels, with a share of responsibilities and decisions, giving them a greater say in managerial matters and a degree of self-supervision. In contrast with the past, these new skills will not develop spontaneously and will require a training drive by the public authorities and others, including specialist private bodies.

The pioneering days of local development systems are over. They are at a transitional stage, especially as regards efforts to prepare the ground for them scientifically by coordinating the contributions of the different public and private parties concerned. The requisite network of activities, skills and support must be carefully planned with a view to establishing a framework of sustainable social and economic regulation that will offer local development a solid future.

The players involved in local development

Local initiatives seek to bring together a variety of groupings and factors in order to ensure effective mobilization around development projects.

In some areas whose development course is firmly established and better structured, this synthesis of factors has occurred over a long period thanks to the accumulation of resources which have combined naturally and spontaneously.

A similar process must now be replicated in many regions which have not experienced it and which do not have an established approach to cooperation between different players and factors.

The key question is thus who or what can provide the locomotive for this development process.

Community and national assistance will undoubtedly be an important source of support, both financial and otherwise.

However, the real locomotive should be sought within the regions concerned, from among the players who can play an important ongoing role in organization.

A close partnership between public authorities and socio-economic groupings is vital here.

The role of the public bodies in galvanizing the key socio-economic categories - first and foremost, the social partners - of a given community is particularly crucial and delicate. By successfully interpreting the economic and cultural aspirations of their communities, the various tiers of public authority can achieve the social cohesion and harmonious cooperation which is vital for local development.

In general, these authorities can help the social partners to act by eliminating red tape, revising legislation, reforming the labour market, spatial planning, promoting vocational training (especially for new types of work), providing financial assistance and new financial instruments, and setting up advisory and support facilities.

More specifically, they can:

- act as fully fledged development agents;
- contribute to the preparation of innovative activities and projects;
- establish discussion, liaison and decision-making bodies for the social partners and other local players who can contribute resources and interests;
- identify and channel various financial sources, local or otherwise;
- select, with the best expert help, the most realistic projects, to obtain the best guarantee of success.

Here it will be necessary to identify the respective roles of the local, regional, national and Community authorities.

The role of the local authorities is often underestimated, but is in fact crucial for:

- the successful launch of development activities;
- the cohesion needed to ensure their durability.

Equally important is the presence of social partners who are well versed in local traditions and procedures. They too can fulfil a number of key functions:

- they provide an organizational base which is conversant with all the problems, potential and resources;
- they can mediate between all the relevant interests to produce a synthesis of the social aspirations of a given community and give a concrete direction to development;
- by bringing together different interests, they can ensure an optimum balance between the needs of the more vulnerable groups (and hence of the social and welfare authorities) and the more able groups, notably entrepreneurs and innovators;
- they contribute to the drafting and selection of worthwhile projects;
- they are careful to ensure the maximum development benefits for the lowest possible social costs;
- they allow the use of the funds to be more transparent.

Voluntary associations have broadly the same role as the social partners, except that their role is confined to their particular sector of interest.

Environmentalists, for example, can contribute to sustainable development or identify products and services that both help protect the environment and create jobs.

Economic bodies such as chambers of commerce can play a valuable advisory and promotional role, and can provide links with the market.

Cultural bodies, both public and private, such as schools, research institutes, vocational training centres, libraries and museums can play an important role by channelling their activities to support the development initiative and forming an intrinsic part of it (e.g. technology parks, archaeology parks).

Lastly, the involvement of the general public is vital not just as fellow players but as the beneficiaries of a development which must be cultural as well as economic.

Their involvement may take various forms.

At the very least, they should be informed. In some cases, however, as occurs in West Connemara (Ireland), they could be asked to make a financial contribution.

In other words, the implementation and growth of local development initiatives provides a practical check of how the partnership system is operating, and of its potential as an **additional development resource**. Aside from finer methodological considerations, all local players are agreed that partnership is **a key to getting development schemes off the ground**. The incentive and promotional role played by the public authorities must be backed by that of the

social partners and all the other local players in order to ensure social cohesion and a shared purpose.

Benefits of local development

Aside from job creation, the principal target and effect of local development should be a fairer distribution of material well-being with a minimum transfer of resources.

This increase in material well-being will be reflected throughout the country, both through the decongestion of the main urban areas and through prevention of the abandonment of rural areas.

The increasing reluctance of workers and their families to emigrate in search of employment will find a response in their home areas.

The use of local resources - both material and non-material - enhances and helps to preserve the rich diversity of cultures within Europe.

In the age of global competitiveness, there are clear advantages in a local approach which uses the typical resources of the area and focuses on the quality and individuality of the goods and services offered. At the same time, it counters the tendency for the price and quality of mass-produced goods to become standardized.

For the national purse too, there are clear benefits in a move from an assistance-based approach to active measures that will help an area to join the employment, production and market circuits and eliminate the costs of local non-development.

In short, as well as patching the patient up, the main task must be to boost his immune system.

Community instruments

As mentioned in the introduction (1.5.3), it is useful to address the question posed at the Corfu European Council concerning the efficiency, in local development terms, of the instruments offered under Community structural policy.

The Commission has responded by producing a working document entitled *Inventory of Community action to support local development and employment*⁴.

The Structural Funds began to show a concern for local development in the early 1980s, and as early as 1984 the objective of promoting internally generated development was included in Article 15 of the ERDF Regulation⁵. This objective was given further prominence in Article 1(c) of the Regulation, when the Funds were reformed in 1988⁶.

The inventory lists three functions performed by Community instruments: support for pilot schemes; promotion of European initiative networks and dissemination of good

⁴ SEC(94) 2199 of 19 December 1994.

⁵ Council Regulation (EEC) No. 1787/84 of 19 June 1984.

⁶ Council Regulation (EEC) No. 4254/88 of 19 December 1988.

practice; transposition of local development into the structural policies.

Three budget instruments are deployed on these:

- specific support measures for experimentation (including Leda, Ergo, Eglei, Elise, Turn, Poverty III, LEI and SPEC), designed principally to improve the innovation process;
- Community initiatives for the dissemination of good practice (including Leader, Now, Horizon, Interreg and Regis);
- Community support for national structural policies.

Mention should also be made of the European Business and Innovation Centres which, since they were launched in 1984, have helped to establish or consolidate some 5,600 innovative businesses generating 27,000 direct jobs.

It is calculated that during the programming period 1989-93, local development received respectively 64% (albeit of a modest total), 30% and 5% of the total aid allocated under the three instruments.

The Commission document emphasizes that little use has been made of the instruments for promoting local development. But even this assessment seems over-optimistic in the light of the definition of local development given in Point 2 of the present Opinion. The Commission's analysis is purely quantitative, and seeks mainly to show the capacity of the present instruments to support a local development policy and establish a solid basis for future advances in that policy.

However, the Committee is prepared to endorse this approach on condition that the period under examination is treated as a trial period, and that proposals are now formulated for adjusting the methods and instruments at Community, national and local levels.

The fact that the estimates for the local development share of the three budget instruments for the 1994-99 programming period have been increased to 70%, 51% and 10% respectively is not enough. The figure for the most important area, namely the Community Support Frameworks, is still too low. And more importantly, here too the forecasts are purely quantitative, and do not answer the question of how many of the schemes supported will be real local development actions.

Of the instruments mentioned, only two appear truly calculated to support a local development policy. These are Leader and the global grants.

Leader is a Community initiative designed to support the development of rural areas. Its methods have proved their worth, and make good use of the initiative of local operators.

A key ingredient of the projects is the Local Action Group. Each group covers a small area for which, working on an initial analysis, it draws up a business plan setting out the project selection criteria and the strategic focus of develop-

ment in agreement with the intermediary body or authority responsible.

The groups are linked by a regional, national and Community network which has enabled them to pool experience and methods, highlight good practices, and clear up difficulties.

The main difficulties concern:

- the internal organization of the group, and its relations with the local community;
- relations with the intermediary body and administration;
- finding financial resources and finding the right path through Community funding procedures;
- the length of the programming period.

Some of these difficulties have been resolved by Leader II.

The global grant has proved to be the financial instrument which best meets the needs of the approach described above, because it allows the Local Action Groups a more independent managerial role. The hallmark of the global grant is the application of the subsidiarity principle.

The intermediary body responsible for managing the grant must enjoy local support. It may be public, private or a combination of the two, it must be based in the region concerned, and it must involve the socio-economic players.

The financial management of the grant is more autonomous and better geared to the pace of operations on the ground.

However, use of this form of financing has been rather limited (31 global grants for a total of MECU 687 over the programming period 1989-93), both because of lack of information at local and regional level, and because national Governments prefer to retain centralized control of funding channels.

It is clear that much still can and must be done at Community level to adapt instruments, rules and procedures and improve the organization of assistance and information.

However, the most important step is for national Governments and local and regional authorities to appreciate the potential and effectiveness of local development schemes that are based on a proper methodology and founded on partnership.

Before the experience gained in the pilot stage can be disseminated, the Commission must reorganize facilities for access by interested parties and adjust existing instruments by extending the pilot methodologies.

The creation within DG XVI of a separate Directorate for local development suggests that the Commission is moving in the right direction.

Coordination is also needed of the wide variety of departments that are concerned with local development and in particular with SMEs, cultural assets, the environment, alternative energy sources, rural tourism, and research and

development, so as to achieve close interlinkage between the different instruments and Community policy.

The Commission inventory stresses the key role that technical assistance could play if it were not almost totally absorbed by the national authorities.

There is thus a need to rethink the role of technical assistance and expand it to cover training courses for local development operators. This would also give an effective boost to the establishment of regional development agencies.

If national and regional authorities were to give solid support to the promotion of local development actions, for instance through structured measures, the process would speed up incalculably and benefits in terms of social innovation and employment would soon materialize.

A similar contribution could be made by the steps envisaged by the Essen Council for an employment action plan using the multilateral surveillance procedure, under the aegis of the revamped Standing Committee on Employment.

New employment sources

It is worth giving special consideration to exploitation of the 17 new employment sources mentioned above, and the removal of obstacles to the creation of "new forms of work" which, while designed to meet the needs brought by socio-economic changes, logically fall within the local development sphere.

In June 1995, when work on this Opinion was already well advanced, the Commission issued a Communication entitled A European strategy for encouraging local development and employment initiatives⁷. The Communication focuses on the many financial, legislative, occupational and administrative barriers to such a strategy, and on practical ways of remedying these barriers.

The Communication reiterates the finding of previous studies that the importance of such a strategy can be assessed in terms of the quantitative impact on the employment intensity of growth, which can be estimated at some 0.2 points per annum (between 140,000 and 400,000 jobs), or around 40% of the objective set by the Delors White Paper.

The Committee broadly endorses the analysis and suggestions made in the Communication although it has a general reservation about its approach, which does not situate initiatives for creating "new jobs" in the broader context of local development processes and techniques.

Among the sectors mentioned, home-help services and child care seem particularly promising; home care for the elderly, infirm and disabled should also be included here. Many countries' social spending is unable to provide adequate help for any of these categories, while private assistance is selective and excludes the most needy.

This offers an opportunity to create a major intermediate "social economy" sector comprising private companies, cooperative and non-profit undertakings to provide home

help and other services (including crèches, ironing, cleaning and gardening, simple maintenance jobs, help with administrative procedures, preparation of meals) at relatively low cost thanks to public involvement and to negotiation between the social partners in the case of services for workers in large and small/medium businesses.

In the social market sector, such businesses should operate according to competition conditions regulated by precise quality standards. These should be laid down by the State and monitored by the local authorities.

The services could be paid for by service vouchers issued locally to families in lieu of a social benefit, as has been tried out in parts of France, Belgium and now Finland (schemes are also in the pipeline in the Netherlands and Germany).

Such a system would have clear advantages in terms of savings for the public purse, stimulus for the creation of new jobs, combating undeclared work, and administrative simplification.

The initiatives proposed in the 17 sectors would come up against a number of obstacles in national regulations.

Firstly, there would be financial obstacles, such as the cost of the initial investment, the difficulty of gaining access to credit for micro-undertakings (whose problems are even greater than those of SMEs), and the ability of the household receiving the services to pay for them.

Alongside the service voucher, the Communication proposes the establishment of joint local investment funds. This is an excellent idea which should be extended to all local development actions, because such funds establish a direct link between household savings and development projects for the savers' area.

Another problem is the difficulty of finding multi-skilled operators who can handle the delicate tasks of assistance and back-up, and who are able to use new information technologies.

Here it is necessary to extend vocational training and education to include the study of communication techniques, telematic instruments and environmental protection instruments, and to introduce new diplomas and qualifications for these multi-skilled occupations.

There are also a large number of legislative and regulatory obstacles which:

- often make no provision for, or do not permit, multijobbing or the combination of several income sources;
- do not provide an appropriate legal status for joint public/private organizations.

The following are proposed:

- legal arrangements which facilitate multijobbing;
- possibility to combine paid work and unemployment benefit;

⁷ COM(95) 273 final.

- establishment for directors of non-profit making undertakings of a legal and tax status equivalent to salaried staff.

Lastly, the greatest difficulties derive from the excessively centralized and hierarchical structure of public-authority procedures and the lack of knowledge of local development processes.

This again highlights the need to apply the subsidiarity principle in the Member States, by decentralizing administrative activity and setting up local machinery such as development agencies based on a socio-economic partnership and involving both the public and private sector.

Conclusions

The development guidelines which held sway in western society for much of the post-war period are now being redefined. As the Commission White Paper also shows, aggregate development based on large business and led by demand is no longer feasible, or at least no longer furthers the social and employment side of growth.

A judicious blend of growth and qualitative elements (employment, endogenous development, an increase in rights and opportunities) can only be secured by diversifying traditional development models.

In this context, local development is one - but not the only - locomotive of renewed, balanced economic development. Local development can have a number of ingredients, in isolation or - preferably - in combination: small size of business, concern for product quality, flexible specialization, inter-sectoral action, linkage of private and public sector, positive employment spin-off.

Local development is thus a broad concept that epitomizes a type of development which brings widespread benefits, both economic and social.

Although local development is not the sole solution to the employment problem, it can make a significant contribution by introducing a sustainable development model. It also strengthens the links between growth, participation and responsibility. It supports and generates new entrepreneurial skills. It respects cultural roots, and provides an optimum blend of dedicated resources, self-generated development and employment. In this latter sense it can also provide a means of tackling the problems which will follow the accession of the central and eastern European countries. A regional policy focusing on major infrastructure and local development.

As has been seen, many players and factors help to shape a type of development which is:

- endogenous, being based on optimum use of the best resources (material and otherwise) in the areas concerned;
- diversified, because it is able to attract and give practical form to quite specific, original socio-economic activities.

To be sound, local development should not mean local bias, but an ability to operate smoothly in the single market through (i) integration of the various production sectors; (ii) linkage with externally generated development; (iii) inclusion in European spatial planning; and (iv) linkage to a network of local development areas.

There is no denying that the factors listed in chapter 4 are generally lacking in precisely those areas which are peripheral in development terms, but whose social fabric is already suffering the adverse effects of development. The entrepreneurial spirit is thin on the ground; community values have weakened; pooling of family resources is increasingly difficult; rural families have not generally had an opportunity to take up craft activities.

Such situations are widespread, and call for remedial action from the socio-economic and voluntary organizations to rebuild community values, while the social economy should take over the economic role of the family. As stated in point 4.9, this means scientifically recreating the conditions for a socially constructed market by means of intelligent planning in which the various public authorities play a central role.

But what is it that allows often fragmented elements to cohere and secure maximum productivity and more sustained results, and trigger self-propelling development?

The crucial factor is the role of the public authorities and the social partners, with differing degrees of prominence and responsibility. As has been seen, their role is vital, especially the coalescing role which the various tiers of public authority play in order to produce a leap forward and stabilize development paths: to replace spontaneous but often irregular forms of development by more structured, stable mechanisms for generating activity and employment. These parties thus perform a crucial function - and one that deserves particular attention - as locomotives of development, providing a stimulus for the various local players and an institutional framework for cooperation which gives the local communities a greater say in the objectives and results achieved.

The Commission appears to realize its potential role in this context, where subsidiarity is an important factor. One activity which the Community authorities must be encouraged to give particular thought to is the dissemination of information and know-how among the relevant players, so that they can work as a fully fledged network of development agents able to mobilize the forces and resources deemed vital for worthwhile projects and results.

To this end, the Commission should define more clearly the essential features of a local development action, with the local players playing a central role. DG XVI's working document on innovative measures in the context of the structural funds 1995-1999⁸ sets out ways of stimulating and promoting local development schemes eligible for funding under Article 10 of the ERDF. The Committee considers that the approach is right but that the resources

⁸ XVI/261/95

committed (MECU 270) are insufficient, and that resources from Article 6 of the Social Fund and Article 8 of the EAGGF should also be used.

Much more needs to be done to inform the local and regional authorities and the socio-occupational and voluntary organizations; to train public officials and experts; and to overcome the resistance of the national authorities. The objective could be to channel a larger proportion of the

CSFs towards the employment objectives of the White Paper (local development, small businesses, new employment sources) and to gear the Community initiatives more closely to this end.

The Committee believes that it has a role to play here, working via the socio-economic organizations and its dealings with its national counterparts to improve awareness of these matters in the Member States.

Done at Brussels, 25 October 1995.

The President
of the
Economic and Social Committee

Carlos FERRER

The Secretary-General
of the
Economic and Social Committee

Simon-Pierre NOTHOMB

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III. JOINT DECLARATION ON LOCAL DEVELOPMENT INITIATIVE

Annual meeting of the Presidents and the Secretaries-General
of the Economic and Social Councils of the European Union
Lisbon, 10 November 1995

The Presidents and Secretaries-General of the Economic and Social Councils of the Member States of the European Union, together with the President and the Secretary-General of the European Economic and Social Committee, gathered in Lisbon on 10 November 1995 to review and to discuss the matter of **Local Development Initiatives**:

- having taken note of the more recent trends and of the outlook for development which, at the level of the various Member States of the EU, have been brought to the attention of those taking part, both through the report on Local Development Initiatives prepared by the President of the ECSS/Portugal with the contribution of the other ECOSOCs, and the debate which took place during the meeting;
 - having reviewed the more relevant Community information concerning the matter (namely, the "Inventory of Community Actions in Favour of Local Development and Employment", report on the initiative "Local Development Initiatives and Regional Policy" by the European Economic and Social Committee and the Communication of the European Commission "A European Strategy of Incentives to Local Development Initiatives and Employment" (COM(95) 273);
 - whereas the "White Paper on Growth, Competitiveness and Employment", the "White Paper on European Social Policy", the "Specific Action in Support of Experimentation" and the "Community Programmes in Support of National Structural Policies" constitute landmarks for local development at the level of each Member State:
- 1. CONCLUDE:**
- A. That a strategy for the Internal Market aimed solely at economies of scale and at international competition is insufficient to recover employment levels.
 - B. That new economic approaches and new relationships between the economic and social areas are required to give emphasis to activities that are less exposed to foreign competition or reflect needs that generate new markets and create a potential for a sharp growth of employment, underscoring, in this context, the role of the SMEs.
 - C. That such an approach involves a strategy of local development. The Internal Market would thus provide synergy with interactive dimensions: European, national and local.
 - D. That the European Community is providing strong support to these objectives and, at the level of each Member State, there is a currently prevailing consensus as to the priority to be given to the framework of local development as part of economic and social policy.
 - E. That the predominant question of the current national debate with the various Member States is focused on the manner of complementing the strategies aimed at economies of scale - the European and national dimensions - with local development initiatives and with the creation of employment, as well as the way to open up space to the autonomous reappearance of regional and local points of interest. From this point of view, it would appear to be unquestionable that local development must not be bound by a single model.
 - F. That in addition to the involvement of the European Union and of the Governments of the Member States, local development implies, most particularly, the involvement of local authorities and of the local economic and social agents, without which it will not prove possible to generate the synergies required to take full advantage of local resources.
 - G. In order to achieve a new local development strategy, adequate answers have to be found to national situations, regarding the following questions:
 - finances;
 - training and professional qualifications;
 - status of service providers;
 - administrative procedures;
 - types of intervention of public authorities.
 - H. Regarding the types of intervention from local authorities, we should consider three fundamental aspects:
 - the principle of subsidiarity is of particular importance to the relations between the Union and the Member States;
 - the closer association of all the economic and social partners, based on the greater intervention of the territorial organizations and those representing the interests of the people, gives rise to a healthy and harmonious complementarity with the traditional role attributed to representative democracy on a parliamentary basis; and
 - decentralization of the powers of the administration implies that a greater emphasis be given to the role of local organs, to institutional cooperation and to trust in the citizens and in their organizations.
 - I. The European Union and each Member State are called on, at various levels, to adopt technical, organizational, financial, tax and administrative measures suited to its own characteristics, so that its local development strategy can achieve sufficient flexibility, dynamics and effectiveness. The adoption of measures should take into account the negotiating practice of each Member State so as to ensure a wide participation by the people and a

co-responsibility for the timeliness and quality of the application of the measures.

- J. It is essential, in this context, to encourage the professional development of the workers through the acquisition of professional qualifications, and the attribution of a judicial and social dignified status, paying particular attention to the workers coming from outside the Community, in order to prevent xenophobia, racism, illegal work and social exclusion.
- K. The European Union, despite the fact that the reformation of the funds will provide the technical, financial and organization framework for the local development policies and projects aimed at overcoming existing obstacles, should also emphasise the disclosure of experiences and "good practices" and should proceed in a timely manner with such adjustments and alterations to the Community instrumentalities as may be justified so that, at the level of the Member States, the local development initiatives may acquire increasing efficacy.

Within this context, the Presidents and Secretaries-General of the ESCs of the countries of the European Union, as well as the President and the Secretary-General of the European ESC:

2. **AFFIRM** their understanding that growth, competitiveness and employment constitute the strategic orientations of the European Union that will guide the quality and the speed of the deepening of their political, economic and social dimension;

3. **DECLARE** that Europe, in parallel with the European dimension that the internal market provides to companies, should also guide its economic and social development within a local dimension, in a balanced and renewed way, in order:

- on the one hand, to complement the economies of scale and gains of competitiveness that foster a capacity for international competition among European companies; and
- on the other hand, to take advantage of activities less exposed to foreign competition, of the new needs generated by family and social change, of cultural diversity and of the bio-diversity of local resources, in whose specific, intrinsic values lies the profitability of any activity.

4. **UNDERLINE** that this point of view of local development balances the consequences of exposure to foreign competition, structures the markets through the

consolidation of demand generated by new needs, favours the creation of SMEs, calls on the intervention of local economic and social agents and on institutional cooperation, stimulates the endogenous use of local resources and of synergies that will generate the added value that makes activities profitable. Therefore, a guideline will be drawn that will open up the way for sharp creation of employment with lower relative investment costs and will create new activities, products and demands, which in turn will favour the growth of a different offer, in the collective and social interest, as well as new types of employment;

5. **POINT OUT**, however, that the obstacles mentioned in conclusion g) must be overcome so that this prospect of local development is allowed to implement the objectives linked to it, particularly, the aim of fighting unemployment and social exclusion;

6. **AGREE** that the Economic and Social Councils of the Member States of the EU may contribute, on the communitarian and national level, to the affirmation of a local development strategy through the direct participation or the promotion of autonomous initiatives in their territory, according to the different institutional norms and practices of each country, with the following indications:

- a) Fostering discussion on the local development theme, requesting the commitment of all the participants, with a view to the conception, organization and application of policies enhancing the solidarity that generates economic and social cohesion and enriches the strategies and efficacy of the measures and initiatives concerning the growth of employment and the dissemination of discussion protocols in the field of local development, according to the peculiar systems of each country;
- b) disclosing experiences and "good practices", both within the scope of each Member State and at the level of the interchange of information between the various ECOSOCs; and
- c) periodically reviewing the impact of the local development initiatives, appraising them in the light of their marking features and of the objectives of the economic and social policies of the respective country;
- d) propose the enlargement of the restrictive and localized dimension of the market of local areas of enterprises, through the cooperation with external economic areas, but close to the European Community.

Division for Relations with Economic and Social Councils
and socio-economic groups

Rue Ravenstein 2 Tel. 546 90 11 Telegrams ECOSEUR
1000 BRUSSELS Fax 513 48 93 Telex 25 983 CESEUR

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