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GOVERNANCE AND INSTITUTIONAL INNOVATION: THE NEED FOR STRATEGIC MANAGEMENT

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Abstract

Two contemporary trends are altering modes of governing in civic affairs and restructuring institutional relationships in public administration. Globalisation processes require sovereign states to establish new ways of dealing with forces at the supranational level, often by ceding a measure of national autonomy. Secondly, and emerging partly as a reaction to globalisation, concepts such as subsidiarity, power-sharing, partnership, localism, cohesion and convergence mean that authorities at both the national and supranational levels must take account of sub-national interests and needs. In reviewing conceptual aspects of this transition 'from government to governance', and in the context of regional and local economic development, it is argued that despite expectations to the contrary central state administrations can contrive to preserve their traditional power.

Support for this argument is provided by results from a modelling of institutional relationships, in so far as they relate to rural development, in an Irish multi-county region. Within the framework of EU financial supports there has been a profusion of partnership structures but inter-agency links are such as to maintain existing jurisdictional boundaries between institutions rather than stimulate real institutional innovation. Vertical links between local and central levels are strong but sub-national structures are more likely to influence each other at that level than to have an influence on, or be influenced by centralised state agencies.   Horizontal relationships across sectoral agencies at different levels remain weak.

The analysis indicates a limited and ad hoc adoption in Ireland of the norms of governance.   To further the transition to new modes of governing in a manner that would benefit rural areas, central state administrators would need to take more purposeful actions towards devolving power to regional and local structures, and to

transforming current institutional relationships into more strategic approaches to regional and rural development.

INTRODUCTION

One of the most striking responses of governments to the forces of globalisation is the adaptation of the processes of governing and the reconfiguration of state institutional structures and relationships. Many governments in advanced capitalist states have identified that, like the economies they govern, they too are subject to macro socio-economic forces beyond their control. These forces pose fundamental challenges for the legitimacy of independent central state administrations. At one level commentators have suggested that the growing number of supranational institutions, with political as well as socio-economic powers, has begun to 'hollow-out' the power of independent state governments (Amin and Tomaney, 1995). At another level they have identified a movement towards 'new localism' where local communities and active citizens are mobilising to significantly influence and control their own development trajectories, thereby challenging the role and function of the central state. Concurrently, trends have emerged suggesting that governments, irrespective of their spatial scale of operation, have come to realise that traditional approaches to, and mechanisms of governing are no longer appropriate under newly emerging conditions. In order to preserve their legitimacy, maintain their capacity to govern and sustain their power and influence, they are redefining their roles, reviewing their functions, reforming the public service and reassessing their relationships with private, voluntary and civic organisations. These adjustments are collectively referred to as a shift from *government* to *governance*. The term *governance* refers to "the development of governing styles in which boundaries between and within the public and private (and third) sectors become blurred" (Stoker, 1996: 2). It promotes new working relationships between governmental and non-governmental agents.

This paper is concerned with the various dimensions of this new process of governing, placing a particular focus on establishing and evaluating its implications for state and non-state institutional structures and inter-organisational relationships.

The second section of the paper decomposes the concept of governance. Beginning with a review of the various stimuli motivating central administrations to reconsider their institutional linkages, it discusses the characteristics of the new paradigm within

which national governments now operate and outlines the reasons for central state concern. After providing a detailed definition of governance the paper examines some of the practical changes involved in the transition to this new mode of governing and briefly outlines the implications of such a paradigmatic shift for social groups and central governments.

The third section of the paper illustrates how one of Europe's most administratively centralised regions, the Republic of Ireland, is embracing the concept of governance. Focusing on the role of the state in relation to rural development, a multi-dimensional task requiring an integrative approach, the Irish case affords the opportunity to examine and evaluate the structural implications of governance. Stimuli are differentiated to separate suprastate (EU), national and sub-national influences motivating the reform agenda. The nature and degree of structural adjustments undertaken to date are then outlined. Changes identified are evaluated by taking a case study of institutional arrangements in a specific area in the west of Ireland. A prospective model, designed to facilitate analysis of the policy and institutional environment which pertains to rural development, is used to investigate inter-agency influences and the effectiveness of the newly emerging institutional arrangements. The results indicate that the movement to governance is instrumental in mobilising social capital which in turn displays comparatively high levels of efficiency in stimulating development in rural areas. Results also illustrate how the inertia and self-interest of central administrative structures can impede progress both of institutional reform and of socio-economic development at the local level.

Using the conceptual framework developed earlier in the paper, the fourth section moves on to interpret the strategies adopted by the Irish government and discusses their implications for future institutional arrangements. Locally-based partnership structures are effective in the development of local areas, yet they lack legitimacy and status. There is a need to replace current ad hoc, pragmatic arrangements with a more systematic and structured approach.

The paper concludes that governance in Ireland is still in an embryonic state and will not be fully effective until the culture of central state management is transformed.

FROM GOVERNMENT TO GOVERNANCE

The context

Over the past 20 years a number of forces have emerged in combination to undermine the traditional role of central government as possessing a monopoly of political and public authority (Morison, 1997:21). Paramount among these is the acceleration towards a global economy. Globalisation influences economic, social and political processes and penetrates national and continental boundaries. It encompasses a number of international trends, for example, the global reach and scale of financial and capital structures, the transnationalisation of technology, the intensification of global communications and the increasing volume and complexity of global 'culture flows'. It legitimises internationalism, competitiveness, deregulation, the free movement of goods and services and new orders of priority in social and economic policy. At the political level these trends have significantly reduced the capacity of independent states to determine vital policy issues such as human rights, social policy, justice, and control of national economies. There has been a growth of world wide or multinational plural authority structures: the United Nations, the World Bank, The World Trade Organisation and the EU. This has produced a new upper tier in the power hierarchy and, in effect, is attempting to 'hollow out' the autonomy of the nation state (Amin and Tomaney, 1995). In this context, independent governments are threatened by supranational institutions.

Globalisation does not necessarily mean the homogenisation of conditions nor the erosion of territorial distinctiveness but rather an added set of influences on regional and local economic identities and developmental capabilities (Amin and Thrift, 1994: 2). It has been argued that there are contradictory dynamics in globalisation in so far as local communities mobilise to resist global integration (McMichael, 1996). Economic restructuring does in fact serve to emphasise local distinctiveness, reinforce regional and local identities and promote the role of local agency. In some instances the increased emphasis on 'localised action spaces' has pushed central states in the direction of supporting sub-national territories, suggesting that the national agenda may be conceding to that of lower order territorial units. In the dynamics of globalisation internationalism thus coexists with regionalism and with 'new localism'.

The concerns of the central state are therefore, shifting in two directions - upwards to the supranational level and to international priorities and downwards to the sub-national level and to local domestic issues. This 'dual orientation' (Jessop, 1997) redirects the resources of the state and reduces its capacity to exercise effective control and influence at the national level.

Certain key features of the globalisation process, especially the growth and development of transnational corporations and the increased mobility of investment capital, are worthy of separate comment. Recently, the power and influence exerted by such corporations has reached unprecedented levels. They are now thought to be as influential and powerful as national governments. Transnational corporations are, to a large extent, dictating the geography of wealth and economic development, of inclusion and exclusion (Papadopoulos, 1997). This means that they can impose considerable influence on the actions of governments, particularly in relation to the formulation of national industrial policies and the control of economic competitiveness. Transnational corporations are currently among the most influential organisations in the world.

In parallel with these macro trends, there has been a significant growth of interest in local and regional diversity. Fuelled by desires to increase local competitiveness in the global market, a resurgence of interest in the idea of *community* and in the concept of *self-help* is evident. A particular focus has emerged based on the desirability of community participation in socio-political structures, legitimised by a perceived need to correct the 'democratic deficit'. Consequences include the formation of "intermediate associations, social networks and a whole range of looser social, economic and political pressure groups" (Morison, 1997: 3), some of which have been formed in response to supranational and national policy initiatives. These groups can transcend national boundaries or may confine their activities to the local arena. Focusing on a variety of issues, from concern for the global environment to local opposition to the siting of mobile phone masts, such groups mobilise human capital and increasingly challenge the role and function of the central state. Admittedly, the 'democratic voice' of these groups can be questioned and there is the potential for the

mobilisation of efforts to serve 'elitist' objectives. However, if one accepts that all 'groups' evolve from specific shared interests or beliefs and all have equal 'rights' to voice their opinions in a democratic society, it is conceivable that they can either individually or collectively exert considerable influence on national governments or their representatives. They can fracture the focus of government and redirect attention away from issues of national significance to local and personal concerns (Kearns 1995; Morison, 1997). Increasingly, 'pressure groups' are active in lobbying, and in negotiating and competing with the central state. They signify an additional layer at the lower end of the power hierarchy, albeit, a layer with potentially strong leverages to the top.

Allied to increased community action has been the elaboration of the *active citizen* notion (Kearns, 1995; Goodwin, 1998). A better educated and more informed society, comprised of individuals who want a greater say in the formulation and implementation of policy, is demanding administrative reform to enhance the efficiency, transparency and accountability of the public sector. Critical of traditional administrative structures that appear over-bureaucratic and self-governing, they have begun to seriously question the authority and functions of the central state (OECD, 1995: 22). Perceiving a 'democratic deficit', they have been instrumental in stimulating the current debate surrounding the reform of the state apparatus and, particularly, the reform of local government.

Pressures for reform are also mounting internally within state structures (OECD, 1995). The desire to control public expenditure, to deliver (affordable) services, to reduce unfair competition, to improve the performance, efficiency and effectiveness of the public sector, all necessitate fundamental structural change. "Rather than deepening the democratic character of service delivery by accenting the politically driven structures of government, there is an almost universal trend towards depoliticising the public sector and undermining the idea that the political process can produce public sector machinery capable of delivering a full range of services" (Morison, 1997: 3).

In combination these forces dictate the new paradigm within which governments must now operate. Consequently, central states have to adjust, redefining their roles and re-aliening their functions, in order to legitimise and maintain their political power and influence. Also, they have had to transform the structures and mechanisms of public administration to produce a state apparatus capable of adjusting to changing global circumstances (Woods, 1998: 15).

Implementation of governance

Across countries there is a noticeable increase in the number and range of influences impacting on the public sphere. In the words of Marsden and Murdoch (1998: 7) "the policy world is now made up of diverse overlapping and integrated networks, often operating beyond effective control by the formal structures of government." This new governing ethos is widely referred to as *governance*. Kearns (1995: 159) defines this as:

> A system of arrangements for collective affairs whereby: firstly, organisations other than elected ... authorities (both public and private, for profit and not-for-profit) are partly or wholly responsible for the funding and/or direct provision of public and welfare services at the (sub-national) level, either separately or under contract to .... elected authorities; secondly, responsibility for allocation decisions relating to those services are partly or wholly the responsibility of people other than ... elected authority members; and thirdly, ... authorities enter into negotiations with these other organisations in an attempt to influence the level and nature of the services provided.

The concept of governance is thus wider than that of government because it incorporates the voices of non-political interests with those of politically elected representatives. In essence "governance is about governmental and non-governmental organisations working together" (Stoker, 1997: 10).

Restructuring the role of the state is reported to be characterised by a shift from 'formal control' to 'new management', a shift from the central state as 'intervenor' and 'provider' to 'facilitator' and 'enabler' (Goodwin, 1998). Generally this involves replacing the old state apparatus with new structures which encourage entrepreneurial

rather than bureaucratic management, a greater recognition of market principles, and more flexible personal regimes. This in turn requires a 'cultural' shift for those involved in the public service.

In short, following the OECD report *Governance in Transition* (1995), the practical changes being implemented include: the transfer of some power from the central state to supranational institutions; the replacement of centralised hierarchical structures with decentralised management environments; the reduction of the size of the core public service by policies of privatisation, corportisation and contractual arrangements; the promotion and development of a performance-orientated culture within the state bureaucracy; the adoption of a more client-orientated approach intended to make government more accessible and to nurture increased customer awareness and care; the establishment of greater tolerance for, and involvement with the private and third sectors; forging relationships with other levels of government, private, voluntary and civic groups; and the configuration of new state organisations, partnerships and alliances and accompanying new institutional relationships to facilitate 'new management' by the central state.

The changes are designed to maximise efficiency, minimise public expenditure, enhance the quality and responsiveness of the public sector and to increase consumer satisfaction. Responding to the call for a more democratic, open, transparent, and accountable system, governments have generally devolved responsibility for service provision to sub-national levels, requiring regional and local authorities, state agencies and semi-state bodies to form partnerships with the private and third sectors.

Implications of governance

We now consider some of the practical implications of this new mode of governing. It provides potential opportunities for citizens, groups and local authorities to exercise increased power and influence over the dynamic process of change currently underway (Kearns, 1995). For example, the promotion of dialogue inclusive of a plurality of interests suggests a movement towards an integrated approach to state interventionism which recognises the value of social capital and acknowledges the significance of spatial distinctiveness. Promoting capacity to act and react encourages

interested parties to define their own needs, and empowers them to channel resources to meet those needs. The assertion of such concepts as community and participation, partnerships and empowerment, cohesion and social inclusion affords hitherto excluded marginal and/or disadvantaged groups the opportunity to participate in the decision-making process. In turn this enhances social relations, builds confidence, nurtures leadership, fosters synergistic interactions and develops awareness and understanding. It thereby facilitates the emergence of a pluralist system with new institutional structures evident, for example, in partnerships and alliances which are accessible, flexible and democratic.

In operational practice, however, the new mode of governing may not meet all these expectations. As noted by Kearns (1995:159) the exercise of power and influence may be restricted by a number of factors. Critically, "the activities in which citizens are to engage are ... far removed from any levels of *real* political power" (Heater, 1991: 153). Central states are reluctant to devolve any real autonomy in terms of their policy formulation, regulatory and budgetary functions. By controlling the distribution of political power, as far as it can, the 'new' central state reasserts its position and provides itself with a protective mechanism to offset the threats posed to it by growing trends towards internationalism and new localism. Utilising regulatory and budgetary systems the central state can ensure that policies and practices of the private and third sectors dovetail to meet its own goals and objectives.

Secondly, as observed by Kearns (1995: 165) and later by Murdoch and Abram (1998: 42) not all citizens and communities have the abilities or resources to afford them the opportunity of equitable participation in the newly emerging institutional structures. In practice, participation becomes confined to particular classes or vested interests. In this context, marginalised or disadvantaged groups rely on the central state to intervene, to represent and to protect their interests. Their existence legitimises a continued role for the central state.

Thirdly, the shift to governance can result in a multitude of actors striving to capture and assert power. If not strategically managed, what emerges is far from a coherent effort. Relationships can be characterised by competition rather than cooperation.

Rivalry among interest groups, particularly at the local level, can be intense, limiting their collective ability to make a significant impact. The complexity of evolving structures and inter-organisational relations necessitates coordination and management. "The general significance of this is held to be a new role for the (central) state" (Murdoch and Abram, 1998: 41).

Fourthly, it is emerging, despite all the rhetoric concerning subsidiarity, partnership and local empowerment, that the central state in fact contrives to control new governing arrangements. Frequently, those participating in local partnerships, alliances and networks are *insiders* – established state functionaries – many of whom are employed indirectly by the central state in state agencies and semi-state bodies. Consequently, it is not surprising that the central state encourages a transfer of power, when it turns out to be more apparent than real. In fact, Woods (1998) suggests that, contrary to the commonly held view, the scope for democratic participation may be *narrowing* as opposed to widening, because new, evolving structures frequently are comprised and controlled by representatives of the state in one form or another.

Another factor curtailing the scope for active participation is state institutional inertia. While perspectives on governing may be changing there has not been a parallel transformation in the institutions of the central state. Bennett (1997) argues that institutional structures are relatively inflexible, slow to adjust to new circumstances, and over long periods of time, can become introverted. This is a key problem that haunts many governments, otherwise well disposed towards adjustment, and remains an unresolved issue in the move towards governance.

Finally, the apparent sharing of responsibilities between the public, private, voluntary and civic sectors has actually resulted in a blurring of responsibilities which, as Stoker (1996: 9-10) points out, makes it very difficult for the public to pinpoint who is at fault when things go wrong but facilitates the state in distancing and absolving itself from blame (Goodwin, 1998: 9).

Much of the literature advocating a shift from government to governance views the change as a means of enhancing participatory democracy and countering the negative

aspects of highly centralised structures. The underlying assumption is that devolution of control and responsibility from the central state to a range of public, private, voluntary and civic organisations operating at a variety of spatial levels is instrumental in securing local democracy and greater efficiency in public affairs. However, the discussion here highlights an apparent contradiction implicit in the governance perspective. Two aspects have been neglected. The first concerns the definition of power. There is a difference between the traditional form of control which was *'control over',* i.e. hierarchical or vertical control, and the more recently recognised new form of control, *'control to',* i.e. functional control. It is the former type of control which is being devolved; its significance has been reduced through new partnership and empowering tendencies. Local authorities and communities are being given greater control over their resources, over their development trajectories, and especially over the delivery of services. But functional control, the power to formulate and regulate policy and determine the allocation of budgets, is generally guarded by the central state.

The second aspect to be somewhat overlooked is the net benefits which accrue to the central state from engaging this new form of governing. Firstly, the position of the nation state and central government is legitimised vis-à-vis supranational, regional and local governments. Secondly, the centre reasserts its position as key decision-maker, manager and co-ordinator. Thirdly, by controlling the parameters within which new and established institutional structures must operate the central state can ensure that its own goals and objectives are achieved, and its basic powers retained. Fourthly, it can indirectly lever private sector funds and expertise through partnership arrangements. Fifthly, it can redirect the attention of regional and local authorities away from basic policy issues by ensuring they are 'fully occupied' with service provision and participatory interaction. Sixthly, central government bears much less public responsibility; this is now the domain of other arms of the state, i.e., state agencies, state appointed boards, etc. Finally, the central state, now devoid of certain traditional functions, can concentrate on national and international issues. Therefore, in practice, the shift to governance ensures that the central state is not superseded from above nor eroded from below, but is sustained as the key national decision-maker (Amin and Tomaney, 1995). The contradiction lies in the fact that central

government acts as "both the master and the client" of the system (Kearns, 1995: 164) and therefore, under camouflage, can determine and control the nature and degree of participatory democracy which emerges.

The following section draws on this conceptual framework to examine the changing nature of international–centre–local relations in the context of rural development in the Republic of Ireland.

GOVERNANCE, STATE INSTITUTIONS AND RURAL DEVELOPMENT IN IRELAND

Over the past decade there has been growing consensus that rural policy should pursue a more integrated approach to the development of rural areas (Marsden, 1998:115). This has promoted the move to 'bottom-up' multi-sectoral interventions, which not only require the integration of sectoral measures but the close collaboration among organisations actually delivering them. Accordingly, throughout Europe, but particularly in Ireland, there has been substantial change in the range and diversity of institutions impacting on rural areas. This institutional innovation provides an ideal opportunity to examine the shift from government to governance. Drawing on the conceptualisation of governance presented earlier this section analyses the experience of Irish institutions in the practice of 'rural development'.

Supranational influences

Governance is at the heart of the EU project where states pool their resources and negotiate arrangements in what has become known as 'European administrative space'. The institutional structures of the EU are not insulated from the macro economic and socio-political forces outlined earlier. As a consequence they are constantly reasserting their positions and formulating policy directives to establish their power, in consolidating the Union. In this context the concepts of economic and social cohesion and European integration have emerged. What could be described until recently as 'national' economies have been 'regionalised' and this has heightened the need for regional, as distinct from central state channels of political representation (Andersen and Goodman, 1994). The institutions of the EU have

directly intervened to mobilise and legitimise sub-national organisational structures as a strategy for enhancing their own powers vis-à-vis independent state governments.

Such movement is clearly visible within the realm of EU initiatives designed for the development of rural areas. The forging of new relationships between the suprastate and the sub-state was initiated by the European Commission in 1988 in its document *The Future of Rural Society* (CEC, 1988). A new area-based approach to rural development was advocated, one which acknowledged the significance of place-specific solutions to place-specific problems. The Commission argued that rural development policy "must be geared to local requirements and initiatives .... and must place particular emphasis on making the most of local potential" (CEC, 1988: 48). To motivate national governments to participate in this new approach an increased proportion of the Structural Funds budget was allocated to initiatives for rural development.

To access EU funds national governments had to submit development plans, the details of which were to be "worked out through negotiation between the Commission, the national government and local bodies working in partnership" (Ward and McNicholas, 1998:28). This officially instigated the shift to governance of rural areas. The Commission envisaged the creation of a "network of rural development agencies (or agents) to play a stimulating, mobilising and co-ordinating role" (CEC, 1988: 62), arguing that the involvement of local and regional authorities and regional interest groups was critical to overcoming barriers to local development. Stressing the importance of local dialogue, integration, participation and empowerment, the Commission set the context within which independent governments, if not already embracing the principles of local governance, had to actively engage with the concept. Subsequent European initiatives, such as the LEADER Programme, have maintained emphasis on collaboration between public, private and third sector organisations operating at various spatial scales.

The national context – government in practice
The 'Europeanisation' of the Irish rural development agenda was manifest as a 'reactive' mode on the part of the Irish authorities. Ireland does not have a separately

formulated rural development policy as such. Nor is there a single administrative structure with responsibility for integrated rural development. There is a Minister of State with special responsibility for rural development in the central state Department of Agriculture and Forestry, but at least four other Ministers have responsibility for some aspects of rural development. Under these circumstances there was no readily available co-ordinator to operationalise the partnership envisaged by Brussels.

Coupled with this, central government has historically had an uneasy relationship with its counterparts at regional and local level. As one observer noted: "The disdain at the central government level for the entire principle of regional development became particularly obvious when Regional Development Organisations (RDOs) were (ironically) abolished, allegedly in the interest of the economy, in 1987" (Ó Cearbhaill, 1992: 212). One cannot help but wonder if attitudes at the centre would have been different, had central decision-makers known, in advance, the approach to be taken by the EU Commission. Although the RDOs had relatively little power, Ó Cearbhaill (1992: 212) notes that they did provide "a useful forum" for public representatives and statutory officials to work together.

This trend to central consolidation and control also affected local authorities, their range of functions being confined mainly to environmental services, physical planning, infrastructural and amenity development. The reform and, more recently the abolition of the local rates (taxation) system by central government further reduced the autonomy of the local state, increasing its dependence on central exchequer funding.

The prevailing view in central government, in the mid to late 1980s, was obviously to retain power and control, and to diminish the role of the sub-national state and local community initiative. This outlook did not go unchallenged at the local level. In fact some organisations were quite vocal in calling for a reform of local government. The central administration resisted this, arguing that by European standards the size of the country predetermined its status to be that of a single region. It also proposed that decentralisation would run the risk of creating additional layers of bureaucracy and administration (Ó Cearbhaill, 1992).

Embracing a new strategy - towards governance?

To access the reformed and much enlarged EU Structural Funds, the government was obliged to reverse its centralising strategy and put in place new mechanisms for consultation and partnership development at the sub-regional level. "It had to resort at least temporarily to ... creating a new sub-national structure" (Ó Cearbhaill, 1992: 217). However, in hindsight, it appears that there was little real intention on the part of central administrators to consider anything more than a token approach to regionalism and local empowerment in drawing up or implementing Structural Fund plans. In deciding the form that the partnership should take the Government took the leeway available to it to limit the participatory element, despite local dissatisfaction and the disappointment of the EU Commissioner for Regional policy. A new set of regions was devised which had little basis in existing administrative or organisational boundaries. In each of these regions ad hoc Working and Advisory Groups were assembled to make regional submissions for a *national* plan. Key roles were confined largely to public officials, thereby controlling the parameters within which goals and objectives would be set, and restraining local participation and empowerment. The reports of the regional groups were never published nor submitted to Brussels. Instead, national plans were forwarded and were, in effect, sectorally-based measures prepared by the relevant central authorities. The regional groups were hastily disbanded but in response to pressure from the Commission central administration agreed to reconstruct them albeit in the more manageable form of Review Committees (Ó Cearbhaill, 1992: 218)

The push for governance from the sub-national level

In parallel with these developments at the centre, changes were occurring at the local level. Fuelled by the processes inherent in the development of the global economy, 'new localism' was gaining strength. The Commission's acknowledgement of the important role of local actors and its directive to include local representatives raised local expectations. The marginalisation of local interests in the consultative process denied local communities access to participatory structures. Ironically, this

stimulated further mobilisation and resulted in a number of actions. For example, community activists presented their criticisms directly to the European Parliament in 1989, by-passing national government. Criticisms focused on four main issues: decision-making powers were unduly concentrated in the hands of *insiders* - official state functionaries; the plan did not address regional problems but was more concerned with achieving national objectives; certain groups, for example, community and environmental groups, were effectively excluded from the planning process and, subsequently, from access to Structural Funds; and local authorities, including elected representatives, were given little power in determining the distribution of funds.

At another level such groups have actively involved themselves in the establishment of private and third sector partnerships. Some of these have integrated with state agencies and have succeeded in securing EU assistance directly from Brussels.

Current institutional structures and arrangements

The reluctance of central government to cede power and responsibility continues. However, more forceful intervention by the Commission, insisting on guidelines for consultation in the development of plans for the second round of Structural Funds, did lead to increased, but again tokenistic, central state interaction with non-state private and voluntary groups. In addition, under increasing pressure from the Commission and spurred by a desire to access funds, central government has facilitated the development of loose partnership arrangements.

One example stems from the EU–instigated LEADER Programme designed to find innovative solutions which will serve as a model for all rural areas and ensure maximum integration between sectoral measures. In general, LEADER groups are comprised of representatives of farming organisations, private businesses, local authorities, state-sponsored agencies, and community (voluntary) organisations. They supposedly afford, at the very least, an opportunity for local interests to participate in local development. However, a common criticism made by Irish LEADER groups is that their freedom of action is tightly circumscribed by their parent department of state and by the existing mainline agencies. Despite the apparent rhetoric towards

empowerment, cohesion and subsidiarity, the central state through programme specification and financial control keeps a tight rein on the activities of these groups.

A second example relates to the emergence of 'area-based partnerships' associated with the EU Global Grant. These are concentrated in areas of disadvantage, with a focus on integrated economic and social development. Each partnership includes representatives from the local community, from the social partners, and from statutory agencies in the respective areas. An evaluation of these structures reported that a barrier to their success was the national context of centralised and compartmentalised decision-making and the defensiveness of mainline agencies. This is an obstacle to their capacity to function at the national level and restricts them from contributing to debates concerning macro issues (Craig and McKeown 1993: 124). Another problem facing these partnerships is the under-resourcing (by central government) of the agency established to co-ordinate and manage them.

A third example concerns the County Enterprise Boards (CEBs), which have been established as another component of national development planning and are championed as being representative of local interests. These CEBs operate within the local government system in that their administrative functions are undertaken by local authority staff and, uniquely, they include listed members of these authorities. The Boards have two tasks: the preparation of action plans for the development of enterprise at local level and the provision of financial supports to smaller-scale enterprises. In practice, and given the limited powers of local government, financial grant allocation has received more attention than strategic development planning.

At this point a passing reference is necessary to the fact that, independently of EU programmes but undoubtedly influenced by them, there has been a concern in Ireland over the past decade about local government reform. A Devolution Commission was established to identify significant additional functions to be devolved to local government, having regard to principles of subsidiarity, accountability, integration, effectiveness and participation. In an interim report of 1996 the Commission identified a number of such functions but to date no significant change has taken

place. However, the Commission has been authorised to continue its work (Government of Ireland, 1997a).

In contrast with the central state's relative indifference, enthusiasm at the local level for greater participatory democracy has resulted in much activity. Currently, the number of local area partnerships has grown to 38; there are approximately 80 local community development programmes and 36 LEADER Groups, many of which, although under various state programmes, have evolved from the activities and commitment of local individuals. The numbers, strenght and complexity of these new structures (not all of which have been mentioned here) should not be underestimated.

An OECD (1996) review of Irish local development welcomed this institutional innovativeness concluding that the partnership experience was very effective. However, the review voiced concern about the lack of a formal framework for co-operation with the normal representative democratic structures, to which the newly emerging structures have no clear accountability. For the most part, they have by-passed the system of local government and exist in "fragile democratic legitimacy" (OECD, 1996). Thus, new structures have led to a further fracturing of the institutional environment, giving rise to overlapping of functions, duplication of services and administration, and confusion for the public.

Taking on board the findings of the OECD review, a government decision of late 1996 announced that an integrated local government and local development system would be established on completion of the current round of EU Structural Funds (in 1999). In other words, there is now government concern about tidying up the looseness inherent in the proliferation of voluntary and, particularly, community-based development activity.

It remains to be seen whether possibly changed circumstances and changes of government will alter the institutional arrangements after 2000. A Policy Advisory Group for rural development has expressed concern that structures embedded in the local government system represent too narrow a base for economic, social and cultural development at county level (Government of Ireland, 1997b). The Group's proposal is

for a County Development Board which would have a significant local authority presence but would also accommodate central state agencies among other interests.

Evaluating institutional structures in the move towards governance

To date the literature concerning the change from government to governance has tended to concentrate on conceptualising and describing the process and its associated changes, rather than attempting to evaluate the impact of the change. There is a need for empirical research to overcome this information gap. Part of the problem is that analysis of institutional structures and inter-institutional relationships presents methodological problems. Standard methodologies do not facilitate the study of the dynamic nature of the institutional environment comprised of a range of organisations, representing a diversity of interests and operating at a variety of spatial levels.

Exploratory modelling of institutions

To overcome some of these problems a prospective model was developed as part of an EU funded research project[1]. The objective of the model was to devise a mechanism by which the policies and the institutional environment concerned with rural development could be evaluated. (For a full description of the model see Bousset et al, 1998). The methodology combined structural analysis with multi-criteria decision analysis.

This methodology was used in 1996 to investigate inter-agency influences and relationships in light of recent changes in the institutional environment pertaining to rural development, and to evaluate the effectiveness of the newly emerging institutional arrangements in achieving development at the local level. The methodology was applied to a study area comprising three western counties (Mayo, Galway and Clare) and representing the more rural, more agrarian, and more

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[1] This model was developed by Jean-Paul Bousset, CEMAGREF (Clermont Ferrand, France) in a collaborative research project examining the impact of public institutions and involving the Departments of Geography at the Universities of Lancaster, Caen, Valencia; the Scottish Agricultural College (SAC Aberdeen); CEMAGREF (Clermont Ferrand), Teagasc (Dublin) and the Department of Agricultural Economics at the University of Patras. The research was part funded under the EU FAIR programme.

disadvantaged regions of the Republic. In total 21 organisations were identified as having a role in rural development in the study area. The organisations and their objectives are outlined in Tables 1 and 2. The predominance of state-sponsored agencies accords with their pivotal role in Irish economic development.

Table 1: Institutions of the Irish study region	Table 2: Objectives of Irish institutions
Department of Enterprise and Employment[1]	Population stability/growth
Department of Agriculture, Food and Forestry[1]	Economic growth and sustainability
Industrial Development Authority, Ireland[3]	Job retention and creation
Forbairt[3] (industry)	Diversification of the local economy
Teagasc[3] (agriculture)	Innovation, research and development
Udarás na Gaeltachta[3]	Reduce public expenditure
Bord Iascaigh Mhara[3] (fisheries)	Increase output/value added
FÁS[3] (training authority)	Firm formation and development
Shannon Development[3]	Stimulate/increase private investment
An Board Tráchtala[3]	Import substitution
Small Firms Association[6]	Increase competitiveness
Moy Valley Resources[6]	Quality of life/socio-cultural development
Counry Enterprise Board Clare[2]	Tackling problems of peripherality
County Enterprise Board Mayo[2]	Marketing
Western Rural Development Company[5]	Training
North Connacht Farmers' Co-Op Society Ltd.[4]	Access to finance/grant aid
Business Innovation Centre[5]	Generation of wealth/revenue
Irish Small and Medium Enterprises[6]	Regional/local development
European Union[7]	Attract foreign investment
Bord Failte[3] (tourism)	Networking enterprises
IBEC[6] (business)	Partnership development
	Lobbying
[1] Central government	Reducing bureaucracy
[2] Local government	Agricultural development
[3] State sponsored agency	
[4] Private commercial	
[5] Local NGO - development	
[6] Lobby group/representative body	
[7] International	

The objectives of the organisations reveal a strong bias towards *economic* as opposed to socio-cultural or structural goals. There is an obvious emphasis on objectives which reflect the concepts currently embedded in *national* policy statements, i.e., competitiveness, value-added, marketability, quality, import substitution and economic sustainability. This shows the ability of the state to set the parameters within which organisations function and the criteria by which they are evaluated, thereby ensuring that the national agenda dominates despite the formation of local partnerships and community groups.

In total, the institutions were found to implement 73 programmes/measures which directly or indirectly impact on agricultural and small enterprise development in the study area. Broadly, these were classified into nine 'action concepts': (a1) development of agricultural resources, (a2) industrial development, (a3) promotion

and development of small and medium sized enterprises, (a4) human resource development, (a5) rural development, (a6) research, (a7) development of fisheries, (a8) tourism development and (a9) market development. Each institution is involved with at least one action concept, but most are concerned with more than one, suggesting some degree of duplication and overlap among institutions and pointing to the possible inefficient use of institutional resources and to ineffective coordination and management by the central state.

Inter-agency patterns of influence

In an attempt to ascertain the degree to which *control* is being devolved to the sub-national level, the first stage of the evaluation sought to establish the key influentials in policy and financial decision-making and what types of relationships, if any, existed between the institutions involved.

Structural analysis identified four main types of institutional policy and budgetary influentials: 'leaders', 'strong influentials', 'influentials', and 'weak influentials'. The first two categories were comprised of state organisations. Non-state organisations were predominantly classified as 'weak influentials', displaying little or no *control to* determine policy or dictate budgets for local development.

The next step was to examine *direct* inter-organisational influences. Four main points emerged:

(i) The EU, as a suprastate, exerts significant influence on the institutions of the Irish state. It was generally accepted among representatives of the organisations studied that the Commission of the EU has considerable power to influence decision-making within national government and, through its policies, to impact significantly on national sectoral agencies. The policy orientation within the Commission, and the associated allocation of funding, is understood to act as a catalyst to national policy formulation and to have a direct influence on how public bodies relate to each other and to non-governmental agents. This high level of consciousness of the power and influence of the EU bears witness to the ability of the suprastate to penetrate national

borders and to pose possible threats to existing structures by changing the context within which they operate.

(ii) Despite the fact that public agencies may operate independently of each other, there does appear to be a high rate of direct influence among them, largely related to their sectoral nature and to a high level of mutual awareness and consciousness in regard to the role and function of the individual agencies. In theory, because of the specific roles of the agencies, they are functionally linked to other agencies. In practice, however, and what is of importance to the theme of this paper, there is a low level of interaction between agencies, the reason being that their jurisdictional boundary points are clearly and widely understood. Hence, the direct influence which public sector agencies appear to have on each other is instrumental to preserving the existing (rigid) structures and cultural orientations rather than instigating any institutional restructuring. This, in turn, places institutional restrictions on the innovative ability/capacity of public institutions to respond to the specific needs of their clients, particularly at the local level and severely impedes progress towards new management, facilitation and flexibility.

(iii) Direct influence among state organisations is not necessarily reciprocated on a mutual basis. In other words, organisation A can have a direct impact on the policy of organisation B without organisation B having a direct influence on the policy statement or goals of organisation A. This suggests that there is not equitable distribution of influence - even among state agencies - which complicates working relationships between different governmental and non-governmental organisations.

(iv) State sectoral organisations appear to have limited direct influence on sub-national and/or local/community organisations. This affirms the absence of a strong territorial orientation among the national agencies, the lack of coordination of 'developmental' activities, and the failure to fully embrace and implement the concept of local governance. As already noted, there has been a reluctance on the part of central administrators, engaged in top-down approaches to development, to become actively involved with community-based initiatives. Instead, they instruct their counterparts at local level to collaborate and participate with community

representatives. However, the late 1990s may be witnessing a change of approach, with central state actors showing a greater interest in devolution and reform of local government.

In investigating the *indirect* influences among institutions, two significant points emerged: firstly, most of the agencies indirectly influence each other—this includes both public and private organisations; secondly, sub-national and/or local/community organisations are more likely to have an influence on other sub-national and/or local/community organisations than they are to influence centralised state agencies. The latter point highlights an impermeable state-orientated culture which characterises the public sector in Ireland, acting to create a barrier to true collaboration and co-operation and to active participatory democracy. The failure of public organisations to adapt to changing policy approaches, which themselves are reacting to broader socio-economic changes, underpins the central tension underlying the shift from government to governance.

Sub-national/local/community based organisations are more perceptive in regard to the institutional fabric which surrounds them, and of the opportunities and constraints which this imposes, than are state organisations; contrasting the proactive approach taken by the former with the reactive behaviour of the latter and the insecurity of the former with the security of the latter.

Other factors affecting inter-organisational relationships include statutory consultation, official collaboration and information exchange. Public institutions dominate in terms of consultation. This occurs predominantly at the national level. The primary objective is to liaise with policy makers in central government and to safeguard the role and functions of the various agents involved. State institutions are also involved with information interchange, although the degree to which agencies interact in an advisory capacity to each other appears quite limited. This may reflect a structural weakness in the current institutional network. The sub-national/local/community organisations emerge as proactive in forging collaborative links with the public sector to ensure maximum benefit is gained from available

policy incentives. Institutional relations are weakest in collective action concerning representation of particular interests and in relation to the development of markets.

Clearly, *control* of the Irish institutional network rests with central government and public agencies which share the common purpose of maximising opportunities and minimising constraints emanating from EU policies while reinforcing their power position vis-a vis newly emerging institutional structures.

Effectiveness of governance

Another objective of the analysis was to establish the effectiveness of the different types of institutional arrangements, so as to test the underlying assumption of the governance perspective, namely, that local economies and communities benefit from the devolution of responsibility and power from the central state. It must be borne in mind here, of course, that governance in Ireland has been limited.

In terms of their stated objectives, and of their relative performance in relation to the programmes and measures they implement, the organisations studied, in aggregate, were achieving some degree of success in addressing the problems of the study region. They have made a significant contribution to economic development, particularly small enterprise development, and by so doing have impacted on employment creation in the area.

Importantly, sub-national or local/community organisations are more effective in positively impacting on local development than are national organisations operating at the regional level. This is the case despite the power residing at central levels. There are a number of possible explanations for this. Firstly, as perceived in *The Future of Rural Society* (CEC, 1988), institutions based in the local area are more aware of local conditions, have better access to local knowledge/information and may be more committed to developing local resources than those based outside the area. Secondly, sub-national and local/community organisations tend to be multisectoral in their composition, engaging in a wide spectrum of activities, as opposed to the narrow single sectoral functions of the national agencies. Thus they are less restricted in the types of projects in which they become involved. Thirdly, the programmes and

measures operated by sub-national and/or local/community organisations tend to be more flexible than those undertaken by national agencies. They are more likely to be targeted to the problems of the specific area and are less likely to be subjected to the rigid bureaucratic administrative procedures which characterise national policy structures.

In relation to the potential effects of a more decentralised administrative system and greater local participation in policy and programme formulation, the model suggests that actions on this basis would greatly enhance agricultural, fisheries, rural and tourism development. Lobbying, too, would gain momentum and encourage area-based development, while ensuring local participation in the decision-making process. The effectiveness and efficiency of programmes with a high degree of dependence on public finance, (for example, larger scale industrial development, education and training, research and development programmes) would decrease. Actions concerning small and medium enterprise development and marketing would maintain their current levels of effectiveness. Thus, evaluations from this model advocate the encouragement of sub-national organisations for local development. Such participation would facilitate an integrated approach to development and act as a catalyst in increasing inter-agency contacts and synergies.

Summary

Irish state institutions have changed relatively little in character despite shifts in the orientation of public policy. Institutional structures have been conservative, and institutional behaviour serves to preserve the existing fragmented and compartmentalised structures. In the state sector vertical linkages (as between agencies and their parent departments) are strong but horizontal cooperation and coordination (across sectors and across space) is weak. Valuable efforts are being made by local and sub-national partnerships but integration with state agencies is not occurring at a pace which would maximise returns from these efforts. Development is hampered by the absence of structures that would facilitate a stronger partnership approach between government and non-government organisations. The analysis suggests that it is the institutional arrangements rather than the policy measures which require improvement.

CONCLUDING COMMENTS

This paper was organised around two main objectives: (i) the elaboration of an analytical framework for institutional analysis, drawing on the contemporary literature on governance; and (ii) the application of this framework to examining institutional structures and behaviour in Ireland, with special reference to the implementation of local rural development programmes in the EU context, and within a single region.

In relation to the concept of governance the paper discussed how, in a globalising economy, sovereign states are subject to pressures for institutional change which, potentially, reduce the monopoly of political and public authority located in central state administrations. At the supranational level independent states must cede a measure of autonomy to multinational authorities in some vital policy issues. At the subnational level, the hegemony of the state centre is challenged by the reaffirmation of regionalism and the emergence of new localism. The latter movements arise partly from the contradictory dynamics of globalisation which motivate citizen reactions against homogenising forces, but they also derive from the endeavours of certain supranational authorities to cultivate political allegiance to themselves and to boost their legitimacy downwards from the centres of independent states. These trends, in turn, are associated with new modes of governing – or governance – by which the boundaries between state, private and civic actors have become more open and fluid.

While some analysts interpret these changes as implying a diminution of central state authority, the contention of this paper is that central state administrations can counter threats to their controlling power. Various stratagems can be contrived to manage the transition from 'government to governance' so that it is only to a limited extent that the centralised state apparatus is superseded from above and influenced from below.

The paper demonstrated this point in the case of the Irish experience with institutional change, especially in implementing EU instigated rural development. The transition from government to governance has not taken place unproblematically, nor has it been implemented as a feature of strategic state management.

The Irish government passively acquiesced in the rhetoric and sentiments of governance contained in the EU Commission's various proposals but did not actively pursue their logical implication in practice. Progress towards devolving centralised power has been hesitant and circumspect, being confined to the local *delivery* of national programmes in line with nationally defined eligibility criteria (NESC, 1996: 261). Centralised state administrations remain relatively compartmentalised; the desired multidimensional and integrated approach to rural development promoted at suprastate and local levels has not been replicated by institutional coordination at the centre. These conclusions echo the viewpoint of an OECD review (1996:85) to the effect that the Irish state has been better at allowing local experimentation than at incorporating change in the organisation of the functional administration.

In Murdoch and Abram's (1998) phrase the Irish central administration has maintained 'a dominant strategic line' which has served to galvanise its position at two levels. It maintained the centre's autonomy by not conceding undue power to the local level; and by exercising its power as *the* central decision-maker for the national territory – and not conceding readily to the demands of the EU – it re-affirmed its autonomy vis à vis the suprastate. However, significantly given the theme of this paper, 'the dominant strategic line' was formulated in a context within which the Irish perspective was heavily influenced by emerging EU policy and funding mechanisms, highlighting the magnetism of the forces of the suprastate in integrating and controlling independent governments.

Administrators of the central state sought to ensure that national objectives of social and economic development were met by imposing *their* perceptions of the problems and the solutions, reflecting the traditional culture of the centralised state apparatus. However, what the Irish case illustrates, is the central state's failure to acknowledge the strength of forces impacting from the international arena. Furthermore, central bureaucrats underestimated the influence of the suprastate at local level and overlooked international evidence of the emergence of new localism. The hesitancy of the central state to acknowledge that the approach and institutional structures of

government needed attention has led to a very slow and painful transition towards governance.

Despite its initially rigid stance, the central state over the past decade has been obliged to adjust its position because of pressures from the European Commission. The Commission has been more forceful in ensuring that guidelines and procedures were adhered to in the preparation of Operational Programmes for the period to 1999. Accordingly, the central bureaucracy facilitated the development of loose partnership arrangements at sub-national level but, in emphasising the primacy of national objectives, tied partnerships into a development trajectory over which they have had little control. The appointment of representatives of state agencies to the various partnership boards and committees further strengthened the hand of the state. Discussions tend to centre around what *can* be initiated at local level within the constraints of the state system rather than what *should* be achieved. Nevertheless, what is important is that the central state has, however slowly, begun to examine other means of governing. A recent example is the establishment of a wide ranging consultative process with local and regional interests in the preparation of a White Paper on rural developemnt.

The institutional arena of Irish rural development has been marked by a proliferation of locally-based partnership structures. They have emerged as a series of opportunistic responses to EU programmes with their relatively generous funding. The case study, although limited in geographical coverage, showed these to be effective in their impact on the development of local areas. Their success may lie in the fact that partnerships and local collaborative efforts emerged in the absence of local government control. Iornically, such groups now lack the legitimacy and status that would derive from being accommodated more closely within the mainstream of public administration and this may undermine their futures.

The context in which these new partnerships evolved seems set to change significantly after 2000 when Ireland will loose its status as an Objective I region for the receipt of EU Structural Funds (as the country's GDP per capita currently exceeds the criterion level). It is possible that this 'rationalisation' of the regional and rural development

agenda, requiring the deployment of the state's own resources, will force central state administrators to re-consider institutional arrangements in light of experience gained over the past decade. On the one hand it may afford them the opportunity to further consolidate their power against regional and local interests. On the other hand, given the effectiveness of the partnership arrangement to date and the growing strength of the local lobby, they may decide to facilitate such organisations and replace the ad hoc and pragmatic institutional arrangements with a more definite networked approach. If the latter is adopted, this will call for a more deliberate and transparent application of the principles of governance which will require more purposeful action towards devolving power to meaningful regional and local structures, and towards transforming current institutional relationships to facilitate more strategic approaches to regional and rural development.

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