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# **The Role of Policy and Governance in European Peripheral Regions**

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## Foreword

This book is based on the results that have been derived from a three-year European comparative research project entitled “Aspatial Peripherality, Innovation and the Rural Economy” (AsPIRE), which was funded by the European Union Fifth Framework Programme. The AsPIRE project was concerned with the changing nature of peripheral disadvantage. A starting point for the project was the fact that technological advances in transport and communication have created the potential for gradual but fundamental changes in relationships between accessible “core areas” and the less accessible “periphery”. Some peripheral regions seem to take advantage of these new opportunities, whilst others, perhaps more accessible in conventional spatial terms, seem to lag behind. The project has sought to improve understanding of differential performance in peripheral locations through examining a range of intrinsically aspatial dimensions of the local business environment that interact with the effects of relative location.

The objectives of the project were to establish the concept of “aspatial peripherality”, to provide a robust methodology for measuring and mapping it through regional development indicators, and to generate best practice and policy evaluation guidelines. This book relates mainly to the governance theme and the results of the institutional survey based on 12 regional case studies. These results have been reported separately in Thematic Report and Final Report and published in public web site at <http://www.sac.ac.uk/AsPIRE>. Within the overall conceptual framework of the AsPIRE project, governance was a one of the five major themes and treated as one of those soft and aspatial factors that play a role in determining the level of economic performance in regions. Therefore governance is considered to be a resource that can be converted into productive use in overcoming the disadvantages of spatial peripherality.

The AsPIRE project involved partners in six European countries: Greece, Scotland, Spain, Ireland, Germany and Finland. The project team consisted of staff from four universities, an agricultural college, and an agricultural/rural development agency. The research team represented a variety of disciplinary backgrounds, including geography, planning, and economics.

We would like to thank the whole AsPIRE project team: Andrew Copus, Marsaili MacLeod and Fiona Williams from Scottish Agricultural College (SAC), David Meredith and Patrick Commins from TEAGASC Ireland, Seamus Grimes from National University of Galway, Joan Noguera Tur, Carmen Pastor Gradolí and Vicente Ferrer from UDERVAL Universitat de Valencia, Dimitris Skuras and Efthalia Dimara from University of Patras, Johannes Lückenkötter, Stefano Panebianco and Michael Wegener from IRPUD University of Dortmund and Klaus Spiekermann from S&W Urban and Regional Research for fertile cooperation.

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Director, professor Sami Kurki

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## Abstract

Traditionally peripherality has indicated remoteness, isolation and non-development. However, during the recent decades peripheral areas have lost or reduced their peripherality as technological advances have been introduced. This has created the potential for gradual but vital changes in connections between accessible and more remote areas. Some peripheral areas seem to take advantage of these new opportunities. However, at the same time some more accessible regions seem to lack behind.

Aspatial peripherality is a term devised by AsPIRE project team to collectively describe a range of various processes in changing essence of peripherality. The research project was planned in such way that a multifaceted concept of aspatial peripherality was first researched through five themes: impact of information technology, business networks, governance, social capital and tourism. The themes were explored in two case study regions in each country. First group of regions represented positive aspects of aspatiality, more peripheral but well-performing A regions, second group represented negative aspects of aspatiality, accessible but lacking B regions.

Within context of the research project governance was considered as one of the aspatial factors which play a role in finding out the overall developmental performance in case study regions. The assumption in the research project was that quality and also capability of governance will become important and vital as conventional spatial peripheral disadvantage weakens.

It is argued in this research report that regional governance has three components: organisational structures, governance processes and policy measures. The causal relationship between the nature and quality of governance is mostly described as implicit within the literature. The link is determined largely according to terms of an observed association and not as a real process. Nevertheless, hypothetically it can be assumed that there are implicit relationships between organisational structures and policy measures. Especially in the case of peripherality the links between regional policy measures and implementation are appealing area under discussion.

Besides the differences between A and B regions, the greatest differences seem to have been between member states. Distinct structural evolutions in different countries form relatively rigid structure of administration within which the variation is relatively limited. Nevertheless, considerable variation was found in terms of the policy and implementational milieux of the A and B regions.

The capacity of governance seems to be roughly the same in peripheral and in less peripheral case study regions. The peripheral/well-performing A regions have been capable to create effective and transparent integration of politics, public administration and proc-

esses. The inadequate structures and processes have driven various actors to organise effective decision-making processes in regional development policy. The A regions have reduced separation between policy tools, and each organisation have clear competencies for recourses at their command.

In the accessible/lacking B regions, new governance frameworks tend to be restricted and policy-makers are not capable to strengthen and to be adjusted in new modes of governance. There has been lack of ability to draw measures upon diverse problems, conditions and potentials in implementing measures in regional and local development. The B regions have also faced problems in associating governance processes with development procedures. Spatial planning in the B regions has merely contained technical procedures and indications to infrastructure development.

The geographical location and infrastructural issues were still considered as barriers to development in periphery. Especially the favour of transport and infrastructure investments and support for indigenous entrepreneurs was evident in the A regions. Interestingly IT infrastructural investment was not seen as a particularly effective approach.

The mode of governance in the peripheral/well-performing A regions demonstrated in comparison to the accessible/lacking B regions a greater capacity and willingness to work collectively. It is realistic to assume therefore that the regional governance of the A regions provides some compensation for the disadvantages of peripherality. New modes of governance are forcing policy makers to find new ways dealing with processes, which are emerging to compound or distort the handicaps conventionally, associated with remote locations. Regional governance may ameliorate peripherality in formulating coalitions within which interactive governance process is able to accept unified strategies.

**Key words:** peripherality, governance, regional development

# 1 Introduction

## 1.1 Changing Nature of Peripherality

A background for the AsPIRE project is the fact that the global economic environment is currently entering a period of radical change, the consequences of which is likely to be a spatial reorganisation of activity. European economic history has seen several fundamental shifts in the spatial organisation of economy and society during the decades, triggered by radical changes in transport and communications technology and by shifts in the focus of economic activity. During the second half of the twentieth century the improvement of road, rail and air transport, and the increasing shift from manufacturing to service activity, have reduced the dominance of the industrial core regions. At the beginning of the twenty-first century new transport and communications technology together with structural trends provide potential new opportunities for peripheral regions, and that can be seen as the beginning of a period of fundamental spatial restructuring. Those three developments mentioned are especially relevant to these changes:

- a) improvements in transport and communications infrastructure, both through technological change and through publicly funded improvement in infrastructure,
- b) structural changes, notably the continued expansion of the service sector and light manufacturing together with the decline of heavy manufacturing and primary production,
- c) the recent rapid technological change in the field of information society technology and growth of E-commerce. (Copus 2001, 539, 544; 2004, 5.)

Recent decades have witnessed technological advances in transport and communication, which have created the potential for gradual but fundamental changes in relationships between accessible “core regions” and the less accessible “periphery”. However, some peripheral regions seem to take advantage of these new opportunities, whilst others, perhaps more accessible in conventional spatial terms, seem to lag behind. Consequently, ongoing structural and technological changes seem to mean that peripherality will increasingly become an issue, which can not be explained by conventional core-periphery concepts that have been driven almost exclusively by distance costs. (Copus 2001, 539.)

Conventional concepts of peripherality and peripheral disadvantages have included a number of elements that can be classified into three broad groups: causal, contingent and associated. The first means increased travel and transport cost resulting from remoteness relative to the centres of population and economic activity. The second is the absence

of agglomerative advantages (external economies of scale), and the third group is often associated with peripherality which include such things as sparsity of population, poorly developed local and interregional infrastructure, dependence on primary industries, poorly developed research and development sector and a lack of influence in the wider governance arena. Actually, there are two “families” of formalised models that have sought to explain the economic processes that lie behind peripheral disadvantage. These models have generally focussed solely upon the two causal elements (distance costs and lack of agglomerative economies) of the peripherality. (Copus 2001, 540–542; Copus & Spiekermann 2004, 15–16.)

Both the limited explanatory power of conventional (spatial) indicators, and the observed economic trends point to the need for a new, broader, more inclusive concept of peripherality, and it can be said that the validity of conventional (spatial) models of peripherality is increasingly questionable (e.g. Copus 2001, 539). Therefore, in this change, there is a need to rethink the concepts, models and indicators of peripherality.

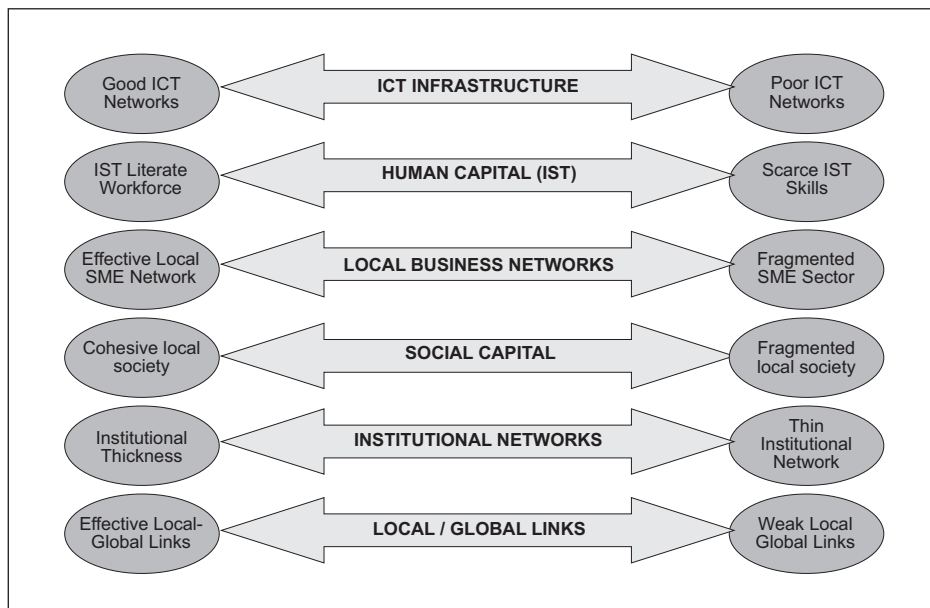
Within this context, as geographical constraints are becoming weaker and physical distance or travel/freight costs are becoming less and less a constraint to economic activity and quality of life, other characteristics may tend to determine the response of peripheral regions to new opportunities. These fundamental changes in the geographical constraints to many economic activities will mean that the economic potential of all regions will become less closely related to location and increasingly influenced by a variety of “soft factors”. For instance the adoption of new forms of economic activity depends to some extent upon the skills, education and adaptability of local entrepreneurs and their workforce (human capital). The diffusion of new ideas and working practices may be dependent to some extent upon the network of linkages, both in terms of transactions and informal contacts, between entrepreneurs and sources of information, such as customers and suppliers in other regions, research and development institutions, or regional development agencies (business networks). Ease of adjustment may also be affected by the effectiveness of relationships within the local business community (social capital) and by characteristics of the administrative environment (governance). (Copus 2001, 545; 2004, 5–6.)

All those “soft factors” described above have a common characteristic, which distinguishes them from “traditional” industrial location factors, such as the cost of raw materials or access to markets. They tend to be closely related to historical social and cultural factors, and they are not easily relocated or recreated. Their geography, although not yet fully understood, does not seem to be systematically related to that of the old industrial regions, or to urban hierarchies etc. In this sense they may be described as “aspatial”. (Copus 2004, 5–6.)

*Aspatial peripherality* is a term devised by the AsPIRE project team to collectively describe a range of those processes, which are increasingly emerging to compound or

distort the handicaps conventionally associated with remote locations. The concept of aspatial peripherality is described in Figure 1 by disaggregating it into a number of key elements. There has already been a considerable shift of focus away from the traditional location factors towards the soft and aspatial explanations in both academic and policy communities. However, it has to be stressed that the potential role of aspatial regional characteristics in compensating (or exacerbating) for spatial peripherality has been imperfectly understood, and therefore it requires to be more fully integrated into the rationale and practice of regional policy.

In this situation, if location is now less relevant, there is a need to know what regional socio-economic characteristics or processes can enable a rural or peripheral region to succeed. And that is why the AsPIRE project was initiated to deal with the changing nature of peripheral disadvantage. The project has sought to improve understanding of differential performance in peripheral locations through examining a range of intrinsically softer and aspatial dimensions of the local business environment that interact with the effects of relative location. The overarching aim of the AsPIRE project has been to develop tools to assess the extent to which aspatial soft factors can compensate for (or exacerbate) the economic development implications of peripheral location, and on this basis to formulate best practice guidelines and policy recommendations.



**Figure 1.** Key Elements of Aspatial Peripherality (Copus & Spiekermann 2004, 32.)

## 1.2 The AsPIRE Project Structure and Objectives

AsPIRE project involved partners in six European countries: Greece, Scotland, Spain, Ireland, Germany and Finland. The project team consisted of staff from four universities, an agricultural college, and an agricultural/rural development agency: Scottish Agricultural College (SAC), Scotland; TEAGASC, Ireland; National University of Ireland, Galway, Ireland; Unit for Rural Development and Evaluation of Public Policies (UDERVAL), University of Valencia, Spain; Department of Economics, University of Patras, Greece; Institute of Spatial Planning, University of Dortmund, Germany (IRPUD); Seinäjoki Institute for Rural Research and Training, University of Helsinki, Finland. Project co-ordination was provided by the Scottish Agricultural College at Aberdeen. The research team represented a variety of disciplinary backgrounds, including geography, planning, and economics.

The objectives of the AsPIRE project were to establish the concept of aspatial peripherality, to provide a robust methodology for measuring and mapping it through regional development indicators, and to generate best practice/policy evaluation guidelines. These broad objectives have been achieved by the following six specific objectives:

- a) a *review* objective, to analyse existing peripherality indicators and their theoretical basis,
- b) a *conceptual* objective, to undertake thematic studies to identify a series of hypotheses relating to the nature of soft/aspatial factors and their impact on innovation and economic vitality,
- c) a *validation* objective, concerned with the development of practical methods to test the hypotheses, in the context of a set of representative case study regions,
- d) a *measurement* objective, concerned with developing new indicators with standard methodologies, to allow regional agencies to generate comparable assessments of soft/aspatial factors for their regions,
- e) a *policy* objective, to assess the impact of current and past policy approaches to economic development in peripheral regions,
- f) a *best practice* objective, to establish examples and guidelines for effective intervention to ameliorate the effects of negative soft factors, and to strengthen positive ones, development of a new tool to measure aspatial peripherality.

The project has had a conventional overall structure, beginning with a review of literature (including e.g. production of five thematic conceptual papers and review of peripherality concepts), progressing through a case study phase and data collection, and ending with analysis and application in terms of best practice, policy recommendations, and the presentation of a set of tools for assessing the strength of aspatial factors within a region.

Many of the working papers and documents (Governance Thematic Report and Final Report as well) are available through a public web site at <http://www.sac.ac.uk/AsPIRE>. Throughout these stages a set of five themes provided a substructure for the work. These themes were:

- a) Information Society Technology (IST)
- b) Business networks and innovation
- c) Governance
- d) Social capital
- e) Tourism

The research project was structured in such a way that the complex concept of aspatial peripherality was explored through those five key inter-dependent themes to enable comparative thematic analysis at the regional (between case-study regions) and international (between countries) level. After an initial review of the theoretical literature, the themes were brought together for integrated case study work in the six countries represented in the research team. In each of these countries two case study regions were selected to illustrate different responses to the changing nature of peripherality. The research was conducted by use of a “matched pair” of case-study regions chosen from partner’s respective countries. Thus in each country two case study regions were chosen, one of which (Region A) was considered to be relatively peripheral area but performing well and showing a degree of economic vitality which was assumed to be due to positive soft/aspatial factors, whilst the other (Region B) was considered to be relatively accessible area but lagging and under-performing in relation to their location due to negative local soft/aspatial factors.

Even though the criteria for selection were in principle simply (regions should approximate to NUTS 3 and within each country one region should be perceived as region A and one region B) the variation between member states created some problems. For instance in Ireland, Spain and Finland both regions were sub-regions within NUTS 3 regions. In addition to that, the selection of “peripheral but dynamic” and “accessible but lagging” regions turned out to be challenging. However, total 12 regional case-study areas were selected, and they are presented in Figure 2.

The validity of the working hypotheses was assessed using both quantitative and qualitative methods. Perhaps unusually, and in an attempt to achieve true comparative analysis, the results for all case study regions were collated, analysed, and reported by theme. Information for the best practice and policy analysis elements of the project was collected throughout all phases of the project. The focus of the former was on examples of entrepreneurial activities or regional organisations, which seemed to be particularly effective in either overcoming conventional spatial peripherality, or in exploiting or reinforcing local soft factors. The policy analysis both reviewed existing EU policy measures (in terms of their impact upon conventional peripherality, and upon soft/aspatial factors),



**Figure 2.** The AsPIRE Project Case Study Regions

and studied the perceptions of regional development agents with respect to the efficacy of different types of intervention in ameliorating peripheral disadvantage.

Ultimately the purpose of the case study analysis was to assess the validity of the generalisations about aspatial peripherality derived from the literature. Case study analysis provided more precise and empirically oriented viewpoint and data on the nature and causes of different regional responses to the changing nature of peripherality. In addition to literature reviews and empirical part based on the case studies there was section based on secondary data (i.e. AsPIRE baseline indicators). These baseline indicators showed that although there is a statistically significant inverse relationship between levels of peripherality and economic performance, there remains a substantial amount of unexplained variation in performance among peripheral regions. It is proposed that this variation may be explained, at least in part, by reference to soft/aspatial characteristics. (Copus & Spiekermann 2004, 36.)



To sum up: the results of the AsPIRE project seemed to confirm the basic hypothesis; that there are regions that appear to be performing relatively well despite a peripheral location and other regions that seem to be under-performing in relation to their location. There was qualitative evidence that locational disadvantage can be, and often is, offset by localised “soft factors”. This assertion was also confirmed by the quantitative analysis of secondary data collected and processed in the project.

This book relates mainly to the governance theme and the results of the institutional survey of the project (reported earlier in Governance Thematic Report and Final Report). Within the overall conceptual framework of the AsPIRE project, governance is a one of those five major themes and treated as one of those soft and aspatial factors, which play a role in determining the level of economic performance in regions. Therefore governance is considered to be a resource that can be converted into productive use in overcoming the disadvantages of spatial peripherality.

The background and the theoretical frame of the governance are presented in chapter 2. The hypothesis and the methodology of this study are presented in chapter 3. Chapter 3 presents also empirical data and analyses based on it. Chapter 4 is summing up the findings of this study and the whole AsPIRE project in relation to governance theme.

## 2 Governance as Theory

### 2.1 Conceptual Background

The way in which regions are organised and administrated reflect and support various changes in the spatial, social and economic structures in regions. The role and nature of government has changed considerably. Diverse models of mutual dependences between actors, organisations, modes of activities and spatial organisations currently typify modern regional systems. The concept of governance has in the last decades appeared to play a primary role in articulating and conceptualising these changing interdependencies. It is important to stress at the outset that “*governance*” is a broader concept than “*government*”. Essentially the former stresses the role of non-governmental organisations (private and “third sector”), and considers the relationships between them. The main focus in this chapter is to provide the conceptual framework and set the hypotheses for the empirical work to follow.

Indirect relationships between structures and performance indicate several changes in governing structures of regions. The role of state in management of regional development has declined as the contribution of non-governmental actors and organisations has increased. This has strengthened the change from hierarchical forms and structures of government to more informal and flexible forms the partnerships and networks. A shift from formal government structures to the current sharing of implementation produces new scale-specific regional policies. The result of these changes and processes is nowadays generally understood as a shift from government to governance.

Modes and styles of governance vary considerably between EU member states (including those involved in the AsPIRE project). Although the existence of certain global (economic and social) forces for change is acknowledged, national cultures and traditions affect the local response in terms of structures or regional development institutions, and the distribution of different forms of the power between the various levels of government, and private/voluntary sector organisations. The “meanings” attached to the detailed procedures from which networks are constructed, and the terminology associated with the policy measures them; vary from country to country and sometimes between regions within a country. This call for extreme care to be taken with comparative analysis, and this should be stressed as a constant proviso underlying the discussion of findings below. It also leads to a focus upon organisational relationships and interaction, styles of implementation, and the practical content of policy measures, rather than upon simple governmental structures.

Within the overall conceptual framework of the AsPIRE project, governance is treated as one of several soft and aspatial factors which play a role in determining the level of economic performance in regions (both peripheral and more accessible). The assumption

is that quality of governance will become increasingly important (in relative terms) as conventional spatial peripheral disadvantage weakens in the face of transport and communications improvements.

It is argued below that regional governance has three main components: organisational structures, governance processes, and policy measures. The causal relationship between the type/quality of governance and regional economic performance is largely implicit within the literature, the link often being described in terms of an observed association rather than an exact process. The multiplication of the concept of governance is related to structural processes. Therefore, it is reasonable to assume that there may be indirect relationships between structures and performance, which are manifest in more direct links with policy measures and implementation processes.

## 2.2 The Nature of Governance

Governance is a concept, a field of analysis, which was relatively unknown ten or fifteen years ago. However, its importance is now widely recognised, so that it is not easy to find literature on regional development and policy in which it does not have a prominent role. The concept of governance has obtained a major position in recent debate in social sciences.

According to Peters (2000, 36–39) governance can be defined as either (i) an analysis of the adaptation of the state to its external environment, or (ii) to theoretical representations of interaction within social systems. The latter concept includes the state as one of many actors, whereas in (i) the state has a unidirectional relationship with its environment. Furthermore, in (ii) interaction within social systems implies the adaptation of government; i.e. new processes, new loci of power, or new methods of government (Rhodes 1996; 2000). This adaptation often involves the inclusion of the private and third sectors in new forms of governance process. What seems to be taken place is that different and some of the actions and functions of the state are moving up to higher national organisations, down to the regions and also to non-governmental actors.

Concept of governance can be understood as referring to the exercise of power within a given geographical territory. It can be said that this is a traditional definition of governance. Thus, there is no clear distinction between government and governance. Goodwin (1998) has described governance as a result of development of governing styles that can be described by any of the following points:

- A complex set of institutions and actors drawn from within but also beyond government
- The blurring of boundaries and responsibilities for tackling social and economic issues

- The power relations between institutions involved in collective action
- The autonomous aspects of self-governing networks of actors
- Getting things done without the use of direct authority, e.g. enabling.

Governance can also be understood as referring to the way in which power is distributed and exercised by different institutional actors within a given geographical territory. It is particularly a more a traditional definition of governance. This translates into practical issues concerning how policy decisions are taken and if, when, and, how various actors, such as the third sector and individual enterprises, have the opportunity to participate. Governance implies a new set of practices that challenges traditional understandings of government and public management and brought their wake new tensions and new difficulties (Valler, Wood & North 2000; Miller, Dickson & Stoker 2000).

It is important to stress that concept of governance is broader than government. The former stresses the role of non-governmental organisations (private and third sector) and their mutual interdependencies. Changing the boundaries of the national government mean the borders between public, private, and voluntary sectors became more shifting and unclear. Regional and local government addresses designed political units, whereas governance refers to the collective capacity of non-designed organisations. They are self-organising, independent and self-reliant. Although the state does not hold a totally sovereign place, it can indirectly and imperfectly steer existing networks (Rhodes 1997, 57).

Thereby, government refers to the authority of the state arranged through hierarchical and formal administrative agencies and bureaucratic procedures. The relationship between government and governance is usually paired to indicate two sides of an issue. Governance in this case can be regarded as appearance of overlapping and intricate mutual interdependences that include various external actors to traditional arenas (Painter and Goodwin, 1995). Le Galés (1998, 495) argues “governance can be defined as a process of coordination of actors, social groups and institutions in order to attain appropriate goals that have been discussed and collectively defined in fragmented, uncertain environments”. Governance directs attention to the actions and interests of both public and non-public agencies and organisations. However, governance may also have an alternative role in managing mutual and collective affairs. Concept of governance is in this case considered as a process that is not precisely determined and has a character of relations among involved actors. The “good governance” is based on fixed or predetermined policy or mode of action that provide more insights to regional development.

The key questions in relation to public concern are how power is exercised; where power is locate in administrative structure, how decisions are taken and how various actors – such as the third sector and individual enterprises – have the opportunity to participate in decision making. According to Goodwin (1998) governance relates to the development of governing styles in which boundaries between and within public and private sectors has

become blurred. The current shift implies a development of governing styles that entails a large network of actors. This network includes both public and private actors.

Thus, governance derives from changing nature and content of government and economic life, and also from changing interaction and distribution of work in regional development in rural areas. The importance of regional and local level has become more significant in most of the European countries and regional policy of the European Union. This greater emphasis of regional and local level has consequences for organising the implementation of development policy and decision-making process in regions (Marsden 1998).

According to this view, governance is concerned not only with the process by which the struggles between various actors within a region change the distribution of power, (including how new nodes in the power network are created and others removed), but also with the impact this has upon the style or mode of policy measures and implementation. These processes result in the differentiation of several different kinds of power, which Stoker (1995) has classified as follows:

- **Systemic power** is derived by certain actors from their position in the socio-economic structure, (whether or not it is self conscious or exercised).
- **Command power** is defined by active mobilisation of resources to achieve domination over other interests. Command power is thus less positional and more active, and it normally extends over a limited domain, and a restricted set of activities within the regional system.
- **Coalition power** involves actors not seeking to dominate but rather to bargain on the basis of their respective autonomous basis of strength. Such bargaining depends on the awareness of other interests that share similar aims and views. According to Stoker coalitional arrangements tend to be relatively unstable.
- **Pre-emptive power** rests on the need for leadership in a complex society, and the capacity of certain interests in coalition to provide that leadership. It is generally directed at solving substantial common problems and to the creation of a structure capable of performing the associated functions.

The concepts of the power above are associated with a view of contemporary mechanisms of governance as played out across complex networks of public, private and third sector actors. The key notion of “power bargaining” describes the actions and modes through which the various actors seek support and ratification for their ideas, beliefs and aspirations, in preference to those of others (Stone 1993). The process of power bargaining is present in governance because each of the actors has different position in the context of power structures. The position of various actors reflects their political recourses available to each of the actor. Especially knowledge, information and reputation are emphasised in power bargaining. The ease of use these recourses depends on physical and constitutional characteristics of an individual actor or of group of actors.

Normally professional officers possess systemic power. The administrative authority justifies the implementation and management of similar policies that were successful in the past. The professional officers may also enjoy command power that includes an active mobilisation of resources to reach control and power over other interests. Typically, the resources consist of information, finance, reputation and knowledge (Stoker 1995). Significantly, this knowledge often revolves around the criteria necessary to unlock the key resources of external funding for particular projects. There is a possibility for elected members also to hold command power; while many elected members have important and influential positions in various committees. They might also have a substantial degree of systemic power. Coalition power may be pointed to individuals in different positions. Elected members for instance may achieve substantial degree of coalition power by networking with various interest groups. Authorities may form coalition power by assembling supportive coalitions of local business interests, community groups and public opinion. Authorities and various actors who are able to win the argument for their own personal policy preferences can achieve pre-emptive power. They are able to design a policy of their own that other actors will follow.

## **2.3 Governance “Capacity” and Regional Development**

The discussion above has outlined the basic concept of governance. The focus now changes to the more practical issues concerned with the role of governance in regional development.

Governance capacity refers to the degree to which new modes of governance effectively inhibit or resolve societal and/or administrative problems. It may be connected to the potential possibilities, like power, information and knowledge that form of governance have in order to undertake and tackle societal and administrative problems. Governance capacity may on the other hand be connected to the actual performance of governance. Therefore, it takes a slight bureaucratic perspective on the scale through which certain types of governance will lead to more or improved results and solutions for societal problems.

We may approach the governance capacity from various standpoints. Governance capacity may be considered as a statutory power and basic principles of how public administration works. It can also be related to executive tasks of authorities and implementation of policy measures. This form of governance capacity necessitates sufficient and accurate forms of power. Governance capacity relates also to independent values where typical issues are answerability, representation and involvement of actors. The roles and responsibilities of each level in respect of regional development should be clearly defined in order to facilitate policy coherence and cross-sectoral integration.

The context of regional governance does not solely include new possibilities and challenges for regional development. The new mode of policy making can also impede the formulation and implementation of development policy at the regional and local level. The changeover of traditional structures is often difficult and long-standing process. Regional governance and especially the introducing of an interactive governance is a complex institutional ensemble rather than as a unitary political process. The most essential and important is to lay stress on policy making instead of decision-making. The relevant question is not “who” but “how”.

The ultimate test of the effectiveness of regional governance in an economic development context is its ability to facilitate adjustment of the region’s economy to changes in the economic environment, and thereby to increase its competitiveness and its prosperity. In other words, effective governance will enable the available funds and tools (EU and national) to be used in the pursuit of the goal of “balanced” development.

Changes in regional economic environment are driven by variety of (mainly medium-long term) trends (e.g. Storper 1997; Swyngedouw 1997; Amin, 1999; Painter & Goodwin 2000) including:

- Globalisation, e.g. ICT, free trade, increasing competition
- Deficiency of resources, e.g. over-exploitation of resources, social and economic pressures in reallocation of investments
- Migration, e.g. in-migration and out-migration
- Political environment, e.g. administrative development, liberal policy, changing context in regional policies, development of European Union
- Territorial environment, e.g. importance of local factors in production, traditions in entrepreneurship, public and private networks, participation, cultural identities.

There is a sense in which the overall economic development policy response of a region comprises not only the “discourse” set out in the policy documents of the major actors, but also incorporates the power relations at work within the broader policy process. The “capacity” of regional governance is reflected in its ability to integrate and give form to a variety of local and regional interests, organisations and social groups, and to develop more or less unified strategies (Le Gales, 1998). This refers to actions and procedures that take place outside of the region; important aspects are the capacity to organise collective action and to build coalitions and partnerships directed towards specific goals.

In this view, governance goes beyond the issue of efficiency and hierarchical structures and there is a need to investigate different types of legitimacy, power struggles and the creation

of identity. In this study, it is not so much a matter of what is so called “good governance”, but of highlighting the mechanism and processes that enable or prevent the achievement of regional development processes. In this context, public-private partnerships and regional policy networks can contribute to the process of regional development.

Governance capacity also reflects the regional network of actor’s ability to interact with those of other regions, to organise collective action (with other regions), and to build coalitions and partnerships directed towards specific goals. The increasingly popular endogenous approach to regional development may not necessarily have a positive impact upon this aspect of governance capacity. Thus Lagendijk (1999) argues that it may induce a detrimental process of interregional competition and inhibit valuable flows of knowledge between actors in competing regions.

In recent years an additional complicating factor in field of regional governance has been the tendency of several EU member state governments to devolve powers down to the regional level. This may well bring advantages in terms of regional economic development policy, in terms of greater sensitivity to local issues and needs. However if not handled well it may also result in a weakening of regional institutional capacity (e.g. Lovering 1999; MacLeod & Goodwin 1999) since:

- Devolution of powers to regional authorities without parallel electoral adjustments may result in a “democratic deficit”
- Regional actors often do not accept the importance of regional authorities in regional development
- Regionalisation can be associated with (local) “elitism” and render it more difficult for policy to reflect the wider common interest
- Local disagreements between actors at the regional level can distort policy development
- The growing importance of local policy targeting might lead to uneven development
- Regional authorities often lack influence and cannot introduce coercive measures.

These points might lead to lack of institutional capacity at the regional level. The lack of institutional capacity reduces the potential application of the principle of partnership within the regions. In this perspective regions are not a set construction: regional institutional capacity is therefore merely a process. Partnerships, coalitions and cooperation have to be constructed and managed. New regional institutions need as a result a political process to make them legitimate political actors.



## 2.4 Governance and Regional Policy Styles

The appropriate regional policy incentives are most diverse and they bring together, in different extent and characteristics, complex sets of financial support for private investments. However, it is obvious that public funding has rarely influenced on investment decisions of small and medium sized enterprises (Capellin 1997). Most European countries have in recent years actually reduced regional policy incentives (e.g. Armstrong & Taylor 2000). It has been suggested that there should be a shift towards horizontal policies, which would increase the international competitiveness of enterprises in particular regions. There should be interaction and negotiation of many activities and interests that interact with various purposes, implementing a multiplicity of actions. This may explain why much of the industrial growth in European regions was only tangentially related to regional policies and incentives.

All European, national, regional and local level governments play a role in a system of multilevel governance. They deal with policy implementation and each of them has a different and complementary role. However, none of them play or represent a privileged leader in regional policy. Modern regional policy requires a mechanism for regional capacity building that is as essential as the regional funding (e.g. Capelin 1997; Grote 1997). The emphasis should be less on governments' decision-making and more on creating and initiating the right circumstances for partnership between government, private and civil sector. This has stressed the organisational approach in regional development, i.e. put emphasis on the significance of externalization of government organisations. It is therefore possible for authorities to establish a context for efficient collective action.

The problems arise as regional organisations being apart from other actors face with achieving goals. The concept of partnership building is not simple as it may look. Rather it is a complex process with possibility for being understood wrongly in different ways. Basis for the efficient partnership building is solid and successful governance relations and recourses to attain and secure right opportunities. Therefore, it is important that capacity and allowed recourses are evenly allocated without a doubt of enhancing too influential positions in shaping regional policy. There is also a need for flexibility and transparency in policy delivery. All partnership must be competent to participate the existing policy framework impartially. This necessitates a functional and better congruence between policy objectives, regional circumstances and institutional capacity. The shaped policy involves better adaptation to fit in different organisational cultures and recourses in regions.

New opportunities for regional policy require capturing progress towards creation and development of new modes of governance and enhance the strategic capacities and recourses. Especially this is important in relation to acceptance of general model or vision in implementation of regional policy. Given the new mode of governance, the collective motivation of various actors for the future is based not only on present but also on past

experiences. However, the circumstances influencing capacity vary between different regions. According to Healey (1998, 1531) the quality of regional political culture is a key element. First, positive qualities are achievements in integration, connections, information, which are vital in capturing opportunities and enhancing regional conditions. Second, negative qualities are disintegration, lack of connections to sources of power and knowledge and the weak capacity to mobilize the regional recourses.

Regions can do little about their physical location and their natural potentialities. However, as Copus (2001) notes, changes in the geographic constraints are likely to many economic activities. This means that, in the future, the economic potential of peripheral regions will be less closely related to location, and increasingly influenced by a variety of "aspatial" characteristics. Successful regions may not in the long term be depended on state financial incentives. They might benefit from horizontal policies directed at aspatial factors, such as concerned with quality of business environment, innovation systems and R&D activities. This means that also factors like innovation, networking, local knowledge and culture and social capital are recognised as one of the key components, not only because their direct economic value but also as soft values. In broad terms, they are factors that can contribute to the recourses of local people and the institutional and entrepreneurial environment.

Parallel with the reduction in regional development subsidies there has been increasing interest (from both academic and practitioner communities) in endogenous development processes. The theories and practices have brought in a change from issues to people, planning to participation and top-down to bottom-up. For example, Hudson (1999) argues that local conditions and processes affect regional economies in Europe as much as wider economic forces.

- Social cohesion and a culture of commitment
- Co-operation, trust and networking
- Embedded business and new forms of inward investment
- Co-operation, compliance and new forms of industrial relations
- Regulation, governance and institutions.

It is assumed that market-led (private sector) and "third sector" regional development actors have an increasing role in endogenous development policies. This has not reduced the important role of public authorities in facilitating relationships and cooperation. The presence and influence of public authorities is still essential, especially in regions that suffer from difficult structural development or in less developed regions. The development of new more inclusive forms of governance does not necessarily mean diminishing the role of the public administration. Many market led and third sector actors in regional development are dependent on the public sector's regulative powers. Interconnectedness with authorities provides them a safe environment within which market led and third sector actors can pursue their regional development vision.

## 2.5 Two “Models” of Effective Regional Development Governance

A conceptual discussion above allows us to put the accent on two models of good governance, which are in many ways causally associated with regional economic dynamism. Although they are distinct in their forms and themes, they have much in common. The two models are also resonant with many of the points made above.

### Institutional thickness

Amin and Thrift (1995, 104) argues that a particular model of regional governance - known as “institutional thickness” – provide one of the preconditions for successful economic development. Amin and Thrift have most distinct definition for institutional thickness:

*“ ... institutional thickness amounts to a combination of features, including: the presence of many institutions; inter-institutional interaction; a culture of collective representation; identification with a common industrial purpose; and shared norms and values which serve to constitute the ‘social atmosphere’ of a particular locality. Thus institutions were broadly conceived to include not only formal organisations, but also more informal conventions, habits and routines that are sustained over time and through space. Similarly ‘thickness’ is conceived to stress the strong presence of both institutions and institutionalising processes, combining to constitute a framework of collective support for individual agents. Implicit to the argument was also the tacit stress on the inclusive nature of such collective support, reaching out to and involving the majority of individuals and groupings in the local economy.”*

Amin and Thrift (1995) argued that institutional thickness might be broken down into four elements:

1. A large number and variety of institutions (ranging from development agencies, local authorities industry associations, unions and research institutes, and, even, the firms themselves) to represent the actors in the network.
2. High levels of interaction within the network are necessary. “The institutions involved must be actively engaged with and conscious of each other, displaying high levels of contact, cooperation and information interchange which may lead, in time, to a degree of mutual isomorphism.”
3. The development of “...sharply defined structures of domination and/or patterns of coalition resulting in both the collective representation of what are normally sectional and individual interests, and the socialisation of costs and the control of rogue behaviour.”
4. “There is a commonly held industrial agenda which the collection of institutions both depends upon and develops”. This common agenda for development may be formally

defined, or simply a common set of priorities, perhaps reinforced by other sources of common identity, reflecting their embeddedness in local culture.

The authors stress that the first of the elements is a necessary precondition, but not sufficient without the development of the other three less tangible processes. “What is of significance here is not only the presence of a network of institutions *per se*, but rather the *processes* of institutionalisation; that is, the institutionalising processes that both underpin and stimulate a diffused entrepreneurship” (Amin and Thrift 1995, 104). Furthermore they point out that while the former is relatively easy to create by policy intervention, the institutionalising process is much more difficult. Cooke and Morgan (1995)

### **The Associational Economy; the Third Way**

Much of the recent discussion on the governance of territorial development has referred to “associational economy” that is a “third way” between state-led and market-led development (Cooke and Morgan, 1998; Garmise and Rees, 1997; Hudson et al. 1997). The role of the public sector enters in regional governance in many ways. “The common thread running through many third wave conceptions is the idea that to be an effective animator of development the state must be reconstructed rather than dismantled and this means enhancing its capacity rather than its size.” (Cooke and Morgan 1998, 24). The associational model, considers more the efficacy of the state as opposed to the scale of state intervention (which had been a key distinction between previous Keynesian and neo-liberalist approaches). Social and economic success appears to be based to a considerable degree on regional potential in trust-based relationships, learning, and network competence. However, government policy alone will be unable to be influential; both the local private sector and third sector and other collective bodies must work together

Like the concept of institutional thickness, the associational model is based upon “networks of institutions, both private (such as firms) and public-sector (such as universities and research laboratories, etc) as well as “intermediate” (trade associations, chambers of commerce, etc) (Garmise and Rees, 1997). However, the difference lies in that it explicitly seeks to empower the intermediate associations between the state and the market; In this interaction economic activity is increasingly based on modes of collective learning and competition increasingly involves partnership and interactive innovation (Cooke and Morgan, 1998).

Within this context, “...one of the key developmental roles of the state is to create the conditions – the formal framework as well as the informal norms of trust and reciprocity – whereby firms, intermediate associations and public agencies can engage in a self-organised process of interactive learning” (Cooke and Morgan 1998, 131).

Promotion of the associational model stress that the state is just one actor among many institutions in the developmental process. Salas et al. (1999), for example, suggest that all

universities, local governments, labour markets, communities, entrepreneurs, infrastructure and financial sources are shapers of the economic structure of a region. Therefore, “... the effective use of state power is contingent on the active cooperation of others, hence it needs to collaborate with and work through the institutions which collectively constitute the national system of innovation” (Cooke and Morgan 1998, 24).

## 3 The Role of Policy and New Modes of Governance in Peripheral Regions

### 3.1 Hypotheses and Research Questions

As pointed out, governance is in a focus of a great deal of research activity across a number of disciplines at present. Perhaps because of this it is a term with a rather elastic definition. For the purpose of focusing the governance theme in relation to the study of aspatial peripherality, it was divided into three sub-themes and a set of hypotheses were developed (Lakso & Kahila 2001) within those three elements of governance introduced at the beginning of this chapter:

- Organisational structures,
- Governance processes,
- The contents of governance (policy incentives).

The first element is concerned with the way in which institutional structures within a region may enhance or hinder its development potential. They are the aspects of governance, which is both most tangible, and the most characterised by inertia. The actors within the governance system are characterised by different degrees and types of power (systemic, command, coalition and pre-emptive), and different degrees of autonomy as pointed out formerly.

In the second element of governance (process) is not focused upon *what* is done (in terms of development policy) but upon *how* it is done. It concerns with the effectiveness of all the actors, including the private and third sector, that work together to achieve development goals. It is connected to the nature, quantity and quality of those interactions.

The third element of governance system relates to forms of intervention or support of various actors and agencies. Such policies may be formulated at an EU, national or local government level, but also include truly “bottom up” community initiatives. Although financial assistance continues to play an important role, incentives are increasingly concerned with “softer” issues, such as human and social capital.

Hypotheses are based on assumption that organisational structures, governance processes and policy incentives have impact upon regional economic performance and therefore also upon elements of aspatial peripherality. It is expected also that regions’ organisational structures, governance processes and policy incentives differ and, further, that there are differences between the regions as regards the factors facilitating the generation of effective regional governance. Even though the causal relationship between the type/quality of governance and regional economic performance is largely implicit within literature,

it is reasonable to assume that there may be indirect relationships between structures and performance, which are apparent in more direct links with policy measures and implementation.

The more detailed hypotheses of the study were formulated as follows:

- Clearness of power relations within organisational structures causes that power is exercised effectively.
- Institutionalisation of organisational structures necessitates clear division of work between the organisations involved in regional development.
- Coherent regional development action is based on strategic consciousness of actors involved in regional development.
- Successful regional governance requires common vision and collective sense in order to attain appropriate goals that have been discussed and collectively defined.
- Quality of ongoing processes of governance improves the co-ordination capacity of actors.
- Developing governance processes necessitates strategic thinking and enough diverse actor groups.
- Successful implementation of regional policies and programmes requires that region is acting unanimously and following collectively set policy. Means and measures have to be proportional to regions institutional state and their geographical location.
- Successful implementation of regional development programmes, which are aimed to decrease the problems of peripherality, necessitates commitment of actors to regional development.
- Strategic thinking and collaboration decrease the problems, which are caused by the peripheral location.

For clarity, the hypotheses can be expressed in the form of three simple research questions:

- a) What are the main differences (in terms of governance) between the peripheral but well-performing A regions and accessible but lacking B regions?
- b) Do peripheral but well-performing A regions have more effective governance than accessible but lacking B regions?
- c) Is there any evidence to suggest that regional governance may play a role in aspatial peripherality?

## 3.2 Research Methods

The institutional survey of the AsPIRE project included separate thematic sections, namely governance, social capital, business networks, tourism and ICT. The governance and social capital thematic studies were incorporated so that both of them had their own thematic questionnaire but some of the governance questions were included in the social capital questionnaire form and vice versa. For a purpose of interviews of partnership organisations the separate partnership questionnaire was designed. That questionnaire included also some governance questions. Thus, the governance thematic study was divided in three sections: governance, civic and partnerships. The business networks, tourism and ICT sections had their own separate questionnaires. However, these questionnaires were used while interviewing governance, civic and partnership organisations.

The governance questionnaire was directed to the public administration, regional development agencies, companies, sectoral development agencies like tourist boards and education and R&D units, i.e. all the relevant actors that are involved and conscious of regional economic development. The civic organisation questionnaires were directed to the third sector organisations and the partnership questionnaires to the local/regional partnership organisations. The governance questions were included in all those questionnaires. While doing the governance analysis all the governance questions from those three separate questionnaires were incorporated and analysed. The analysis of regional governance presented below is based upon data derived from all of those three questionnaires.

The interviewing process started in April 2002 and all the interviews were carried out until October 2002. The standard interview schedule did guide the process. All the interviews were carried out through a face-to-face discussion. The sample, including specific selection of organisations, was defined before starting the interviewing. Total 203 interviews were carried out. The cases were divided between the case study regions as follows: peripheral regions (A regions) 102 cases and accessible regions (B regions) 101 cases.

The questionnaire(s) included both structured and open-ended questions. For a purpose of analysis of quantitative data the standard coding and analyse methods were used. The research teams from each partner country were required to assemble the data by replicating open-ended questions in the form of “technical notes” and extracting the answers for structured questions in spread sheets. Even though the research method was not thematic interview and thematic analysis in its purest form, those open-ended thematic questions made possible to enrich quantitative data. The data is mainly presented as diagrams and their textual explanations in this book, and the following discussion is centred on a selection of the more quantitative (attitudinal scoring) results, although supporting qualitative findings will be cited where appropriate.



### 3.3 Findings of the Governance Study

#### 3.3.1 Power and Influence of Organisations

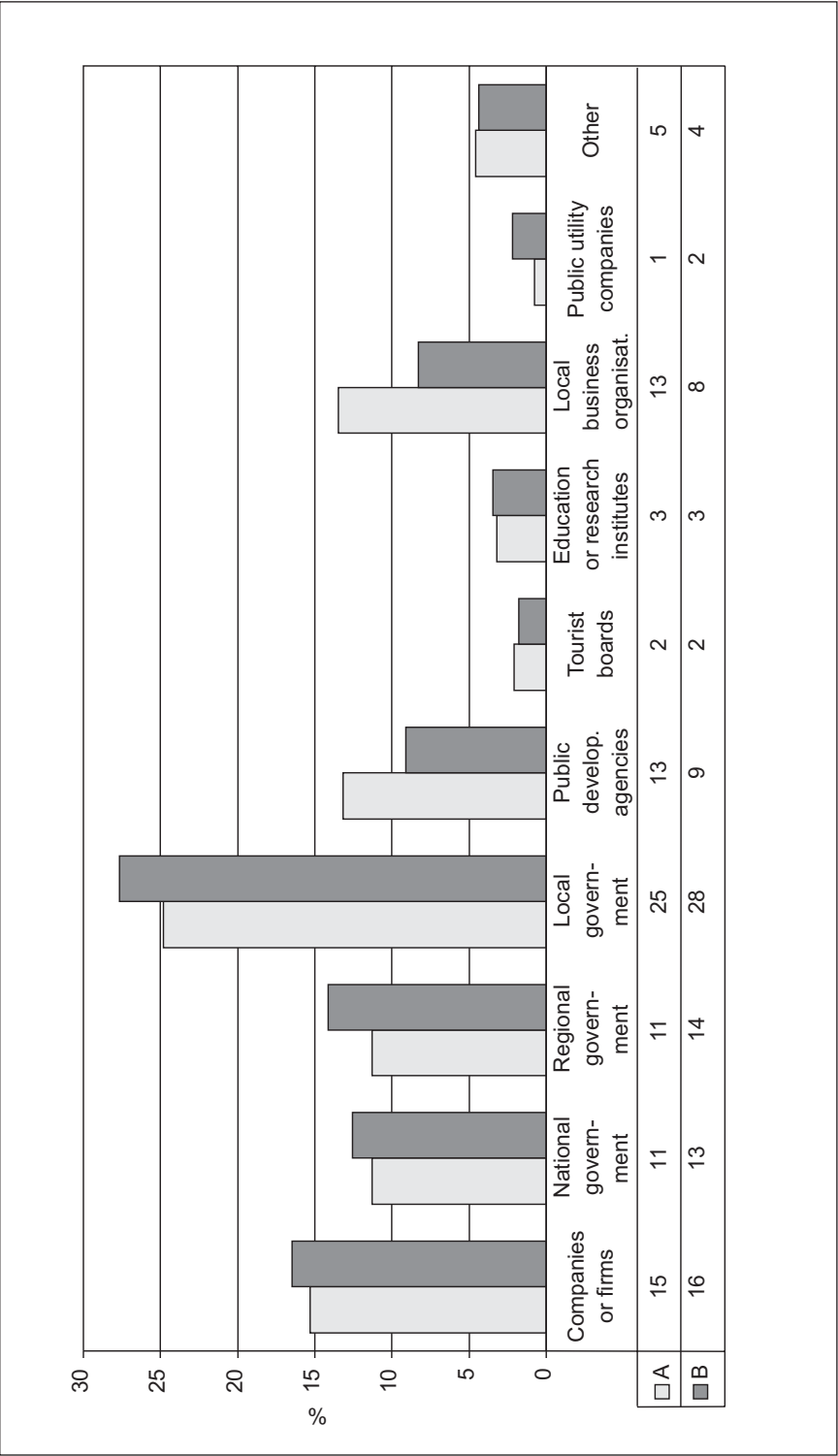
Organisational network was rather extensive in relatively peripheral but well-performing A regions and also in relatively accessible but lacking B regions. The organisational network included following organisational groups: regional government (including both representative units of national state and the region), local government, other public regional development agencies, tourists boards, education and research institutes within the region, organisations or associations representing local businesses and private companies.

Organisational structure is institutionalised in Germany, Finland, Scotland and Ireland. However, there are distinct differences between countries. In Scotland, the state regional development organisations have strong role but in Finland and Germany representative local and regional organisations have strong presence in regional development. The administrative organisations have long traditions and relatively strong role in terms of regional development in Spain and Greece. There are less specialised development organisations. The Irish regional administration is relatively weak but the central government and local associations are strong.

The official and legislative mandate was important objective, which drove the involvement of various organisations in economic development policy in the peripheral/well-performing A regions and in the accessible/lacking B regions. Commitment to regional development in both of the regions was also strong argument to get involved in regional development. There were no particular differences between regions concerning organisation's motives to get involvement in regional economic development policy.

Figure 3 shows the results of a question eliciting the three most influential actors in economic development in the region. Local government was perceived to be the most important actor in both the peripheral/well-performing A regions and in the accessible/lacking B regions (Figure 3). Companies and firms, and organisations representing local businesses, were also perceived to have an important role, especially in the A regions.

The interviews indicated that the dominant role of local government tended to be reinforced through the exercise of state responsibilities, e.g. provision of welfare services. Local government power is also based on the fact that they are commonly a major channel for regional development funding and associated project initiation. An interesting contrast at the member state level was that the importance of regional government was stressed in Finland, Spain and Greece whereas regional development agencies were more frequently acknowledged in Scotland and Ireland. Such differences between the role of different types of actors in national systems are to a large extent a result of the different evolutionary history of the national administrative systems (perhaps before EU accession), but they probably also have roots in local and regional culture.



**Figure 3.** The three most influential actors over economic development in peripheral/well-performing A regions and in accessible/lacking B regions.

Although the “profile” of perceived influence was quite similar in the peripheral/well-performing A regions and in the accessible/lacking B regions, perhaps the key difference is the greater emphasis upon public development agencies, and on local business organisations in the A regions. The first of these differences may perhaps be due to the fact that some of the B regions were not covered by regional agencies (regional development being part of the remit of local or regional government). The greater role of local business organisations may be due to a combination of a stronger shared perception of regional disadvantage, together with the narrower sectoral focus leading to stronger organisations. Reviewing both the quantitative and qualitative information derived from the interviews suggests some generalisations regarding trends in the role of local/regional government in the different member states:

- The more centralised government systems of Ireland and Greece have been partially successful in realising devolution among regional actors.
- In the more decentralised countries of Spain and Finland, the governance structure has promoted a deeper “process oriented” form of regional development.
- In Germany and Scotland the systems have been more stable in recent years, although regional actors (as opposed to national government) have become more influential.

The influence of companies, and organisations representing local businesses was relatively strong in all case study regions. Businesses are the engines of economic growth; they hold significant sway at the regional and local levels. Public and private actors differ in the extent to which they are constrained by civil service and regional hierarchies. Public administration players can operate on their own level only, but businesses can interact with all levels, and can therefore become very important actor.

The respondents of the organisations were asked to assess the quality/intensity of collaboration between different types of organisations and national and regional levels in their region.

Contacts of public organisations were mostly based on formality in the peripheral/well-performing A regions. Informality was emphasised as concerns authorities’ contacts with the private sector representatives. Generally, very good connections between organisations in the A regions had positive impact on regional economic development. The sectoral distinctions of the organisations were partly causing some problems for the interorganisational collaboration. This was merely due to the organisations’ self-interest, which caused problems in terms of defining common objectives. However, the joint meetings were strengthening the relationships.

The joint responsibility in development work in the accessible/lacking B regions was considered to work well especially outside of the regular plans. This was mostly because of the formality of the contacts between the public organisations and informality of the contacts between the public and private sector. The collaboration was also in the B regions based on the positive mutual relationships. The more extensive and close collaboration would bring forth deeper co-operation. The sectoral views were also building the barriers between the organisations.

The formality and regularity of the person-to-person meetings was assessed very important. However, the formality is emphasised in the accessible/lacking B regions because of regional development policy making is mostly based on the public administration that is laying emphasis on the formal relationships.

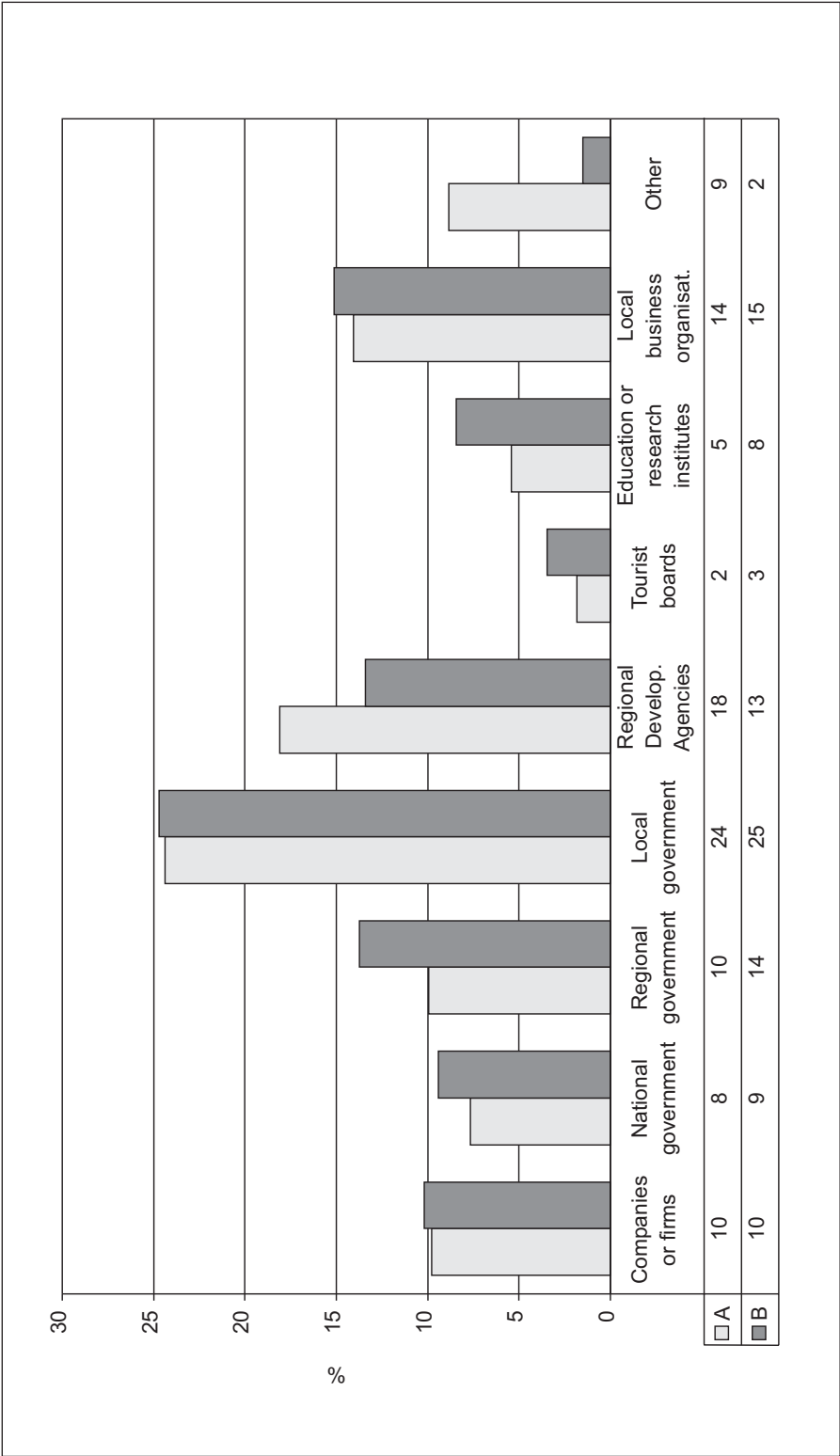
### 3.3.2 Regional Visions

The interviews probed issues relating to the existence and role of a “regional vision”. These are both of intrinsic interest, and are also indicative of the power relations between the actors of the different regions.

It was found that (overall) local government was perceived to be the primary initiator for the regional vision in both types of case study region (Figure 4). Regional and national government seemed to play more important roles in determining the vision in the accessible/lacking B regions compared with the peripheral/well-performing A regions. The private sector (as represented by both companies/firms and local business organisations) was perceived to play an important role on forming the regional vision, (in both peripheral/well-performing A and accessible/lacking B regions) being cited by about a quarter of all interviewees.

However, national and A/B region differences in initiation of the images were also interesting. Private sector actors were conspicuous in the peripheral/well-performing A regions in Finland and Spain, where both companies and organisations representing local businesses were very much involved with the regional government in initiating the vision. In the Scottish, Greek and Irish A regions the vision was perceived to have emerged from collaboration between local government and regional development agencies. In all the accessible/lacking B regions the public sector was major initiator.

Frequently cited “regional vision” issues included development of the knowledgebase, increased regional economic competitiveness, physical infrastructure improvements, and the introduction/expansion of new technologies. Generally administrative/public sector actors were conscious of and shared the vision, but the other actors found it difficult to see its relevance to their activities. The private sector, in particular tended to feel that



**Figure 4.** Initiators of the regional vision in peripheral/well-performing A regions and in accessible/lacking B regions.

the vision had too broad a focus. The visions were set out in very general terms; specific future-oriented plans and precise sectoral goals were rarely spelled out.

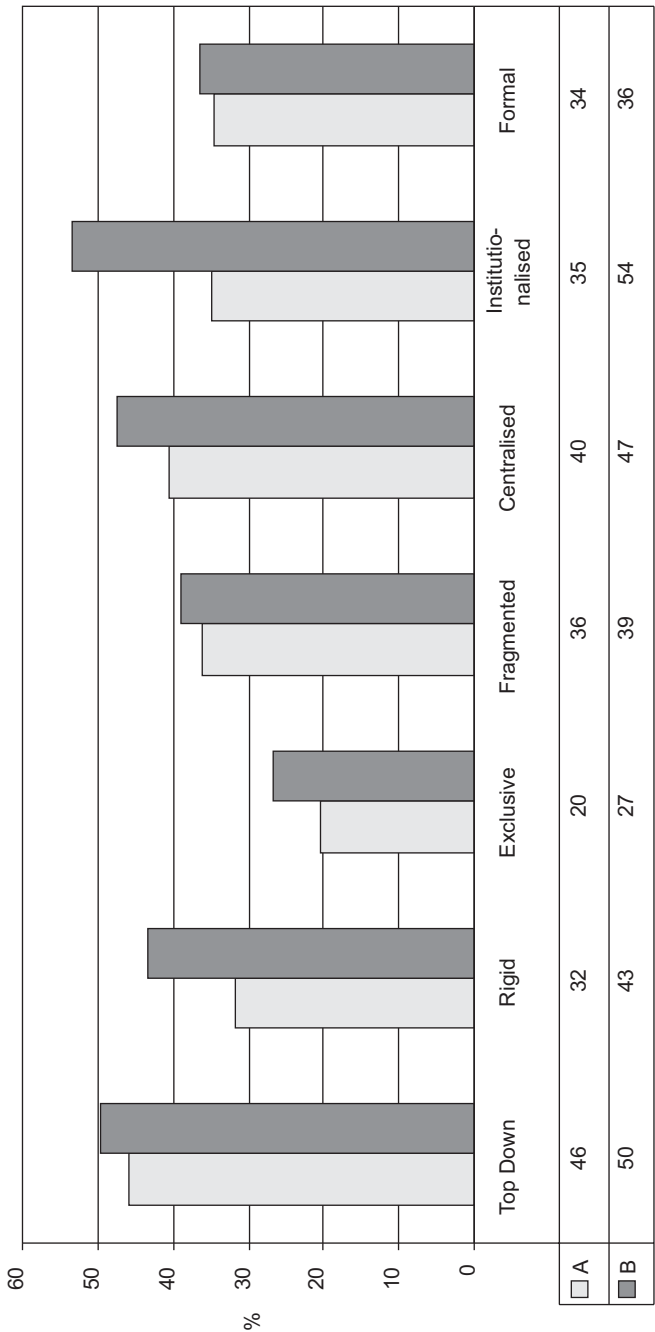
### 3.3.3 Planning and Implementation “Milieux”

The respondents of the organisations were asked to describe the “governance milieu” in their regions. In this context the term is used to characterise the overall interaction of actors and their mutual relationships within the region. The concept was first explained to the interviewee and then presented as set of seven characteristics measured on bi-polar scales (Figures 5a & 5b).

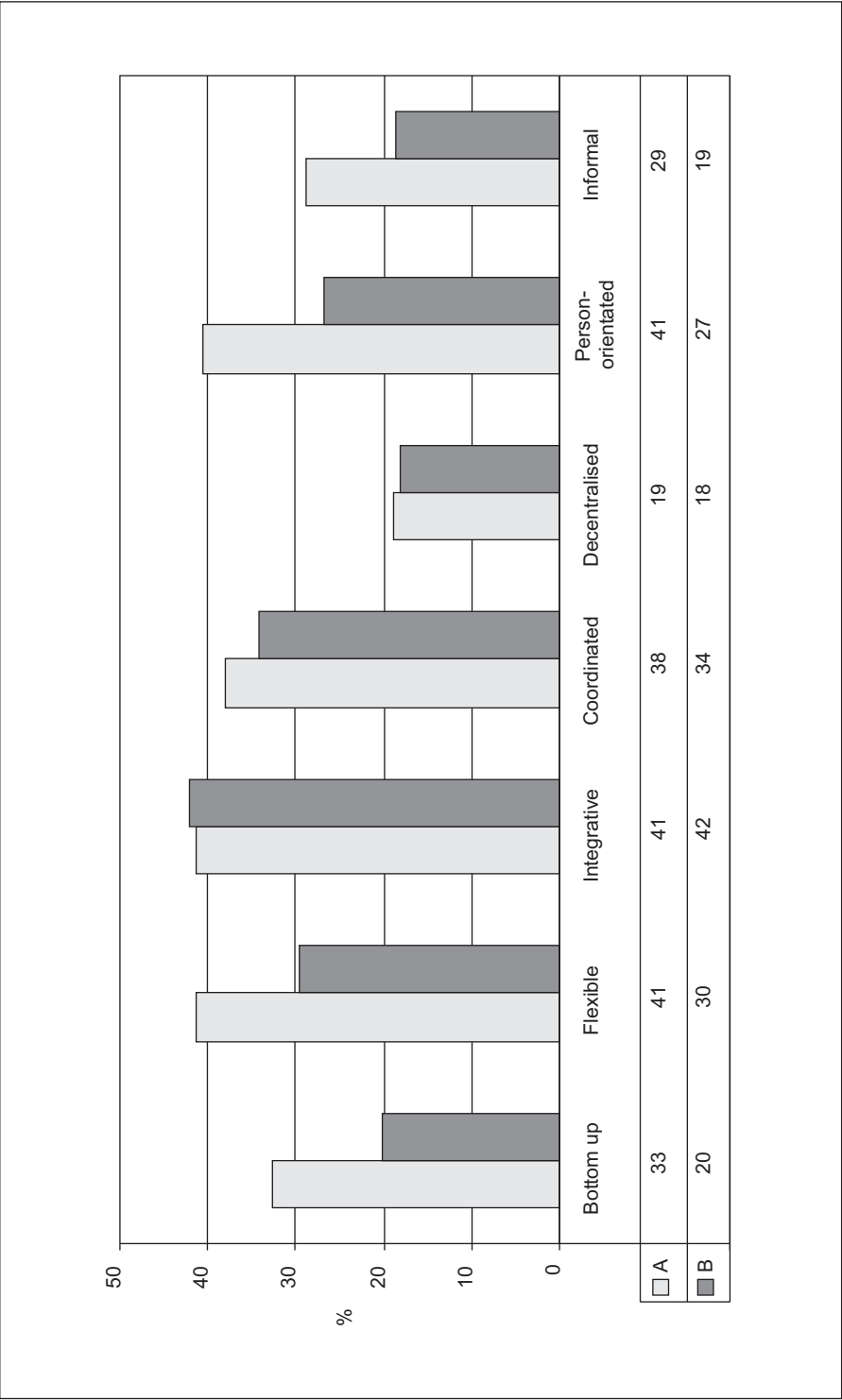
The first of these scales ran from “Bottom up” at one extreme to “Top Down” at the other. On average (in both peripheral/well-performing A regions and accessible/lacking B regions) the responses were skewed towards latter end of the scale. However, those in the A regions were much more likely to choose scores closer to the “Bottom up” extreme. “Flexibility” v. “Rigidity” was the extremes of the second scale. In this case the responses were more evenly distributed, but “Flexible” was substantially more common in the A regions, whilst “Rigid” more often characterised the B regions. The third aspect to be assessed was the degree of integration (of all the different actors”. Here the majority of actors, in both the peripheral/well-performing A regions and the accessible/lacking B regions, perceived their system as “Integrative”, but slightly more of the B region interviewees scored their system closer to the “Exclusive” end of the scale. The scale from co-ordination to fragmentation was also fairly evenly divided, although the A region interviewees showed a marginal preference for the former, and the B region actors leaned slightly more towards “fragmented”.

When asked to score their region on a scale between “decentralised” and “centralised”, the majority, in both types of region felt their governance system was relatively centralised. This view was slightly more dominant in the accessible/lacking B regions. The scale between “Person orientated” and “Institutionalised” showed a clear difference between the two types of region, the peripheral/well-performing A regions being more often perceived as closer to the first of these, and the B regions closer to the second. The final dichotomy, between “Formal” and “Informal” systems showed that almost 30% of the A region respondents favoured the informal end of the scale, compared with less than 20% in the B regions.

The above points seem to point to a fairly clear contrast between local perceptions of the governance systems in the two types of regions. The peripheral/well-performing A regions were perceived as significantly more bottom up, flexible, person orientated and informal, and slightly more integrative, co-ordinated and decentralised. The accessible/lacking B



**Figure 5a.** Aspects of governance structure in peripheral/well-performing A regions and in accessible/lacking B regions.



**Figure 5b.** Aspects of governance structure in peripheral/well-performing A regions and in accessible/lacking B regions.



regions were, by way of contrast, more institutionalised, more rigid, more exclusive, more top down, and slightly more formal.

A closely related, but less abstract, more practical issue was assessed by a question relating to “implementation milieu”. This relates to the day-to-day style, working culture and interaction between the actors of the regional governance system. The interviewees were asked to rate their actors on ten bi-polar scales (Figure 6a & 6b). The culture and attitudes are direct outcome of governance structure that was characterised in previous question.

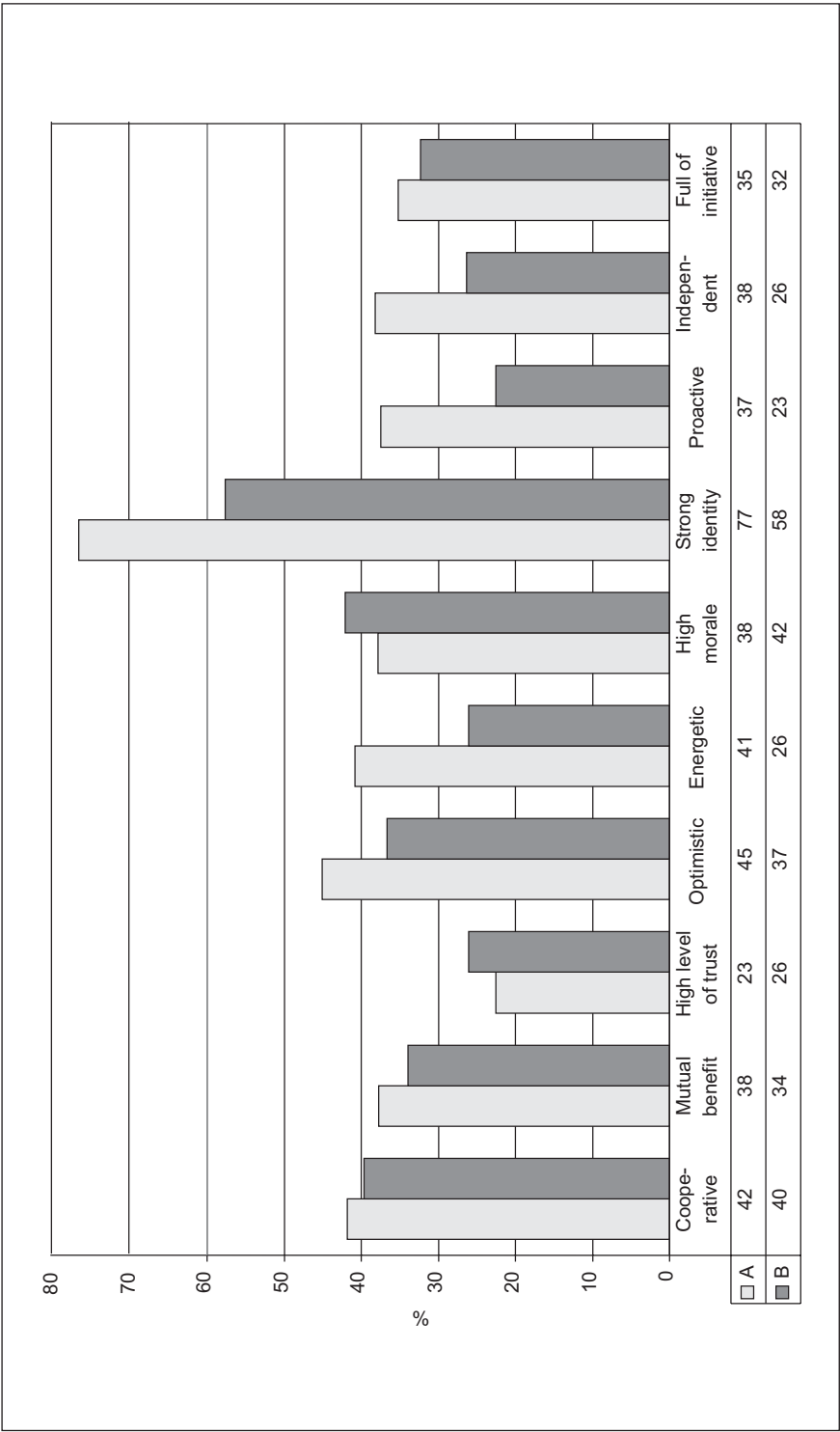
Strong sense of identity with local area/region was unambiguously most typical feature for culture and attitudes of the organisations in both the peripheral/well-performing A regions and in the accessible/lacking B regions. The general milieu of implementation regional economic development policy in the A regions can be rated very positive. Development work took place in close co-operation between the organisations and was assessed as energetic and proactive. The respondents rated the culture and attitudes of the institutions, agencies and organisations rather negatively in the B regions.

Development work in the accessible/lacking B regions was perceived to base on pursuing self-interest and mistrust of each other. This reflected also to passive and dependent culture and attitudes. The ability to take initiative in development work in the peripheral/well-performing A regions was also characterised very active. However, there were also estimations that culture and attitudes in the A regions comprise self-interest and mistrust among organisations. This might partly be related to previous question that emphasised person-orientated and fragmented governance structure.

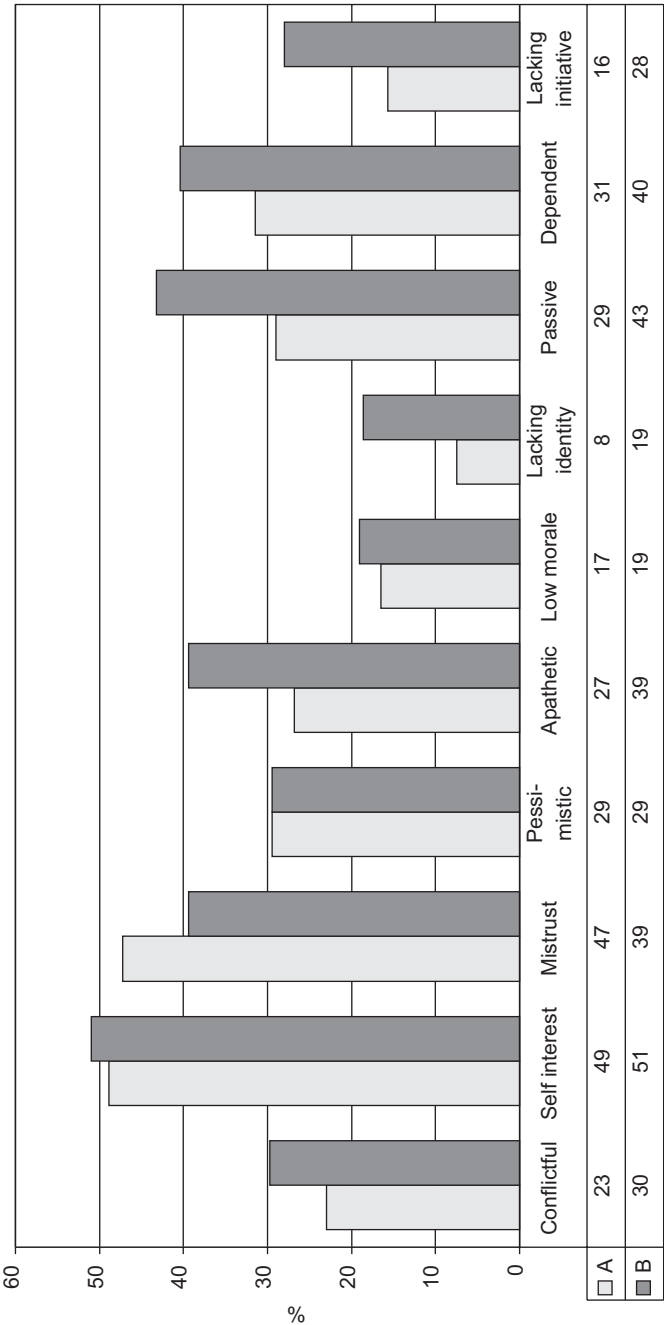
Development milieu in the accessible/lacking B regions was also described as co-operative and based on high morale. The development atmosphere was not after all completely negative while the energetic and optimistic characters were also emphasised in the B regions.

The key contrasts between the peripheral/well-performing A regions and the accessible/lacking B regions are summarised as follows:

The general implementation milieu of regional economic development policy in the A regions was perceived in a generally positive light. The actors were more often described as “optimistic”, “energetic”, “proactive” and “independent” (of central government) and “showing initiative”. Development work was perceived as taking place in close co-operation between the organisations, and motivated by mutual benefit. By contrast, the respondents rated the culture and attitudes of the institutions, agencies and organisations rather negatively in the B regions. The following terms were more frequently used to describe the accessible/lacking B regions than the peripheral/well-performing A regions; “conflictful”, “self interest”, “apathetic”, “low morale”, “lacking identity”, “passive”, “dependent”, and “lacking initiative”.



**Figure 6a.** Positive and negative culture and attitudes of the institutions, agencies and organisations in peripheral/well-performing A regions and in accessible/lacking B regions.



**Figure 6b.** Positive and negative culture and attitudes of the institutions, agencies and organisations in peripheral/well-performing A regions and in accessible/lacking B regions.

Of all the ten bipolar scales, the only one in which the peripheral/well-performing A regions received a larger number of votes than the accessible/lacking B regions at the negative end of the scale (and *vice versa*) related to levels of trust between actors.

### 3.3.4 Perceptions of Barriers to Regional Development

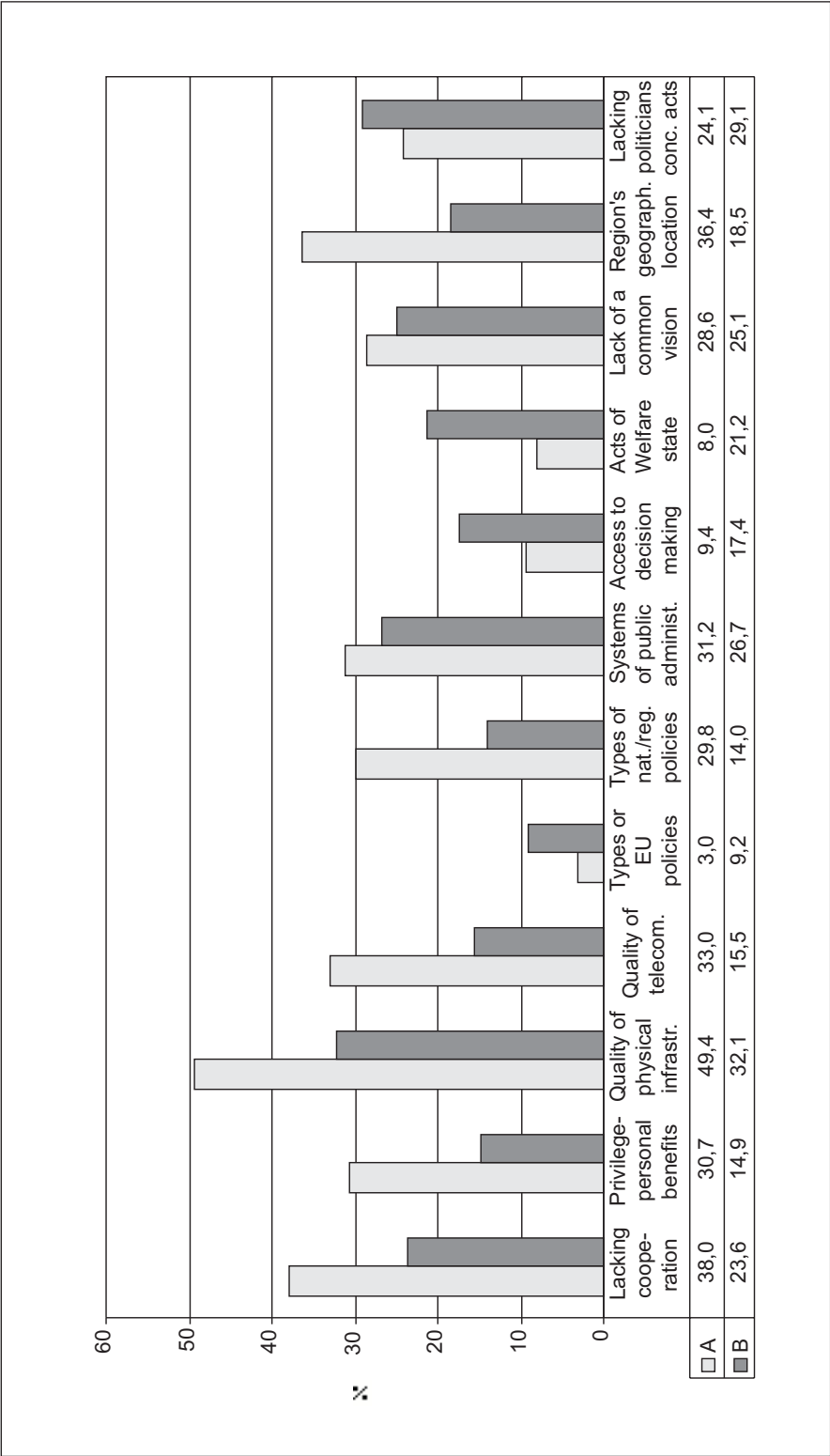
In an attempt to assess perceptions of the local regional development challenges, the interviewees were asked to consider a range of possible barriers to local and regional development in their region. The barriers were scored on a scale from “negligible” to “major obstacle” (Figure 7). Generally the responses were skewed towards the negligible end of the scale, (perhaps suggesting that key barriers were omitted from the choice).

Obstacles relating to location, such as remoteness, quality of physical infrastructure and telecommunications are still perceived as important barriers in the peripheral/well-performing A regions, and more so than in the more accessible/lacking B regions. In the surrounding discussions, respondents emphasised the importance of these issues in an underlying strategic sense. However peripherality seems to have the capacity for both positive and negative impacts upon the governance milieu. Thus, whilst some respondents in the peripheral/well-performing A regions regarded peripherality as a driving force for local and regional economic development, engendering proactivity, initiative and enterprise, others stressed the problems caused by traditional, parochial attitudes in peripheral areas and the neglect of wider opportunities.

The higher frequency of the region A respondents identifying a lack of co-operation, and common vision, and the tendency of actors to be motivated by privilege or personal benefit appears to contradict the results presented above (Figure 5 and 6) and may perhaps be interpreted as indicating a greater sensitivity to such issues, an awareness of the need to do better, rather than a poorer performance in these respects in peripheral regions.

Types of national/regional and also systems of public administration, i.e. how local and regional development policies are actually delivered to intended beneficiaries, were more frequently cited as an obstacle in the peripheral/well-performing A regions than in the accessible/lacking B regions. However EU policies were not considered a major obstacle for either type of region. Systems of public administration cited quite frequently in both kinds of region, and slightly more often in the A regions. Criticism generally related to the sectoral and inflexible nature of public administration. In general, the respondents seemed more likely to regard EU policies than national/regional policies, as enabling them to progress towards economic development goals.

Respondents in both types of regions criticised the abilities of the regional political representatives to promote the development of the region. However, they did not mention



**Figure 7.** Range of obstacles to local and regional economic development in peripheral/well-performing A regions and in accessible/lacking B regions.

any particular reason to this. Probably the background relates to lack of cooperation, to privileged actions of groups and individuals.

Many interviewees emphasised the importance of and direction towards regional autonomy. Regional aspects should be taken into account more strictly. There was a need for stronger long term regional planning and also for wider financial power. The respondents pointed out that regional administration should in practice have stronger role in strategy making and allocation of funding. They considered that democratic representation of regional interest should be emphasised in future. On the other hand, strategy making should also be spread to several actors. Co-ordination of development activities might face in this context severe difficulty.

Respondents in the accessible/lacking B regions assessed that there was a need to establish and create real connections between various actors, i.e. strengthen institutional capacity. Along with traditional administrative co-operation, there is also a need to utilise non-bureaucratic actors more effectively. Different instances should be brought together to discuss and talk about matters related to regional development, in order to create deeper commitment and involvement. However, this requires courage and extrovert attitude. General bureaucracy should be lightened. "Authorities have desire to be flexible" and there should be possibility to take account of fearless thoughts. There were too many formal meetings and teams that caused overlapping. On the other hand, co-ordination was required but discussing about same subjects and entireties.

To sum up, obstacles relating to location, such as remoteness, quality of physical infrastructure and telecommunications are still perceived as important barriers in the peripheral/well-performing A regions, and more so than in the more accessible/lacking B regions. In the surrounding discussions, respondents emphasised the importance of these issues in an underlying strategic sense. However peripherality seems to have the capacity for both positive and negative impacts upon the governance milieu. Thus, whilst some respondents in the peripheral/well-performing A regions regarded peripherality as a driving force for local and regional economic development, engendering proactivity, initiative and enterprise, others stressed the problems caused by traditional, parochial attitudes in peripheral areas and the neglect of wider opportunities.

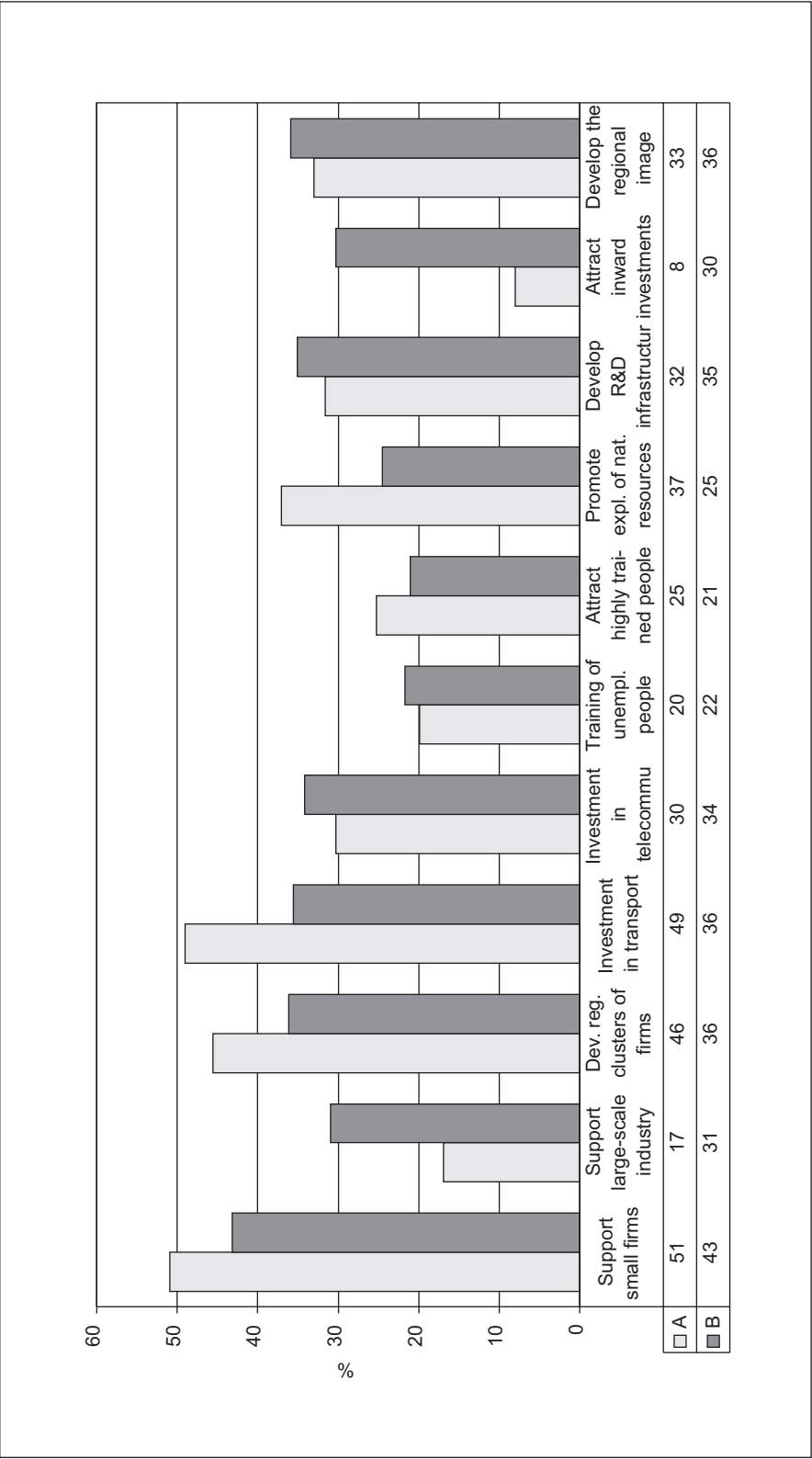
### 3.3.5 Policy Measures and Incentives

The final aspect of the governance system, which was explored through the survey of actors in the case study regions, related to attitudes to different kinds of economic development policy measures. Here the objective was to assess the extent to which policy styles varied between the two types of regions, and whether the differences in governance milieu, described above, resulted in different emphases in the choice of different types of measure.

The respondents were asked which of a range of alternative economic development tools and incentives were considered to have been most effective in their region (Figure 8). The list of measures included some “traditional” activities, investing in infrastructure, measures to attract inward investment, support for large scale industry, and some “softer” more innovative approaches, such as measures to enhance the regional image, training for the unemployed, cluster policies, and so on.

In reviewing the responses it seems that some of the differences between the scores from the peripheral/well-performing A regions and those from the accessible/lacking B regions relate to perceptions of long established regional limitations, whilst others stem from perceptions of realistic future potentials. Thus, for example support for small firms is perceived as the most effective tool in both types of region, whilst support for large-scale industry received a rather lower rating overall. However the respondents from the peripheral/well-performing A regions were slightly more likely to rate small firm support, and much less likely to rate large scale industry support, and this simply reflects a degree of realism regarding the probability of attracting large scale industry to a remote area. The greater confidence in small business policies in the peripheral/well-performing A regions is complimented by a higher score on policies for developing regional clusters, and a very much lower rating of inward investment policies. All these results accord with the preference for “bottom up” styles of governance identified earlier.

Investments in transport infrastructures were highly rated by both types of regions, but (for obvious reasons) especially in the peripheral/well-performing A regions. Interestingly, policies to stimulate investment in telecommunications infrastructure are perceived as less effective, and the A regions showed no particular tendency to embrace this as a solution to their peripheral disadvantage. Measure to stimulate the development of a research and development infrastructure received a similar moderate score, and the A region interviewees were realistic in that they scored this slightly lower than the respondents in the accessible/lacking B regions. “Softer” approaches, such as the training of unemployed people, and measures to attract highly qualified people, were considered moderately effective in both types of region. Policies relating to the environment, tourism and niche marketing (measures to promote the exploitation of natural resources, the development of a regional image) were rated relatively highly in the more peripheral regions.



**Figure 8.** Effectiveness of tools and incentives for regional development within peripheral/well-performing A regions and in accessible/lacking B regions.



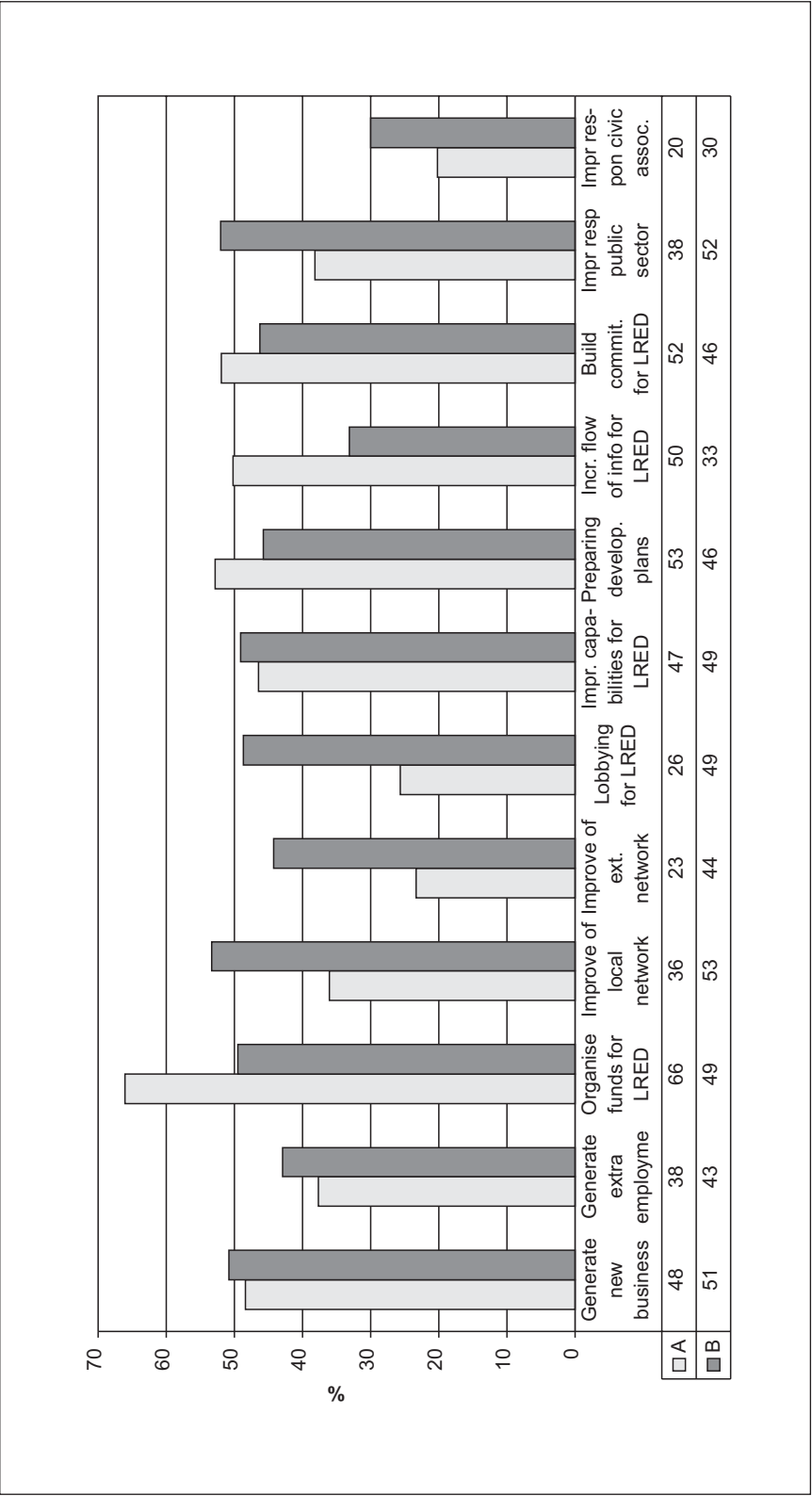
### 3.3.6 Organisations' Outcomes and Benefits

The regional organisations have achieved several outcomes and benefits in the context of promotion local and regional economic development. Therefore, the respondents were asked to rate the achievements of their organisations according the given alternatives (Figure 9).

Generally the outcomes and benefits were assessed very positively in both of the regions. The respondents in the peripheral/well-performing A regions considered the organising the funds as their most important outcome for regional development. Naturally this relates to normal actions of the organisations that take place in every region. However, the organisations estimated their achievement clearly more important in the A regions than organisations in the accessible/lacking B regions. The improvement of local capabilities, competencies and commitment express a strong development milieu in the A regions. The outcomes and benefits confirm the importance of a strategic development plan. These outcomes can also be partly explained by improvement of responses of public sector agencies to problems of regional development policy.

The most important outcomes and benefits in the context of promoting local and regional economic development in the accessible/lacking B regions were related to increase of activities of the public sector in development measures. In practice, this meant the intensification of participation and the improvement of response of the public sector to the promotion of regional economic development. Second group of important outcomes and benefits of the organisations were related to direct measures on developing local and regional economic environment in the accessible/lacking B regions. These achievements included above all raising and organising financing for local and regional economic development policy. Direct measures concerned also the development of prerequisites for enterprises. The organisations had positive impact on generation of extra employment and new or expanded business.

The achieved outcomes and benefits that the representatives of organisations considered as negligible were as rule direct actions in the peripheral/well-performing A regions. The distinct group of negligible outcomes and benefits were closely related to outer regional relationships and networking. The quality of networking between local organisations and organisations outside the region and the lobbying for regional economic development policy were assessed clearly as negligible achievements in the peripheral/well-performing A regions. Generally it can be pointed out that external connections had in the A regions somewhat secondary position. The respondents estimated also the achievements in improving the responses of civic associations to problems of local and regional development policy. However, this context was undeniably also dependent on activities of civic associations of themselves.



**Figure 9.** Organisation's outcomes and benefits in the context of promoting local/regional economic development in peripheral/well-performing A regions and in accessible/lacking B regions.

The outcomes and benefits in preparations for development plan and flow of useful information for local and regional economic development were rated negligible in the accessible/lacking B regions. These two variables might relate to each other, and moreover refer to issue that the organisations have not achieved or have problems in achieving full consensus in developing the region. The responses of civic associations had also been problematic in the B regions. The negligible achievements of organisations in this case were identical with the peripheral/well-performing A regions.

Partnership based on commitment and right capabilities represent one form of successful and overarching co-operation and governance. The governance structure seemed to be much better in the peripheral/well-performing A regions than in the accessible/lacking B regions. The outcome of successful governance structure is key element in preparing common development plans and organising development funds for regional development. Actually funds have effectively become a mechanism in the A regions for regional capacity building. In the B regions the attention is merely pointed to improvement of local development milieu. Improvement of local and external networks not a necessity in the A regions, because presumably they are in good shape for present regional policy.

## 4 Conclusions

In a relation to regional economic development, the concept of governance can provide a useful framework to analyse and to take into consideration the inter-organisational interaction and shaped coalitions in order to act successfully in regional economic development policy. The concept of governance contributes e.g. the interpretation how the ongoing processes of mutual interaction are influencing on the regions and local administrative units and also on the new modes of regional economic development policy.

The conventional concept of governance represents co-ordination, but resulting outcome of this study supports the more inventive context of governance in construing regional economies and regional economic development policy. The context of regional economic development policy in relation to new public and public-private frameworks is driving policy-makers and implementators to develop new modes of action. Regional economic development policy is not solely demanding new modes of action but also modifications of traditional and deep-rooted operations. This is also confirming that present polycentric regional development milieus require appropriate and effective governance institutions to both govern and manage implementation of inter-regional and also extra-regional initiations and inputs. The successful execution of regional economic development policy depends on how both internal and external co-operation is formed and how they complete the expectations of the associated partners and regional economy.

It is perhaps appropriate at this point to return to the three main themes and three research questions presented earlier in this chapter and to summarise the findings. The hypotheses presented included three categories: (i) *organisational structures*, i.e. where regional development processes take their place; (ii) *governance processes*, i.e. what kind of governance processes it should be used to conduct to develop collaborative regional economic development affairs; and (iii) *the contents of governance* (policy incentives), i.e. what are contemporary contents of policies and development ideologies directed to support regional development. Hypotheses of the governance study were based on assumption that organisational structures, governance processes and policy incentives have impacts upon regional economic performance, and therefore are elements of aspatial peripherality.

The first research question was simply factual or descriptive, and concerned the key differences in the governance systems of the A regions and B regions. These may be reiterated as follows: In terms of the perceived relative importance of a range of different actors, the greatest differences seem to have been between member states, rather than between the A and B regions within them. This is no doubt due to the distinct structural evolutions in different member states, which in most cases has created a relatively rigid structure, within which the scope for variation is relatively limited.

The modes and styles of governance vary between the countries involved in the project. National cultures form the structures of regional development institutions and the distribution of different forms of the power between the various levels of government and private/voluntary sector organisations. For instance in some countries local government is stronger player than in others, and the central and regional government's roles are emphasised in different way in different countries. Within these structures local or regional government still drives the process through which the regional vision is formulated, although in certain member states the private sector is increasingly assuming a role, whilst in others regional development agencies play a key role. Thus, the variations of institutional set ups make comparisons between the countries difficult.

Anyhow, all the case study regions exhibit relatively extensive institutional maps. Institutional structures were rather similar in different countries and case study regions. However, the tasks of the organisations and complementary competencies of the public institutions were not clear enough and there was overlapping in responsibilities and organisational tasks. The co-ordination of the strategies and funding was problematic. The biggest problems in both the A and B regions were related to the national-regional relations, regional-local relations and the public-private relations. Also a lack of the interpersonal interaction causes diversification in terms of organisational tasks.

The regional development concept seemed to be widely known by the interviewees in all the case study regions. Many interviewees thought, nonetheless, that the development action is fragmented and unclear for the actors outside the local and regional administration. Especially the companies and the third sector organisations were not well conscious of the regional planning documents and strategies. In the context of governance it can be said that they should be familiar with those documents and strategies at least to some extent.

Within the relatively rigid structural frameworks significant differences were found in terms of the policy and implementational milieus of the A and B regions. On the whole, the qualitative information gathered pointed to a contrast between the A and B regions in terms of the willingness of the actors to co-ordinate their activities, and to adapt generic programmes/measures to local geographic constraints or opportunities. Thus in the A regions there was a greater likelihood of effective collective decision-making, co-ordination between different programmes/measures and sensitivity to local conditions. This seems to have resulted in more effective governance, which supported stronger economic development. In the B regions, the governance system tended to be more fragmented, and policy less focussed upon the needs of rural areas. The results of the qualitative analysis of the survey results added support to this conclusion. Thus the A regions were perceived as significantly more bottom up, flexible, person orientated and informal, and slightly more integrative, co-ordinated and decentralised. The B regions were, by way of contrast, more institutionalised, more rigid, more exclusive, more top down, and slightly

more formal. Policy implementation in the A regions tended to be more often described in terms of words such as “optimistic”, “energetic”, “proactive”, “independent”, “initiative”, “co-operative” and so on. In the B regions the vocabulary tended to be more negative; “conflictful”, “self interest”, “apathetic”, “low morale”, “lacking identity”, “passive”, “dependent”, and “lacking initiative”.

Only a few of the all interviewees considered that there is a clear common vision of their region’s future developments. The vision is rather clear for some administrative units, which have been involved in the visioning process. There are many sectoral visions in the case study regions in both the A and B regions. The interviewees assessed that having a comprehensive regional vision is almost an utopistic goal because so many organisations and sectoral views are involved in regional development action. The interviewees considered as well that comprehensive and collectively developed plans are less important for the success of collaboration than good personal relationships and shared values. Regional development programmes were seen to be just a frame for development action.

Regarding the “barriers” of the regional development, it can be stated that different development organisations have different perceptions of regional development. Thus, the regional planners and developers should more construct the strategies and projects from all the stakeholders’ point of view. The planners and developers should have capabilities to the inter-governmental, public-private and the third sector and inter-regional networking and development action. They should understand both the strategic issues and implementation processes. It can be cautiously proposed, based on this study, that the planners and developers should establish inter-organisational forums, where common strategies and projects could be shaped. The forums should be inter-sectoral, inter-regional and international.

Moving from process to policy content, geographical location and infrastructural issues were found to be still perceived as major barriers to development in the periphery, but inadequacies of national and regional policy and administrative frameworks were cited as almost as much of a hindrance in both types of region. In terms of perceived effectiveness of different types of measures there were understandable differences between the A and B regions, the former tending to favour transport and infrastructure investment, policies for indigenous entrepreneurs (rather than large scale industries or inward investment), and soft policies focussing upon human capital development. IT infrastructural investment was not seen as a particularly effective approach (in either type of region).

The respondents in the B regions emphasised the success of their organisations in developing direct actions. In this context, the organisations in the A regions concentrate mainly on improving and strengthening the milieu of regional economic development policy, and the organisations in the B regions focus their interests to more direct actions and procedures in regional economic development policy. The respondents both in the A

regions and in the B regions rated their organisation's outcomes and benefits negligible in improvement and promotion of the infrastructure and directly business operations. However, these actions were not expected to be estimated very high while the organisations could not get directly involved in this kind of development work.

Policy incentives should recognise the regional needs in global competition. Traditional infrastructure was not seen as important development factor as it was before. It seems, on a general level, that the significance of soft policies focusing upon e.g. human capital will be a key for development in future. People's skills and education and research intenseness are crucial elements of development of regions (whether peripheral or not). Anyhow, the focus of this study was not in the role of human capital in regional development, and it should be explored more detailed. Therefore it is difficult to say whether the policy measures and incentives should concentrate more on promoting human capital than traditional physical investments.

All in all, this (admittedly simplistic) characterisation of the A and B regions carries us some way to answering the second and third research questions, which related to the effectiveness of governance in the two types of regions and the benefits for regional economic development. Clearly the governance systems of the A regions have been shown (after allowing for substantial variation between member states) to exhibit more of the characteristics of Amin and Thrift's "Institutional Thickness" and of Cook and Morgan's "Associational Economy".

In terms of Stoker's four kinds of power, regional professional authorities have normally systemic power, since they are statutory authorities for management and implementation of regional development policy. They also hold command power that relates to operational tasks like delivering information. The aim of command power is to reach control over other interests and activities in region. Systemic power seems to have been central to the governance systems of all the study regions, but perhaps especially in the B regions, where the local and regional governments combined it with command and pre-emptive power to dominate the governance milieu, with generally negative outcomes. Command power seemed to a degree be interpretive reason for reduced room to manoeuvre in the B regions.

The centre of coalition power is potential to combine the action and interests of different actors. Coalition power can be attributed to persons in different positions, because it stands for system through which particular preferred modes of policies are adopted. This was distinctive for the A regions, where enterprises and other actors had powerful status in regional governance. In the A regions the greater role of coalition power provided a more flexible, creative and positive milieu. By merging the recourses of systemic power enterprises and other actors were able to get a leading role in policy development in the A regions. However, the implementation of coalition power necessitates a specific way of thinking of policy alternatives.

Pre-emptive power can be achieved by winning the argument for individual preferences and opinions. The salient point of achieving pre-emptive power is power bargaining, through which all actors in regional governance are able to reach overall acceptance for their policy preferences. The governance in the A regions was based on flexible and integrative dealings that allowed various actors to form and lead partnerships using the information on hand. They were able to plan a policy of their own that some other actors would follow.

It is reasonable to assume therefore that the institutional milieu of these regions provides some compensation for the disadvantages of peripherality. Despite the difficulty of measurement, the survey provided some support for the concept of governance as an element of aspatial peripherality.

To sum up the results and “practical implications” of the governance study, it can be stated that regional governance action can reduce negative impacts of peripherality in three ways:

- Extensive organisational networks support innovation and regional development.
- Interactive governance process promotes innovation networks and construct socially accepted strategies and projects.
- Effective policy incentives and strategic thinking (within local, regional, national and EU levels) promotes correct set of policy incentives for regional development.

Extensive organisational structures are needed so that strategies and development actions can take their place. Extensive organisational structures and networks are also needed for a purpose of strategy making processes, allocation of funding and project generation. The governance processes are important drivers of development in peripheral areas, because they create preconditions for the strategies and project implementation. The correct set of policy incentives guide the content of development action. Policy incentives and measures are important strategic tools of development. Thus, their strategic characteristics and the contents are crucial elements in regional development.



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The AsPIRE (Aspatial Peripherality, Innovation & The Rural Economy) was a European research project funded by the EU Fifth Framework Program. The AsPIRE project has reviewed peripheral disadvantages and aimed to improve the understanding of differential performance of peripherality in six European countries.

Governance was one of the key inter-dependent themes that were examined in the research project. The two case study regions in Finland were Satakunta and Central Finland.

This publication reviews the role of governance in the context of peripherality. Basic questions asked in relation to peripherality are what government does, what it does not need to do? How can government improve on what it should be doing? Also in this context, one of the questions made is whether other parties can take over or participate in implementation of regional development?



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